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(The Elías Villegas Reyes Institute for Cooperative Research and Training)

A STUDY OF
THE COOPERATIVE MOVEMENT
IN HONDURAS

By:

Jorge St. Siegens
Rubén Antonio Rosa O.
Vilma Ramírez A.

Prepared for:

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201 Continental Bldg. • 1012 Fourteenth St., N.W. • Washington, D.C. 20005

Telephone: (202) 638-4661
Cable: AGCODEV
Telex: 64253

Donald H. Thomas
President

Barlett Harvey
Executive Vice President

DIU/DI - Acquisition
Room 209 SA-18
Agency for International Development
Washington, D. C. 20523

ATTN.: Helen Davidson

Enclosed are four copies of "A Study of the Cooperative Movement in Honduras." This is the English translation of the original Spanish report by Jorge St. Siegens, Ruben Antonio Rosa O. and Vilma Ramirez A. A copy of the Spanish version was sent to you on October 4.

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Sincerely,



Suzanne M. Rucker
Director of Publications

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FOREWORD

This study responds to one of the general objectives of the IFC—to carry out research on the different levels of the cooperative movement in order to determine the needs of the movement and to plan solutions for these needs.

The unique dynamic of the movement causes constant change, a situation that requires that research be carried out frequently and dictates a methodology which stresses successive approximations for closing the gaps in our understanding created with each new situation.

It has been possible to carry out and publish this study thanks to the financial support of:

- The Friedrich Naumann Foundation.
- ACIDI: Agricultural Cooperative Development International.

We are very grateful for the support of these two institutions.

The cooperatives and federations and the public-sector institutions which spontaneously cooperated by providing information have also earned our gratitude.

We must properly acknowledge the outstanding work of Ms. Vilma Ramírez and Mr. Rubén Zúñiga Rosa, the co-directors and principal researchers, and of Dr. Jorge Santolucena, consultant for the study. The department heads and other personnel of the Instituto de Investigación y Formación Cooperativista "Eliás Villegas Reyes" (IFC: the Eliás Villegas Reyes Institute for Cooperative Research and Training) have also provided valuable support throughout this study.

It gives us great pleasure to present this study to the National Cooperative Movement, as an aid for reflection and as a starting point for all efforts directed toward understanding and resolving the problems of the movement.

REYDILIO REYES SORTO

Manager, IFC

Tegucigalpa, 6 April 1982

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TRANSLATOR'S NOTE

This report is an edited translation of the original Spanish version, Estudio sobre el cooperativismo hondureño (Tegucigalpa: IFC, 1982). Where the texts do not coincide, the English version is the definitive one.

Measurements in the metric or Honduran systems have been glossed in the text in the English system. Two units present special problems. The manzana is defined in Honduras as the equivalent of 1.72 acres. The quintal is sometimes equivalent to as much as 100 kg and sometimes to as little as 100 pounds; in Honduras it is generally taken to be 46 kg (or 0.046 metric tons), the ratio used here.

The word conscientization is used in English as a translation of the Spanish conscientización. This term is used to mean self-assertion, self-awareness and political development achieved through basic education.

An appendix lists the acronyms used in the text, together with their Spanish referents and English translations. Whenever possible, the translation used by the organization itself or in the publications of AID and other major international agencies is the one given here.

Philip Blair, jr.
Washington, D.C.
November 1982

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A.1. OBJECTIVES OF THE STUDY

This study has five objectives:

- To identify the conditions in which the Honduran cooperative movement has developed and the variables which have affected its degree of development.
- To analyze the situation of the Honduran cooperative movement from the economic, social, political and administrative points of view, both at the national level and in terms of the federations and grassroots cooperatives.
- To present the structure of the national movement and of each of the subordinate levels.
- To evaluate the impact of the cooperative movement on the economy of the country.
- To identify the problems of the Honduran cooperative movement and to establish a frame of reference for institutions interested in contributing to its development.

A.2. METHODOLOGY

This study uses the scientific methods of social research dictated by the nature and scope of the objectives. The first step was to collect all the documentation available in order then to design a questionnaire to be used in a randomly drawn sample (without replacement).

It was discovered that some cooperatives were still listed as active although they were in fact inactive or disintegrated. A decision was made to take the sample in only 16 of the 18 departments of the country; the departments of Gracias a Dios and Islas de la Bahía were excluded because of their insignificantly low number of cooperatives. The initial plan was that 30% of a total of 595 cooperatives in all the different subsectors of the movement would be sampled. There were a total of 663 cooperatives in Honduras at the end of 1980, according to the official listing of the Dirección de Fomento Cooperativo (DIFOCOOP: the Directorate for Cooperative Development). At the end of 1981, there were 771 cooperatives in the country, according to up-dated statistics. This figure does not include the cooperative enterprises governed by laws other than the Cooperative Associations Law (see section C.1.4).

Table 1
The Survey: Universe, Sample, and Cooperatives Investigated
(Part 1)

DEPARTMENT	SECTOR	Agriculture			Savings/Credit			Transport			Industry			Housing		
		X	Y	Z	X	Y	Z	X	Y	Z	X	Y	Z	X	Y	Z
Atlántida		14	4	3	7	2	1	6	2	0	0	0	0	1	0	0
Cholulca		39	12	10	9	3	2	1	0	0	2	1	1	0	0	0
Colón		78	23	18	4	1	0	1	1	1	1	0	0	0	0	0
Comayagua		8	2	3	3	1	3	1	0	0	1	0	0	0	0	0
Copán		5	2	2	8	2	2	4	1	1	0	0	0	0	0	0
Cortés		46	14	13	25	6	6	17	5	5	5	2	2	4	1	1
Intibucá		4	1	1	1	0	1	0	0	0	0	0	0	1	0	0
Lempira		3	1	1	2	1	1	1	0	0	1	0	1	0	0	0
Francisco Morazán		6	2	0	27	8	7	5	2	1	2	1	1	5	1	1
Ocotepeque		3	1	1	4	1	1	1	0	0	1	1	1	0	0	0
Olancho		14	4	2	7	2	1	2	1	0	0	0	0	0	0	0
El Paraíso		23	7	2	7	2	0	0	0	0	3	1	0	0	0	0
La Paz		1	0	0	1	0	1	1	1	1	0	0	0	0	0	0
Santa Bárbara		9	3	3	14	4	4	2	1	1	1	0	0	0	0	0
Valle		4	1	1	8	2	1	0	0	0	2	1	0	0	0	0
Yoro		47	14	10	8	2	2	5	2	2	3	1	0	0	0	0
TOTAL		304	91	70	135	37	33	47	16	12	22	8	6	11	2	2
PERCENTAGE		---	30	23	---	27	24	---	34	26	---	36	27	---	18	18

Key X : Cooperatives in the Universe
 Y : Cooperatives in Sample Drawn
 Z : Cooperatives Actually Investigated

(Continues...)

(... Continued)

Table 1
The Survey: Universe, Sample, and Cooperatives Investigated
(Part 2)

DEPARTMENT	SECTOR	Multiple Services			Consumers ¹			Coffee-Growers ¹			Fishing			TOTAL		
		X	Y	Z	X	Y	Z	X	Y	Z	X	Y	Z	X	Y	Z
Atlántida		1	0	0	0	0	0	0	0	0	2	1	0	31	9	4
Choluteca		2	0	0	1	0	0	1	0	0	0	0	0	55	16	13
Colón		0	0	0	0	0	0	0	0	0	2	0	0	86	25	19
Comayagua		0	0	0	1	0	0	1	1	1	0	0	0	15	4	7
Copán		1	0	0	1	0	0	1	1	1	0	0	0	20	6	6
Cortés		10	3	3	0	0	0	2	1	1	1	0	0	110	32	31
Intibucá		1	1	1	0	0	0	0	0	0	0	0	0	7	2	3
Lempira		0	0	0	0	0	0	2	1	0	0	0	0	9	3	3
Francisco Morazán		18	5	1	2	1	2	1	0	0	0	0	0	66	22	13
Ocatepeque		0	0	0	0	0	0	1	0	0	0	0	0	10	3	3
Olancho		0	0	0	0	0	0	4	0	1	0	0	0	27	7	4
El Paraíso		0	0	0	0	0	0	1	0	0	0	0	0	34	10	2
La Paz		1	1	1	0	0	0	1	0	0	0	0	0	5	2	3
Santa Bárbara		1	0	0	1	1	1	8	2	2	0	0	0	36	11	11
Valle		0	0	0	0	0	0	0	0	0	2	1	1	16	5	3
Yoro		2	1	0	1	0	0	2	0	0	0	0	0	68	20	14
TOTAL		37	11	6	7	2	3	25	6	6	7	2	1	595	175	139
PERCENTAGE		---	30	16	---	29	43	---	24	24	---	29	14	---	29	23

Key: X : Cooperatives in the Universe
Y : Cooperatives in Sample Drawn
Z : Cooperatives Actually Investigated

Sixty-eight of the 663 cooperatives listed were excluded: 5 were in Gracias a Dios and Islas de la Bahía, and the other 63 had already been studied in other DIFOCOOP projects, which permitted this information to be used in the analytical stage of this study. The total sample was therefore 175 cooperatives, or 29.4% of the total of 595.

Nevertheless, it must be made clear that only 139 of the 175 cooperatives included in the sample were studied, or 23.3% of the total. The 36 cooperatives not studied were:

- Twenty-six found to be inactive or dissolved.
- Ten whose representatives could not be found or which could not be reached because of difficulties with access roads.

Table 1 illustrates in greater detail the total numbers of cooperatives, the number included in the sample and the number actually interviewed, broken down by department.

A.3. ANTICIPATED RESULTS OF THE STUDY

This study has especial importance because it reflects the historical development of the Honduran cooperative movement and the problems which have beset it. It indicates the persons and institutions that have actively participated in the development of the movement, as well as the contribution of the movement to the Honduran economy.

It is hoped that the results of this study will serve as a point of departure for planning the future development of the cooperative movement and also be a trustworthy documentary source of sufficient statistical data obtained through scientifically conducted research.

B. A BRIEF FOCUS ON HONDURAS

B.1. TERRITORY AND POPULATION

Honduras is located in the heart of Central America: it borders on three countries (Guatemala, El Salvador, and Nicaragua) and is washed by both the Atlantic and the Pacific Oceans. Both coasts have important ports that provide access to the rest of the world.

Its 112,088 square kilometers (43,277 square miles) are inhabited by some 3,821,000 persons (1981 estimates). Population density is therefore 34 persons per square kilometer, or 88 per square mile.

Of the entire territory of the nation, 18% is suited for agriculture and cattle-raising, 51% is forested and 31% is deforested and exposed to constant erosion. It is important to note that approximately half of Honduras is hilly, 25% is mountainous, 16% is plains and 9% is seaside jungle. These data demonstrate the limited amount of land available for agriculture and cattle-raising.

Sixty-three percent of the population lives in the rural area, and 37% in the urban area; the majority of Hondurans are, therefore, involved in agriculture and cattle-raising.

The population is approximately equally divided by sex. Forty-eight percent of the population are younger than 14 years, 48% are between the ages of 15 and 59, and 4% are older than 60. The estimated economically active population (that is, those older than 10 years) is 2,495,959.

The Honduran's life expectancy at birth is 52.7 years.

B.2. THE SOCIO-ECONOMIC SITUATION

The socio-economic characteristics of Honduras place it among the countries categorized as "developing."

The annual per capita income is estimated to be 500 Lempiras (L 500, or US\$ 250). This is the lowest such figure in Central America and one of the three lowest in Latin America.

The distribution of income is highly unequal. The lower class, family groups with annual incomes of less than L 2,000 (US\$ 1,000), includes 79.7% of all families; this group receives only 31.8% of all income. The middle class (those with annual family incomes of L 2,000 to 7,000 or

US\$ 1,000 to 3,500) includes 17.2% of all families and receives 41.0% of all income. The upper class (those with annual family incomes greater than L 7,000 or US\$ 3,500) is 3.1% of the total number of families and receives 27.2% of the total national income.

Moreover, it must be noted that the lower class (79.7% of the families) includes a lowest category with an annual family income of under L 500 (US\$ 250), or L 60 (US\$ 30) per person; this lowest group, 44.7% of all families, receives a scant 8.8% of the total national income.

These data reflect the general situation of the country and the resulting social problems.

As a consequence, the situation in education is very unsatisfactory: 40.5% of the population 15 years of age or older is illiterate.

Likewise, the crude mortality rate is 14.2 per thousand, a rate which is greatly influenced by infant mortality rates of 128.1 per thousand in the rural area and 85.1 per thousand in the urban area. The principal causes of this high mortality include contagious diseases (both gastro-intestinal and respiratory) and malnutrition (both in terms of protein and in terms of calories). Important factors contributing to this situation are the great shortcomings in the environment in which the Honduran population lives: the precarious supply of potable water, deficient sewerage for the elimination of excreta and solid wastes, deficiencies in the control of vectors and generally unsatisfactory housing conditions.

The health of the country is endangered by the lack of hospitals and hospital equipment, as well as a lack and a maldistribution of physicians and specialized health personnel.

B.3. EMPLOYMENT

The labor force or the economically active population is estimated at 985,672 persons (or 43% of the total population) for the year 1981. This figure reflects a high dependency ratio, since this 43% of the population must provide all goods and services for the remaining 57% who play a passive role in the process of production.

The distribution of employment shown in Table 2 masks a serious problem of underemployment, disguised unemployment, and underutilization of human resources. This phenomenon is especially critical in certain primary and service activities. Moreover, the source of employment in the industrial sector has been in artisanry, though this predominance is now decreasing. According to Table 2, 86.7% of the work force is concentrated in the primary and tertiary sectors, which include the sectors that contribute most to the wealth of the country.

B.4. PRODUCTIVE ACTIVITIES

The productive structure of the country is essentially primary and very undiversified.

The agricultural sector contributed only 32% of the Gross National Product (GNP) in 1979; it absorbed 62.8% of the economically active population, and provided 78% of Honduras' exports.

Table 2
Distribution of the Labor Force by Economic Sector

Sector	Percentage of Work Force	Number of Persons
<u>Primary Sector:</u>		
Agriculture, cattle-raising, forestry, hunting, fishing	62.8%	619,002
<u>Secondary Sector:</u>		
Manufacturing industry, mining, construction	13.3%	131,094
<u>Tertiary Sector:</u>		
Basic services, transport, retail trade, banks, public services, etc.	23.9%	235,576

Source: Projections based on figures from the statistical yearbook of the Dirección General de Censos y Estadísticas (Directorate-General of the Census and Statistics) for 1978.

Within the agricultural and cattle-raising sector, the crops subsector has been and still is the most important. The crops produced are many and various. The value of the production is chiefly in coffee and bananas, but other crops also constitute a part of this principal productive activity of the country and must be mentioned: cereals, African palm, sugar cane, cotton and tobacco.

The cattle-raising subsector has been slowly gaining in importance, thanks to the expansion of the domestic market and increasing foreign demand.

B.5. OTHER ECONOMIC SECTORS

The industrial sector accounted for 24% of the GNP in 1979. Industry is chiefly dedicated to the production of consumer goods. In general, industrial development is still in its first stage.

In 1979, the services sector generated 44% of the GNP. When this contribution is analyzed, it is seen that basic services—energy, transport and communications—provided 10%, commerce provided 22% and the public administration services provided 12%.

The subsectors of forestry, hunting and fishing are important productive activities, but their contribution to the national economy is not as significant as it could be if these subsectors were exploited more rationally, with more technical sophistication and under greater control.

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C. THE RISE OF THE COOPERATIVE MOVEMENT

C.1. BACKGROUND

From earliest times, cooperation and mutual aid have been practiced in Honduras as aspects of Indian customs and traditions. Cultivating the soil in common, cooperative hunting, building houses with the assistance of all neighbors, and certain communal works (such as roads, bridges, and canals) are convincing evidence that organized cooperation was an important component of the socio-economic and institutional structure of the native peoples who once occupied the territory that later would become the country of Honduras. The majority of these ancient forms of cooperation and mutual assistance have not survived because the Spanish colonization offered them little support and encouraged (or even imposed) new forms of group action, for example the cofradías (religious fraternities) and the mayordomías (sponsorships of religious fiestas).

In the latter half of the nineteenth century, the first cooperative institution to follow rather closely the principles of the classic cooperative movement appeared: this was the Sociedad de Ladinos (the Society of Non-Indians) of Marcala, founded by a group of women in 1876 as a mutualist organization to finance the education of their children with profits produced in savings and credit operations. The Sociedad de Ladinos still exists, and since 1954 it has been registered and operated as a savings and credit cooperative. It was the first achievement of the cooperative movement in all of Central America.

The Sociedad "El Obrero" (the Worker Society) also deserves mention. It was founded in 1930 in the city of Nueva Ocotepeque as a mutualist cooperative for the benefit the workers of that part of the nation. It still exists. At the beginning of the 1950s, the first educational cooperative was founded by the students of the Escuela Normal Rural del Edén (the Eden Rural Normal School) in Comayagua. It was legally registered in 1952. The first agricultural and cattle-raising cooperative was organized and achieved legal recognition in 1953; it united farmers from Villanueva in the Department of Cortés. In that same year, the first consumers cooperative was founded, the "Mi Tienda" (My Store) cooperative in the Belén quarter of the city of Comayagua.

There have been many other experiments of a cooperative and mutualist nature in different parts of the Republic, initiated, encouraged and assisted by good Hondurans who saw in the cooperative movement a way

to put into practice their dreams for a new society based on the common good and respect for human beings. It is fitting to mention the names of the following persons: the teachers Pompilio Ortega and Herminio Fajardo, the journalist Julián López Pineda and the lawyers Guillermo López Rodezno, Manuel Luna Mejía, Miguel Villamil Luna, Elisio Pérez Cadalso and Héctor Leiva Barbieri.

C.1.1. INSTITUTIONAL GROWTH

The beginning of the 1950s marks the true birth of the cooperative movement in Honduras within an institutional framework. This was motivated by Dr. Jorge St. Siegens, who had recently emigrated from Europe in order to organize the School of Economics of the Universidad Nacional Autónoma de Honduras (UNAH: the Autonomous National University of Honduras), which he served as technical director and professor during the early years. At his initiative, the cooperative movement was introduced as an elective subject in the economics curriculum. At the same time, Dr. St. Siegens, as chief of the technical division of the Banco Nacional de Fomento (BANAFOM: the National Development Bank), proposed and founded the cooperatives section of that state banking institution.

It is important to point out that there were three motives for promoting the cooperative movement in Honduras:

- To use cooperative organization to provide the financial and technical assistance of the state and of bi- and multi-lateral development institutions to the poor and marginal masses who comprise the greatest part of the population of Honduras.
- By using the cooperative system, to offer the Honduran people the possibility of organizing free enterprises based on principals of self-help, self-management and self-responsibility that would be able successfully to challenge abusive commercial competition as well as excessive state interventionism.
- To encourage attitudes and activities that are truly democratic.

C.1.2. LEGAL RECOGNITION

In the years following the creation of the chair of the cooperative movement in the school of economics in 1950 and the cooperatives section in BANAFOM in 1953, the first economists trained in the country participated actively in fostering the growth of the movement. Among the outstanding figures honored as the true architects and leaders of the cooperative movement are, first, Marcial Solís, and then Ramiro Rodríguez Lanza, Eduardo Mendieta and Darío Montes. The following members of the personnel of the Cooperatives Section of BANAFOM also merit especial recognition: Rubén Solano Díaz and Manuel Chinchilla, as well as Carlos H. Matute, who also was an outstanding participant in drafting the Ley de Asociaciones Cooperativas (the Cooperative Associations Law).

C.1.3. LEGISLATION

The 1924 Honduran Constitution mentioned the fostering of cooperatives as a function of the State.

Efforts had been made as early as the 1930s to create a consistent body of law to encourage the development of the cooperative movement. In 1936, the first Cooperative Associations Law was decreed, to regulate the sale of merchandise by installments. This Law could not be amplified in any important way, since neither the Civil Code nor the Commerce Code then in force included provisions for fostering and regulating cooperative enterprises.

The Commerce Code of 1940 included a chapter on cooperatives; the standards of the sociedad anónima (corporation) and the sociedad en comandita por acciones (joint stock company) were applied. In 1949, a new Commerce Code was issued; in it, cooperatives received more specific treatment. Nevertheless, cooperatives were always included among the commercial firms; consequently, there was no substantial improvement over previous legislation. At the suggestion of Mr. St. Siegens, with the cooperation of Lic. C. H. Matute, with the legal advice of the first President of the Banco de Fomento, J. López Rodezno, and with the support of a group of deputies who were convinced of the benefits of the cooperative system, the Law of Cooperative Associations was introduced in the National Congress in March of 1954. It was passed as Decree No. 158 in that same month. The law created the Dirección de Fomento Cooperativo (DIFOCOOP: the Directorate for Cooperative Development) as the state institution to foster the cooperative movement in Honduras. DIFOCOOP began to operate on 1 July 1955. The 1954 law was regulated by Resolution No. 745 of 1956.

There have been four subsequent minor reforms of the law to date: Decree No. 139 of 1959; Decree No. 51 of 1965; Decree No. 139 of 1969; and Decree 91 of 1971. Executive Resolution No. 149 of March 1966 reformed the pertinent regulations.

The Agrarian Reform Law issued as Decree No. 170 of 1974 also contains provisions concerning cooperatives (Title IV, Chapter II, Section 2). The experiences accumulated made necessary a wider and more well defined body of law. For this purpose, the National Constituent Assembly promulgated the Ley de Empresas Cooperativas Agroindustriales de la Reforma Agraria (the Law of Agrarian Reform Cooperative Agro-industrial Enterprises), Decree No. 52 of March 1981.

To complete the review of legislation on cooperatives, it must also be mentioned that the Labor Code, decreed on 1 June 1959, deals with cooperatives at Chapter I, Article 460.

C.1.4. THE EXPANSION OF THE MOVEMENT

By promulgating the Cooperative Associations Law and creating DIFOCOOP, the state had taken charge of furthering the movement in 1954, but the real take-off and boom of the movement occurred when the postulates of the modern cooperative movement took deep roots in the awareness of Hondurans thanks to the educational campaigns carried out by enthusiastic cooperativists in all corners of the Republic.

Between 1950 and 1969, some 260 cooperative enterprises were established in Honduras. From 1970 to 1977, 442 more cooperatives were

- legally established, and now a total of 771 are duly registered with the Directorate of Cooperative Development. The cooperative associations "in the process of formation" are not included in this figure, nor are the Empresas Asociativas that have been established under the provisions of the Agrarian Reform Law nor the Planes Cooperativas de Base Sindical (Grassroots Union Cooperative Plans) organized under the norms of the Labor Code.

C.1.5. FOREIGN AID

Since the 1960s, the conclusions of the Punta del Este conference and the policies of the Alliance for Progress have established the framework for the development of cooperatives in Latin America in general and in Honduras more specifically.

Already in the preparatory phase of cooperative development in our country, foreign organizations such as the OAS (the Organization of American States), AID (the U.S. Agency for International Development), ACIDI (Agricultural Cooperatives Development International), CUNA (Credit Union National Association) International and the specialized organisms of the United Nations such as UNDP (the United Nations Development Program), ILO (the International Labor Office) and FAO (the Food and Agriculture Organization) were providing technical and financial support to strengthen the incipient movement. This assistance included the provision of technical consultants, invitations to educational events and conferences, the award of fellowships for the purpose of training local technical and administrative personnel, and other activities.

Later, the national cooperative movement took advantage of the experiences and the assistance of international organizations such as the Organización de las Cooperativas Americanas (OCA: the Organization of Co-Operatives of the Americas), CABEI (the Central American Bank for Economic Integration), IDB (the Inter-American Development Bank), COPAC (the Committee for Promotion of Aid to Cooperation), the Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC: the Latin American Confederation of Savings and Credit Cooperatives), the Sociedad Interamericana de Desarrollo de Financiamiento Cooperativo (SIDEFCOOP: the Interamerican Society for the Development of Cooperative Financing), the Asociación Latinoamericana de Centros de Educación Cooperativa (ALCECOOP: the Association of Latin American Cooperative Education Centers) and AIC (the American Institute of Cooperation); of religious institutions such as Misereor; and of bi-lateral development programs such as CIDA (the Canadian International Development Agency), SIDA (the Swedish International Development Agency), IAF (the Interamerican Foundation), Oxfam, CENEC, the Pathfinder Fund and the Friedrich Naumann Foundation, to mention only some of the institutions which have had and continue to have interest in the progress of the cooperative movement in Honduras. Many of these institutions are identified in our country with the cooperative projects which they have helped to establish.

For Honduras, it has been a matter of pride and also of gratitude that some of our cooperatives and cooperative institutions have been able to

repay some small part of the assistance received from abroad by offering technical assistance in turn to other countries with developing cooperative movements.

C.2. THE IMPACT OF THE COOPERATIVE MOVEMENT

C.2.1. THE PROCESS OF ORGANIZING THE PEOPLE

Without a doubt, the cooperative model is among the pioneering forms of social organization among the Honduran people in the last hundred years. But in addition, it has established standards for the people of Honduras in the creation of other kinds of organizations that have arisen subsequently to respond to the different needs felt in the course of time. The demonstration and multiplier effects of the cooperative model must be analyzed in the light of its many trends in order to see how great has been the impact of the model on the different socio-economic strata of the population, since cooperatives eminently involve many classes of the population.

Another contribution of cooperatives to the organizational process of the Honduran people has been to permit the social rise of their members, which has in turn had a beneficial influence in the growth and the efficient administration of new organizations and made it easier for the state to channel resources toward the populace.

The following fact makes clear the magnitude of this impact: at this time, the cooperative movement unites a membership of approximately 113,000 associates who, with their families, comprise a beneficiary population estimated at more than 600,000 persons in 1981.

C.2.2. THE PARTICIPATORY PROCESS

As an enterprise, the cooperative fosters within itself democratic and active participation; it thereby develops in its associates a constructive and involved awareness and gives them a reasonable degree of responsibility. These qualities are then projected into other aspects of their lives.

This participation fosters the development of leaders and directors who rise through the ranks in the movement and reach positions which permit them to participate in making decisions at the highest political level in the state development institutions with ties to the cooperative movement.

The cooperative movement in Honduras has contributed to the fact that Honduran citizens now take a more aware role in the institutional life of the country. It has achieved the transformation of persons from simple spectators—mere recipients or beneficiaries—to active participants in projects and state services, to persons with greater commitment to the Honduran development process.

C.2.3. CAPITALIZATION THROUGH SAVINGS

Capitalization through savings is a recent phenomenon among middle and lower class Hondurans. This process effectively began in the 1950s, when savings services were created in the existing state and private banks.

Until that time, the habit of saving had been little developed and savings had been exclusively devoted to consumption.

In the 1950s, the Banco Central (Central Bank) and the Banco de Fomento del Estado (the State Development Bank) were founded. Before this date, there had only been private banking, chiefly dedicated to handling the funds of the transnational companies involved in banana-growing, forestry and mining, all for the export sector. For this reason, private banking institutions had their headquarters in the northern part of the country.

The use of money was very restricted, since only coinage existed and it was difficult to use and to circulate. In the villages, commercial transactions were carried out through barter and the exchange of products.

It was the savings and credit cooperatives, and later the savings and loan associations, which made a savings service possible. They were, moreover, the pioneers in operating wholly with national funds. (As a general rule, the private banks operated with foreign resources, loaned almost exclusively for commercial transactions.) In this context, it must be noted that in Honduras the cooperatives have been the true proponents of the savings habit, and have thereby provided benefits to the poorer sectors of the population. According to the records of the Federación de Asociaciones Cooperativas de Ahorro y Crédito de Honduras (FACACH: the Honduran Savings and Credit Cooperatives Federation), its affiliated cooperatives have a total of L 39,900,000 (or US\$9,950,000) in members' contributions and savings in 1981. Another merit of the Honduran cooperative movement is that it has made savings possible under the conditions typical of the cooperative movement—that is, in a gradual, progressive and systematic form.

C.2.4. THE PROVISION OF SERVICES

Because Honduras is a poor country and the services of the state are not only weak but insufficient to cover the many necessities faced by its people, the growth of the cooperative movement has contributed greatly to the solution of problems.

This activity of the cooperatives is more significant in the rural area, which receives fewer services from state and private institutions. Nevertheless, the cooperatives, including those of labor unions, have also had an important role in urban areas and continue to have this role. They meet all sorts of needs for the working classes.

The diversity of cooperatives in the different subsectors of the movement and the variety of services which they provide both contribute significantly to the process of the socio-economic development of the country, as well as to the well-being of the population. Without denying the merits of the eminently economic services provided by cooperatives, it is necessary to emphasize their educational and training functions, which have had immensely important results in the social rise of the populace.

In the following chapters the services which the cooperative movement provides its beneficiaries will be presented in greater detail.

C.2.5. ACQUISITION OF TECHNOLOGY

It would be excessive to list the technological advances which cooperatives have now achieved, but part of their development is due to the use of a range of new technologies. The boom in the agricultural cooperative movement has made possible a process of transferring technological knowledge to cooperative members by state and foreign development agencies. These efforts would have been both complicated and very costly if carried out on an individual basis. The transfer of technology to these grassroots groups favors the understanding of the material taught, which is then reinforced by means of interchange within groups in a constant process of feedback. Faced with the traditional and empirical attitude of the campesino in his subsistence economy, cooperatives promote modern techniques of work in the countryside. The result is greater production and higher productivity.

The Honduran movement has benefitted and continues to benefit in the educational area by accepting the modern technologies of the world cooperative movement.

Education is not only a necessity; it is also a duty and a right intimately related to the institutionalization and integration of the cooperative movement. Seen from this point of view, education is a means for making the different technologies of the discipline reach the productive sectors. In Honduras, education is so important in the cooperative movement that it has become an area of top priority for the use of national and international resources in support of the movement.

The movement created its own training institution at the level of its maximum organism--the Confederación Hondureña de Cooperativas (CHC: the Honduran Confederation of Cooperatives). From this platform, it has been able to design its own educational methodology for the transfer of different technologies.

Because of their very nature as non-profit enterprises, cooperatives acquire technologies from different administrative systems in order to form their own system, and adjust that system constantly to their own needs and possibilities.

In fact, the following five stages are seen in the administrative process of the cooperatives: planning, organization, supervision, coordination and control. These stages have been adapted from commercial enterprises and have been applied to the special needs of cooperatives according to the provisions of the Commerce Code.

Communication, information, consultation, democratic administrative principles and education are the factors which form the basis of decision making in the cooperatives. From this, it can be inferred that the situation of each cooperative is distinct, in keeping with the mix of these factors, and that the process through which each cooperative passes is unique.

In the acquisition of technology in the different areas listed before, the cooperatives form a continuum in keeping with their abilities and their grade of development.

The efforts made by the Honduran cooperative movement for the acquisition of technologies for the creation of their own methodologies are shared by other solidarity organizations and, more specifically, by those which operate in the agricultural sector. All of this has been achieved thanks to the universality and polyvalence of the cooperative movement.

C.3. THE INTEGRATION STAGE

C.3.1. FEDERATIONS

The development of federations within the cooperative movement dates from 1963 and is the result of the following principal factors:

- The efforts to achieve an integrated policy as a part of the strategies of the Alliance for Progress.
- The foreign assistance received from AID through agreements with CUNA International and ACDI.
- The dynamic participation of the leaders of the cooperative movement themselves.
- The creation of the Unión Nacional de Asociaciones Cooperativas de Honduras, Ltda. (UNACOHL: the National Union of Cooperative Associations of Honduras, Ltd.), which carried out the first three national congresses of the cooperative movement.
- The organization of the Instituto Hondureño de Estudios Cooperativistas (IHESCOOP: the Honduran Institute for Cooperative Studies), with Lic. Marcial Solis as rector. This institution took responsibility for the organization of the fourth national congress of cooperatives.

These accomplishments lead to the organization of the following federations, half of those that now exist:

- The Federación Hondureña de Cooperativas de Vivienda (FEH-COVIL: the Honduran Federation of Housing Cooperatives), founded on 30 September 1963.
- The Federación Nacional de Cooperativas de Transporte (FENA-COTRAL: the National Federation of Transport Cooperatives), 22 March 1966.
- The Federación de Asociaciones Cooperativas de Ahorro y Crédito de Honduras (FACACH: the Honduran Savings and Credit Cooperatives Federation), 3 April 1966.
- The Federación Hondureña de Cooperativas Cafetaleras (FEH-COCAL: the Honduran Federation of Coffee-Growers' Cooperatives), 3 September 1966.
- The Federación de Cooperativas Agropecuarias de Honduras (FECOAGROH: the Honduran Federation of Agricultural Cooperatives), 11 December 1969.

The remaining federations were created in the 1970s, because of the following factors:

- Sixty-three percent of the cooperatives that existed in 1977 had been founded in this same decade.
- The National Agrarian Reform Plan was included into the National Development Plan; the Agrarian Reform Plan, in turn, viewed the cooperative model as the ideal form of campesino organization.
- The territorial expansion of the movement because of the massive upsurge of cooperatives in rural areas.
- The creation of open cooperatives with a greater range of activities and more modern and innovative characteristics.
- The growth of federated campesino organizations which extended their actions on the national level.
- The creation of the Comité Nacional de Integración Cooperativista (National Committee for the Integration of the Cooperative Movement) in 1971. This committee became the Confederación Hondureña de Cooperativas (CHC: Honduran Confederation of Cooperatives) in 1974 and this new organization organized the fifth, sixth, and seventh national cooperative congresses.

The eighth congress in 1975 and the ninth in 1976 were organized by the CHC and the technical office of the Instituto de Investigación y Formación Cooperativista "Eliás Villegas Reyes" (IFC: the Eliás Villegas Reyes Institute for Cooperative Research and Training).

- The work of the IFC, founded in 1974, in the fields of motivation, conscientization, and training.

The following additional federations have been founded since the 1970s:

- The Federación Nacional de Cooperativas Cañeras (FENACOCAL: the National Federation of Sugarcane Growers' Cooperatives), founded on 26 June 1972.
- The Federación de Cooperativas de la Reforma Agraria de Honduras (FECORAH: the Federation of Cooperatives of the Agrarian Reform of Honduras), 9 January 1974.
- The Federación Hondureña de Cooperativas Agroforestales, Ltda. (FEHCAFOR: the Honduran Federation of Forestry Cooperatives, Ltd.), 28 April 1975.
- The Federación Hondureña de Cooperativas de Transporte de Carga (FEHCOTRAC: the Honduran Federation of Cargo Transport Cooperatives), 1975.
- The Pre-Federación de Cooperativas de Servicios Múltiples y Consumo de Honduras (PRE-FECOSEM: the Honduran Pre-Federation of Multiple Service and Consumers Cooperatives), January 1975.

- The Federación Hondureña de Cooperativas Industriales, Ltda. (FEHCIL: The Honduran Federation of Industrial Cooperatives, Ltd.), 14 November 1976.
- The Unión Nacional de Cooperativas de Honduras (UNACOOPH: The Honduran National Cooperatives Union), 16 January 1977.

The following regional organizations of the Asociación Nacional de Campesinos de Honduras (ANACH: the National Association of Campesinos of Honduras) were also formed:

- The Cooperativa Agropecuaria Regional Alianza Occidental, Ltda. (CARAOL: the Alliance Western Regional Agricultural Cooperative, Ltd.), founded on 3 December 1977.
- The Cooperativa Agropecuaria Regional Atlántida, Ltda. (CARAL: the Atlántida Regional Agricultural Cooperative, Ltd.), 22 November 1978.
- The Cooperativa Agropecuaria Regional Guaymas, Ltda. (CARAGUAL: the Guaymas Regional Agricultural Cooperative, Ltd.), 2 September 1979.
- The Cooperativa Agropecuaria Regional Colón, Ltda. (CARCOL: the Colón Regional Agricultural Cooperative, Ltd.), 19 August 1979.
- The Cooperativa Agropecuaria Regional Olancho, Ltda. (CAROL: the Olancho Regional Agricultural Cooperative, Ltd.), 30 March 1980.
- The Cooperativa Agropecuaria Regional del Centro Francisco Morazán, Ltda. (CARCEFMOL: the Central Francisco Morazán Regional Agricultural Cooperative, Ltd.), 18 January 1980.
- The Cooperativa Agropecuaria Regional Cortés, Ltda. (CARCOTEL: the Cortés Regional Agricultural Cooperative, Ltd.), 6 July 1980.
- The Cooperativa Agropecuaria Regional Choluteca, Ltda. (CARCHOL: the Choluteca Regional Agricultural Cooperative, Ltd.), 24 January 1981.
- The Cooperativa Agropecuaria Regional Comayagua, Ltda. (CARCOMAL: the Comayagua Regional Agricultural Cooperative, Ltd.), 5 February 1981).

C.3.2. THE C.H.C. AND THE I.F.C.

The CHC began to take shape with the creation of the National Committee for the Integration of the Cooperative Movement, which had been envisioned by its leaders as a first step in the orderly creation of a national confederation. The committee was founded in the city of Choluteca in 1971, as a fruit of the Fifth National Congress of Cooperatives. This Committee then became the provisional directorate of the Administrative Council of the Confederation.

Some of the leaders who played important roles in the committee were Adán Banegas Luque, Orlando Iriarte, Carlos Martínez, Oscar Pinto Rossel, Fausto Erazo and Jesús Yacaman Ali.

The CHC was founded in Tegucigalpa on 26 November 1974 and legally recognized by Resolution No. 159-76 of 19 May 1976. According to its bylaws, the purposes of the CHC are to represent, defend, promote, spread and consolidate the cooperative movement in the country. It can undertake any or all of the following activities for these ends:

- To represent the cooperative movement at the national and international levels.
- To defend the rights and interests of the cooperative movement.
- To promote the development and integration of the cooperative movement.
- To defend the principles of the cooperative movement.
- To accomplish the participation of the cooperative movement in agencies involved in national development policy.
- To promote and assist research, discussion and the resolution of the common problems of its affiliates and to assist in the solution of these problems.
- To achieve the improvement and enforcement of Honduran legislation on cooperatives.
- To apply for, to contract for and to obtain technical and financial resources with which to accomplish its ends and purposes.
- To create a financial entity belonging to the cooperative movement.
- To promote and spread education in the cooperative movement.
- To offer insurance and financial services according to the needs of the federations and the cooperatives.
- To direct the operations of the IFC.
- To manage, coordinate and offer services to its affiliates in the fields of technical, administrative, educational or other assistance which might be required.
- To promote and establish good collaborative and commercial relations with firms and persons in Honduras and abroad, and with government agencies and with other entities, in order to facilitate business negotiations and transactions with the Confederation and its affiliates.
- To elect the representatives, proprietors and alternate representatives of the movement to pertinent organizations.
- To standardize the technical norms for the administration, operation, supervision and education programs of the federations and cooperatives, as well as to provide them with legal, economic and promotional assistance.

- To accomplish any other activity which tends to improve the social and economic conditions of its affiliates and of the Honduran cooperative movement.

THE STRUCTURE OF THE C.H.C.

Chapter III, Article 5 of the bylaws of the CHC establishes the following provisions:

The administrative management and supervision of the Confederación Hondureña de Cooperativas will be the responsibility of the following organisms:

- a) The General Assembly,
- b) The Administrative Council,
- c) The Supervisory Board, and
- d) The General Manager's Office.

Article No. 32 of the same bylaws states:

In order to provide permanent and constant representation for the Administrative Council, as well as to assure the control and execution of its resolutions, an executive committee is created. It will have the powers indicated by the administrative council.

Seven of the ten legally established federations are members of the Confederation. These seven federations represent approximately 470 cooperatives, or 66% of the cooperatives existing in Honduras in 1980. The federations which are members of CHC are for the most part those which have achieved a higher level of development. They are:

- FACACH (savings and credit cooperatives).
- FEHCOCAL (coffee producers' cooperatives).
- FEHCOVIL (housing cooperatives).
- FECORAH (agrarian reform cooperatives).
- FENACOTRAL (transport cooperatives).
- FECOAGROH (agricultural cooperatives).
- FENACOCAL (sugarcane producers' cooperatives).

The confederation arose as the product of various congresses of the cooperative movement, and therefore responds to the needs, concerns, and aspirations of the national cooperative movement, expressed in the objectives and purposes of its bylaws.

But this highest organism of the Honduran cooperative movement has not been able to satisfy the concerns and needs which led to its formation. There are a variety of reasons for this failure. An analysis of the performance of the CHC by the National Leadership Seminar held in December of 1980 (with the technical coordination of the IFC) reached the following conclusions:

- The confederation itself had disintegrated.

- Not all of the cooperatives were integrated into federations.
- The CHC did not represent the reality of the national cooperative movement.
- The attitude of the state toward the cooperative movement, as expressed by its specialized agency, was unclear.
- The legislation of the cooperative movement was not in keeping with its circumstances and dynamics.

THE I.F.C.

The IFC arose as the result of several congresses of the cooperative movement. The idea was born in Choluteca in a motion presented by Lic. Mario E. Figueroa Flores, the representative of FACACH. The draft legislation was approved in the congress held in the city of Ocotepeque and finally it was referred to a special committee for subsequent polishing. The final version was presented at the congress in Comayagua. The IFC, considered to be the technical branch of the CHC, was formally created on 6 November 1974 and it began operations on 2 January 1975.

The highest authority of the IFC is the Administrative Council, comprised of five representatives of the confederation and a representative of DIFOCOOP, all of them appointed for five-year terms.

In order to carry out its decisions, the council appoints a manager who is responsible on the administrative level for activities in the fields of education, technical assistance and research, each of which is the responsibility of a separate department. These three departments work in intimate coordination with each other and with the support of the administrative department.

Throughout its existence, the IFC has created and improved services for the benefit of the cooperative movement and other institutions. As a result, it is now able to meet needs of cooperatives and federations for education, training, research and consultation.

C.3.3. THE ACCOMPLISHMENTS AND THE LIMITATIONS OF THE NATIONAL COOPERATIVE MOVEMENT

Because all sectors and all levels of the cooperative movement are immersed in the social and economic universe of the nation, they reflect the problems of Honduras. Their progress is intimately tied to the general level of development that the country has achieved at different points in its history.

The cooperative movement has been able in its period of integration to channel resources towards its beneficiary population in an organized way. It has acquired the legal status which insures that it will operate in a satisfactory manner in the administrative field. Legally recognized cooperatives have been declared by law to be associations that contribute to the public good and interest and therefore have been included in national development plans. The new constitution of 1982 establishes that the legislation on cooperatives will encourage and regulate them.

By means of the cooperatives, the people of Honduras have been involved as active participants in the social and economic development of the country, with a marked political participation in the plans and programs of development institutions. However, the limitations to the process of integrating the movement have become evident, since it has not been possible to band together all of the cooperatives. The tendency toward integration has been eminently vertical and has lacked the complementary process of horizontal integration dictated by the ideal model of integration as a response to the needs and problems of the movement.

Appointments of representatives of the cooperative movement to official agencies of the state have not been confirmed; this situation has made it impossible for the cooperative movement to play a larger role as a social and economic force.

D. SUBSECTORS OF THE COOPERATIVE MOVEMENT

D.1. THE AGRICULTURAL SUBSECTOR

This sector of the cooperative movement is the most important cooperative force in the country and includes more than 50% of all existing cooperatives.

For analytical purposes in this study, the cooperative organizations in coffee, sugarcane and forestry will be treated separately and specially; this procedure is in keeping with conventional procedures in Honduras and takes into account the economic importance of these subsectors. In the strict sense of the term, the agricultural cooperative enterprises group together campesinos and small rural producers according to whether or not they are beneficiaries of the agrarian reform. We will distinguish two subsectors:

- The non-reformed subsector.
- The reformed subsector.

D.1.1. THE NON-REFORMED SUBSECTOR

This subsector includes all the agricultural cooperatives that have not enjoyed the benefits of the Agrarian Reform. The associates of these cooperatives work their lands individually or in groups. Their lands are acquired by purchase or rental, or have been temporarily ceded by their legitimate owners. Fifteen percent of all agricultural cooperatives fall into this category, and the total membership is between 1,215 and 1,450 associates. (The fluctuation is due to the dissolution of cooperatives, which has now reached 3%.) These cooperatives are geographically scattered, but with a greater concentration in the western departments, although there are also some in the northern and central zones.

The principal products of these cooperatives are fruits and vegetables, potatoes, and staple grains. Cattle, bees and barnyard animals are also raised on a small scale.

Among the most important services these cooperatives provide their members are:

- Small sub-loans for production and consumption.
- The provision of agricultural inputs.
- Rental of machinery.
- Marketing.

The cooperatives of this non-reformed subsector display great diversity in the use of techniques and inputs: there are those that are very advanced in terms of technology, and others that still produce according to traditional empirical systems. The most commonly used inputs are fertilizers, herbicides, insecticides, fungicides and improved seed. Since these cooperatives are of little importance for the economy of the country, and since they do not exert strong pressures in demanding services from the state and other institutions, they have received relatively little technical assistance and training.

According to the kind of product, marketing is carried out at the local level for staples (corn and beans) and at the regional or national level for vegetables, fruits and dairy products. A portion of the production of honey and of forest products is marketed internationally. The collection and storage centers belonging to these cooperatives of small producers and campesinos are few and rudimentary, with the exception of the special storage facilities for potatoes which do not belong to any individual cooperative but do fulfil technical requirements for the preservation of the product (AHPROAPPA).

The credit operations of these cooperatives are assisted by loans provided by FACACH, by the state and private banking systems, and by private persons. Both the number and the amount of the loans are greatly reduced, because these cooperatives do not fulfil the requirements usually demanded as guarantees and because in general these cooperatives are formed of persons with a subsistence level of economy who do not enjoy the support that the state extends to campesinos in the reformed subsector. For these small producers, the chief sources of credit continue to be the local merchants, speculating middlemen and usurers.

Within this subsector of small-producer cooperatives, 20 cooperatives (6 of them now inactive or dissolved) are legally grouped into the Federación de Cooperativas Agropecuarias de Honduras (FECOAGROH: the Honduran Federation of Agricultural Cooperatives). FECOAGROH was created in 1969 with the collaboration of AID in order to offer its members technical assistance and credits for the production of food and the improvement of their standard of living. From 1970 to 1973, AID provided nearly L 1,000,000 (US\$ 500,000) in support of these objectives. When the assistance of this international organization ended, FECOAGROH slowly disintegrated.

The causes for the failure of the program which gave rise to the creation of FECOAGROH included the following:

- The extremely small size of some groups.
- The minuscule capitalization of the cooperatives and the federation.
- The geographic dispersion of the groups, which made it impossible to centralize operations.
- The dissolution of those cooperatives with pending obligations, and the fact that the others fell into debt to their federation, which

then arranged for and received a loan of more than L 500,000 (US\$ 250,000) from FACACH, which in turn had received the loan from the Banco Nacional de Desarrollo Agrícola (BANADESA: the National Agricultural Development Bank), which in turn had received the loan from AID.

- The gradual loss of identification by the associates with their cooperatives, and by the cooperatives with their federation.
- The loss of credit-worthiness by a majority of the cooperatives and, as a result, by their federation.
- The speed with which the process of agrarian reform developed, which meant that public-sector institutions were reoriented to provide assistance preferentially to the reformed subsector.

Since 1977, the activities of FECOAGROH have been restricted to the efforts of its manager. As an employee of DIFOCOOP, he has been assigned to the federation at no cost as the contribution of this state organism. Only a few of the cooperative enterprises of the non-reformed sector have demonstrated that they have developed enough to operate with specialized management personnel. The majority of available employees are involved in production, especially in the planting and harvest seasons.

Seventy-one percent of all of the cooperatives in this subsector are failing economically, chiefly due to the negligence and apathy of their members, to insufficient capitalization and to bad administration. Fifteen percent of the cooperatives are breaking even and 14% are acceptably successful in economic terms.

It is nevertheless important to make it clear that there are additional variables which have caused these problems: the lack of education and training, the minimal quantity of usable land and problems in marketing the products. In addition to these problems, it is also possible to sense a protectionist attitude on the part of state and international organisms, which has in turn created an attitude of dependency in the cooperatives and their members. This dependency has also played a role in the disintegration of these cooperatives. Finally, there is a markedly individualistic attitude among cooperative members, sustained by their systems of production and land tenure. This attitude is reflected in all the acts of the cooperatives and has discouraged important efforts to implement more efficient and profitable production and marketing plans.

D.1.2. THE REFORMED SUBSECTOR

The reformed subsector has been created by the implementation of the agrarian reform and consists of the groups which have been the beneficiaries of the reform. These groups are organized in a variety of ways and enjoy state protection through the Instituto Nacional Agrario (INA: the National Agrarian Institute), an autonomous institution with its own legal standing, created by Legislative Decree No. 69 of 6 March 1961 to carry out the agrarian reform.

Honduras has had many agrarian laws, beginning with the first in 1829 and including those of 1924, 1936, 1962, 1972 and 1975. However, it was

Table 3
Geographic Distribution and Form of Organization
of the Agrarian Reform Groups

Department	Total	Cooperatives	Associative Enterprises	Settlements
	106	51	27	28
Choluteca	184	49	0	135
Colón	81	80	1	0
Comayagua	98	7	0	91
Copán	69	4	0	65
Cortés	209	63	5	141
Intibucá	38	2	0	36
Lempira	34	0	0	34
Francisco Morazán	45	8	0	37
Ocotepeque	18	5	0	13
Olancho	138	16	0	122
El Paraíso	48	27	0	21
La Paz	8	0	0	8
Santa Bárbara	134	10	2	122
Valle	34	6	0	28
Yoro	142	55	16	71
TOTALS	1386	383	51	952

Source: INA, as elaborated by IFC, 1981-1982.

not until 1961, with the creation of the INA and the organization of campesino groups to work the land collectively, that concrete actions were taken. Before 1961, the predominant way lands had been adjudicated was through the assignment of family plots. Since 1962, the reformed subsector has been a social force for incorporating the campesino into the national economy.

The agrarian reform process was made more efficient in 1972, with the promulgation of Decree No. 8 for the distribution of land—a political opening for resolving some of the fundamental problems of the agrarian structure in a more flexible manner. Later, the government issued Decree-Law No. 170, which has been in effect since 14 January 1975. This new law was based on the experience which had been gained and its primary objective was expressed in the following terms:

"The Agrarian Reform is a process and an instrument for the agrarian transformation of the country. It is intended to replace both latifundia and minifundia with a system of land ownership, tenure and use that guarantees social justice in the countryside and increases the production and the productivity of the agricultural sector." (Ley de la Reforma Agraria of 1975, Article 1.)

In 1981, the reformed sector included 1,386 groups with 35,226 members. Most (68%) of these groups are campesino settlements, but the 4% that are "associative enterprises" (empresas asociativas) include 71.7 of the total number of persons. Twenty-eight percent of the groups are organized according to the cooperative model and serve 28.3% of the beneficiary population.

Table 3 presents a geographic breakdown of the different kinds of beneficiary groups involved in the agrarian reform process.

By the end of 1981, the agrarian reform process had succeeded in expropriating and adjudicating a total of 215,666 hectares (532,695 acres) of land. Of these, 91,642 hectares (226,356 acres) or 42.49% are the property of cooperative enterprises. Table 4 shows more clearly the degree to which the agrarian reform has made progress, in terms of the number of groups that have been organized, the total number of families benefitted and the amount of land adjudicated, department by department.

Table 4 shows that non-cooperative forms of organization predominate in all departments but one. The exception is the department of Colón: a colonization project there, part of the agrarian reform process, is based on induced migration and organization on the cooperative model has been a requirement for the adjudication of land. It must be noted that the fact that there is a greater number of non-cooperative groups does not signify a rejection of the cooperative model by the grassroots. Rather, this situation is a response to interests that are political in nature: the promoters of these groups fear a loss of control over these groups if they establish themselves as cooperatives and therefore enjoy greater prerogatives, greater autonomy and the protection of legal dispositions which regulate their operations.

Table 4

Cooperatives and Other Organized Groups:
Number of Groups, Participating Families, and Adjudicated Land,
By Department — 1981

Department	COOPERATIVES			OTHER GROUPS		
	Number of Cooperatives	Participating Families	Hectares Adjudicated	Number of Groups	Participating Families	Hectares Adjudicated
Atlántida	51	924	5,524	55	776	5,271
Choluteca	49	857	7,540	135	3,033	16,804
Colón	80	2,793	45,647	1	1,262	2,400
Comayagua	7	148	879	91	2,139	11,530
Copán	4	83	305	65	1,616	3,654
Cortés	63	1,408	7,007	146	3,451	16,669
Intibucá	2	113	1,127	36	674	9,698
Lempira	0	0	0	34	1,041	3,838
Francisco Morazán	8	130	776	37	1,206	4,343
Ocotepeque	5	129	935	13	252	681
Olancho	16	368	2,151	122	1,757	12,931
El Paraíso	27	632	4,084	21	352	2,635
La Paz	0	0	0	8	234	979
Santa Bárbara	10	304	1,310	124	4,481	19,750
Valle	6	93	577	28	362	2,773
Yoro	55	1,987	13,780	87	2,621	10,068
TOTALS	383	9,969	91,642	1,003	25,25	124,024

Source: INA, as elaborated by IFC, 1981-1982.

Table 5
Land Per Capita by Form of Organization,
By Department
(In Hectares per Person)

Department	Other Forms of Organization	Cooperatives
Atlántida	6.79	5.97
Choluteca	5.54	8.79
Colón	1.90	16.34
Cornayagua	5.39	5.93
Copán	2.26	3.67
Cortés	4.83	4.97
Intibucá	14.38	9.97
Lempira	3.68	---
Francisco Morazán	3.60	5.96
Ocoatepeque	2.70	7.24
Olancho	7.35	5.84
El Paraíso	7.48	6.46
La Paz	4.18	---
Santa Bárbara	4.40	4.30
Valle	7.66	6.20
Yoro	3.84	6.93
OVERALL AVERAGE	4.91	9.19

Source: INA, as elaborated by IFC, 1981-1982.

Table 6
The Reformed Subsector:
Groups, Families, and Adjudicated Land, by Department
1981

Department	<u>Groups</u>		<u>Beneficiary Families</u>		Families per Group	<u>Adjudicated Hectares</u>	
	Number	%age	Number	%age		Number	%age
Atlántida	106	7.6%	1,700	4.8%	16	10,795	5.0%
Choluluteca	184	13.3%	3,890	11.0%	21	24,344	11.3%
Colón	81	5.8%	4,055	11.5%	50	48,047	22.3%
Comayagua	98	7.1%	2,287	6.5%	23	12,409	5.8%
Copán	69	5.0%	1,699	4.8%	25	3,959	1.8%
Cortés	209	15.1%	4,859	13.8%	23	23,676	11.0%
Intibucá	38	2.7%	787	2.2%	21	10,825	5.0%
Lempira	34	2.5%	1,041	3.0%	31	3,838	1.8%
Francisco Morazán	45	3.2%	1,336	3.8%	30	5,119	2.4%
Ocotepeque	18	1.3%	381	1.1%	21	1,616	0.7%
Olancho	138	10.0%	2,125	6.0%	15	15,082	7.0%
El Paraíso	48	3.5%	984	2.8%	21	6,719	3.1%
La Paz	8	0.6%	234	0.7%	29	979	0.5%
Santa Bárbara	134	9.7%	4,785	13.6%	36	21,060	9.8%
Valle	34	2.5%	455	1.3%	13	3,350	1.6%
Yoro	142	10.2%	4,608	13.1%	32	23,848	11.1%
TOTALS	1,386	100.0%	35,226	100.0%	25	215,666	100.0%

Source: INA and IFC.

In the cooperatives, there is an average of 9.19 hectares (22.7 acres) per person; taken all together, the other forms of organization have only 4.91 hectares (12.3 acres) per person. As Table 5 shows, on a department-by-department basis, the hectareage available per person in the cooperatives is roughly similar to the amount available per person under other forms of organization. But from the national point of view, the amount of land available per person is greater in the cooperatives than in the other forms of organization.

This situation reinforces the point made before with respect to the legal provisions available to cooperatives. These provisions permit the cooperatives to demand the enforcement of the Agrarian Reform Law, while the other groups that can use only the mechanisms of political pressure are not always taken care of according to the provisions of the law.

Table 5 details the hectareage per person by department for cooperatives and for other forms of organization.

GEOGRAPHICAL DISTRIBUTION OF THE COOPERATIVES

The reformed subsector includes a total of 383 cooperatives with a membership of 9,969. Of these enterprises, 325 or 84.8% are concentrated in six departments that were declared, among others, to be priority areas for the agrarian reform: Colón, Cortés, Yoro, Atlántida, Choluteca and El Paraíso. These six departments are characterized by fertile, relatively flat lands with abundant water.

It can be calculated from Table 4 that the average number of families per cooperative varies from department to department without any evident explanation. The variables which might be taken into consideration include: population density, the number of cooperatives and whether the department is undergoing emigration. With the exception of Colón, which is chiefly populated by induced immigration, the departments with the greater average numbers of associates per cooperative are: Yoro, Intibucá, and Santa Bárbara, all of which average 30 or more families per cooperative. At the other extreme, the figure is less than 20 families per cooperative in the departments of Atlántida, Choluteca, Valle, and Francisco Morazán. The remaining departments are in an intermediary position.

See Table 6 for similar data by departments for all groups, cooperatives and non-cooperatives alike.

ACTIVITIES

The process of the agrarian reform has faced a series of problems. The majority of these are related to limits on available human and financial resources and to organizational and entrepreneurial shortcomings in the public-sector institutions executing the program and, especially, within the very units of production of the beneficiaries of the process. It has not been possible to make a quantitative measurement of the contribution of the agrarian reform to production and, as a consequence, to national economic development, since the institutions carrying out the program

Table 7
Productive Activities:
Cooperatives in the Reformed Subsector

Type of Production	Number of Cooperatives	Percentage of Total
Corn	50	13
Corn and sugarcane	8	2
Bananas and corn	15	4
African palm	65	17
Bananas	8	2
Basic grains	102	27
Corn and citrus	8	2
Palm and basic grains	50	13
Palm and citrus	8	2
Corn and cattle	8	2
Sesame	15	4
Rice and cattle	8	2
Corn and forage	15	4
Cotton	8	2
Cattle	15	4

Source: IFC survey.

program have not recorded the relevant data on what is occurring in the countryside. The research undertaken by IFC reports information on the activities carried out by the cooperatives in the reformed subsector, without taking into consideration the volume and value of production; this is because of the initial objectives and scope of the study. This information is presented in Table 7.

The classification of crops in Table 7 does not reflect criteria of quantity or importance. Also, the table does not group products by kind of crop, since each cooperative grows several different crops simultaneously. Permanent plantations are combined with seasonal crops, in order to achieve immediate income and permit subsistence while the permanent plantations come into production. On the other hand, the classification of crops does reflect an evaluation of soils as well as deficiencies in financing.

These activities in themselves do not indicate the impact of the reformed sector on the Honduran economy, or, more specifically, the impact of the agricultural cooperatives of the reformed subsector. Attempts were therefore made to obtain information from the Honduran and international organizations that work directly with the subsector. However, it was discovered that the only information available is estimates and projections which are hardly reliable.

SERVICES

The services provided by the cooperatives of the subsector are the following, according to the research undertaken: soil preparation, the provision of inputs, marketing assistance, the loan of tools, medical services, education and the provision of products through consumer stores.

These cooperatives are ones in which the principal products are produced by collective work. In addition, the members undertake individual productive activities on the marginal land which has been adjudicated to the cooperative. From this fact, it is assumed that the services which are institutional in each cooperative are medical attention, education and consumers' stores. The other services mentioned provide support for individual production. (It must be made clear that the term "individual" refers to the appropriation of the product generated by each member, and not to the productive labor itself, which is usually mixed in character.)

Of all the cooperatives in this subsector which were investigated, 31% report that they do not provide any services to their members, whereas 69% report that they do provide one or more of the services listed above. The service most commonly provided is credit, available in 28% of the cooperatives. The other services are each available in from 17% to 10% of the cooperatives.

In conclusion, the majority of the cooperatives in the subsector have not developed true awareness of the importance of providing services to their members, perhaps because of the strong paternalism of the various institutions in the public sector, which have created dependency

relationships by their aid to the cooperatives. This results from seeing loans as an end in themselves, rather than as a part of a total process of development for the groups of the subsector. In short, except for a few cooperatives, the majority have institutionalized some services, but without synergism, efficiency or regulation. They have thereby caused inequalities among the beneficiaries.

AGRICULTURAL INPUTS

Most of the agricultural inputs are used because of conditions established for securing loans, and not because the cooperatives are convinced of the importance of the benefits produced by the inputs. However, according to the degree of development of the cooperatives, some have taken to heart the importance of using this technology in the production process. The technological progress of the cooperatives is apparent, even though a certain fundamental degree of resistance to change is evident in each of their members.

These problems are identified on the basis of critical observation, but parameters are not available to indicate the magnitude of these problems. This whole topic should be the subject of a special study to determine the origin, frequency and importance of such problems.

TECHNICAL ASSISTANCE AND TRAINING

Technical assistance and training are provided by different private and public institutions, using both Honduran and international resources. There are no specific data available to indicate the magnitude of the economic resources devoted to this sort of activity, or to determine the percentage of these resources that actually reaches the beneficiaries as compared to the amount absorbed in administrative costs. Without denying the merits of the quality and the opportune delivery of technical assistance and training, it must be pointed out that these services are not provided as a part of a realistic program in which follow-up and supervision guarantee effectiveness and efficiency in the use of these resources. The cooperatives which were investigated do not have a frame of reference with which to determine the quality of the services received for these purposes. As a consequence, opinions and evaluations have been limited to quantitative terms: the frequency with which courses are carried out or follow-up visits are undertaken.

Table 8

Cooperatives Provided with Technical Assistance and Training by Different Institutions

Rank	Institution Providing Service	Percentage of Cooperatives Served
1	INA: Instituto Nacional Agrario	83%
2	Instituto de Formación Profesional (Professional Training Institute)	42%
3	BANADESA: Banco Nacional de Desarrollo Agrícola	35%
4	DIFOCOOP	15%
5	IFC	15%
6	Ministry of Natural Resources	13%
7	FECORAH	10%

Table 8 reports the frequency of technical assistance and training activities broken down according to the different institutions which offer both services.

In Honduras, there is an unsatisfied demand for technical assistance in agriculture, chiefly due to the scarcity of human resources. In 1980, there were only 39 agronomists and 5 agricultural engineers for each 100,000 inhabitants of Honduras. This problem is exacerbated by the demands of some cooperatives that an institution must be created to provide technical assistance exclusively to the reformed subsector. This demand implicitly reflects conflicts which have already emerged in these cooperatives and is based on the following arguments:

- That the technicians should specialize in work with groups and establish a methodology for the efficient and effective transfer of technology which takes into account the illiteracy and low level of school attendance by the members, even though they are adults.
- That technical assistance constitute a separate program itself, and not a series of isolated activities dispersed among diverse programs.
- That the technicians should devote greater efforts to the cooperatives and individuals who have been less well served before.
- That results should be periodically evaluated for the purpose of introducing corrective actions at the opportune time.

In summary, the facets of the problem set forth above involve such factors as professional coordination, methodology, planning, personal motivation, ideological leanings and barriers to communications, as well as the marketing of products.

Marketing is one of the most far-reaching problems faced by agricultural cooperatives. Marketing problems vary widely in terms of their incidence and their nature, according to the period of time that the cooperative has been functioning, its product, its geographical location, and existing infrastructure.

The marketing of products is affected by the markets to which they are sent. The banana-growing cooperatives have a sure market for their product, but they have difficulties in establishing prices through negotiations with transnational concerns that maintain absolute control over the situation. The same thing happens with those agro-industrial products for which the cooperatives do not participate in the final processing of the product. These cooperatives sell their products as raw materials or semi-manufactured products, thereby running greater risks and obtaining fewer profits. The remaining products generated by the cooperatives are sent to the internal market, where they face problems such as low prices, the lack of storage facilities, difficulties with access roads and with means for transporting products to the principal markets, irregular grading of products, the lack of financial resources and the lack of collection centers belonging to the specialized state agency. As a result, a whole chain of intermediaries has grown up and these reap greater profits than the cooperatives themselves.

The lack of bookkeeping records or exact data on production costs for the majority of the cooperatives makes it difficult to estimate the profit margins under which these cooperatives are operating. In this regard, the only parameter available is that of the satisfaction of cooperative members with the sale of their products.

STORAGE AND DISTRIBUTION CENTERS

At the national level, there is no correlation between the volume of production and the storage capacity of the distribution centers belonging to the Instituto Hondureño de Mercadeo Agrícola (IHMA: the Honduran Agricultural Marketing Institute) and private enterprise. In 1980, IMHA had available 20 storage centers throughout the country. These had a storage capacity of 1,832,000 quintales (or 84,300 metric tons). In this same year, the data of the Central Bank of Honduras indicate that there was a national production of 8,963,000 quintales (412,300 metric tons) of corn, beans and rice. This means that available storage capacity covered only 20.4% of the production. The increment in the construction of storage facilities planned for 1982 is five new centers with a capacity of 453,000 quintales (20,800 metric tons) at a cost of ₡ 18 million (US\$ 9 million).

Within the cooperative movement, FACACH has four silos with a capacity of 299,000 quintales (13,800 metric tons): these have been constructed as part of the Programa de Desarrollo Agrícola Integrado (the Integrated Agricultural Development Program) being implemented in Catacamas and Yoro and with the technical assistance of the West German international technical assistance agency GTZ (the Deutsche Gesellschaft für Technische Zusammenarbeit G.m.b.H.). There are no data available on the commercial firms.

CREDIT OPERATIONS

With regard to financial credits received under soft terms or under financial agreements guaranteed by the state, the cooperatives in the reformed subsector have a clear advantage over the traditional groups of the non-reformed subsector. They have easier and more direct access to the national banking system and through it to the international agencies.

The agrarian reform is a program which enjoys high priority in the assignment of state funds and is especially attractive to the international organizations that provide financing. According to data obtained in this research, in the last three years more than 60% of the cooperatives of the subsector have received funds from state and private banks and private and public development institutions. Among these sources, the most important in terms of the magnitude of its operations has been the Banco Nacional de Desarrollo Agrícola (BANADESA: the National Agricultural Development Bank). During 1981, BANADESA granted credits of ₡ 121,656,100 (US\$ 60,828,050) to the different subsectors. The reformed subsector received ₡ 24,462,400 thousand (US\$ 12,231,200), which means that this subsector alone absorbed approximately 20% of the credits granted by the state through BANADESA.

According to our research, many of the loans awarded by banking institutions to agricultural cooperatives fall into default due to causes

that would have been easy to remedy or to eliminate, if the lender had supervised the loans more carefully and taken corrective measures with sufficient foresight. It has been reported that frequently loans fall into default because the lender refuses to accept payments before the date established in the repayment plan. When such payments are refused, the cooperative which has made the loan spends the money on other necessities and finds itself without available cash to meet its obligations when they come due.

Other frequent causes of default by agricultural cooperative are the following, according to the results of our survey:

- Inconsistency between the plan of investments and the repayment plan established between the lender and the borrowing cooperative; that is, an inappropriate relationship between what is planned and what is implemented.
- A considerable loss of income to the cooperative for reasons beyond its control.
- The loss of a customary market or its disequilibrium.
- Unforeseeable fluctuations in the prices for products to be sold.
- The irresponsible propaganda of demagogic politicians who suggest that repayments on a loan be deferred until the politician reaches power or that only a portion of the amount due be paid, with the argument that the money loaned by public institutions to the cooperatives is the money of the people, that is, of everybody.

It cannot be doubted that the frequency of cases of default and delinquency by cooperatives depends largely on the degree of training and experience of the personnel involved on both sides of the agricultural credit transaction. The frequency of delinquency decreases geometrically with the increase in better education and greater experience.

Other measures for the control of delinquency are:

- Careful supervision of the correct use of the loan.
- Periodic inspection and technical consultation.
- Facilitating the marketing of the products of the borrowing cooperative at the most advantageous terms possible.
- Confirmed appraisals of the guarantees offered.
- Rescheduling payments if a conscientious analysis indicates that this should be done and readjusting disbursement and repayment plans accordingly.
- Making provisions for the repayment of the loan in kind, and not exclusively in money, in order to give the borrower the opportunity to liquidate his product by delivering it at the market price which is most suitable.
- The creation of a state insurance system for agricultural production.

Table 9

Distribution of Agrarian Reform Cooperatives by Department and by Federation

FEDERATION DEPARTMENT	FECORAH		ANACH		Independent		UNC		UNCAH		Totals		Percentage	
	X	Y	X	Y	X	Y	X	Y	X	Y	X	Y	X	Y
Atlántida	1	15	46	833	0	0	3	48	1	28	51	924	13	9
Choluteca	43	758	2	26	2	33	2	40	0	0	49	857	13	9
Colón	54	1919	17	656	9	218	0	0	0	0	80	2793	21	28
Comayagua	5	118	0	0	1	15	1	15	0	0	7	148	2	1
Copán	2	47	0	0	2	36	0	0	0	0	4	83	1	1
Cortés	20	604	30	542	3	52	8	176	2	34	63	408	16	14
Intibucá	2	113	0	0	0	0	0	0	0	0	2	113	1	1
Francisco Morazán	0	0	6	110	2	20	0	0	0	0	8	130	2	1
Ocatepeque	5	129	0	0	0	0	0	0	0	0	5	129	1	1
Olancho	8	215	3	69	5	84	0	0	0	0	16	368	4	4
El Paraíso	3	72	20	383	4	177	0	0	0	0	27	632	7	6
Santa Bárbara	2	45	3	114	0	0	5	145	0	0	10	304	3	3
Valle	4	66	0	0	0	0	2	27	0	0	6	93	2	1
Yoro	18	877	20	516	9	352	2	43	6	199	55	1987	14	20
TOTALS	167	4978	147	3249	37	987	23	494	9	261	383	9969	---	---
PERCENTAGES	44	50	38	33	10	10	6	5	2	3	100	---	---	---

Key:

X : Number of cooperatives.

Y : Number of members.

FEDERATIONS IN THE SUBSECTOR

The reformed subsector is the better organized one, both at the level of grassroots organizations and also at the level of federations. Both levels have a varied range of structures and organizational mechanisms; nevertheless, all the organizations have some affiliated cooperatives. (FECORAH includes only cooperatives.)

These federations, by descending order of number of affiliated cooperatives, are: the Federación de Cooperativas de la Reforma Agraria de Honduras (FECORAH: the Federation of Cooperatives of the Agrarian Reform of Honduras), the Asociación Nacional de Campesinos de Honduras (ANACH: the National Association of Campesinos of Honduras), the Unión Nacional de Campesinos (UNC: the National Union of Campesinos) and the Unión Nacional de Campesinos Auténticos (UNCAH: the National Union of Authentic Campesinos). Note, however, that a ranking which included non-cooperative groups would be different.

FECORAH

FECORAH was organized in 1970 and received legal recognition in 1974. At this time it is considered to be one of the best campesino associations because of its form of organization and its methods of work and this reputation translated into respect and credibility.

The rapid growth of FECORAH is attributable to the fact that it follows the legislation of the cooperative movement very closely and its affiliates enjoy both autonomy and their own legal recognition, which permits them to negotiate for credit and take other administrative actions with greater advantages than those enjoyed by other kinds of grassroots organizations. In 1981, FECORAH united a total of 167 cooperatives with 4,978 members (see Table 9); the population directly benefitted was estimated at 27,379 persons.

The structure of FECORAH is governed by the Ley de Asociaciones Cooperativas (Cooperative Associations Law). It is therefore directed and controlled by a general assembly of members, an administrative council, a supervisory board (Junta de Vigilancia), an executive committee and a manager. The general purpose of the federation is to use all means available to it to achieve the economic, social and cultural betterment of its member cooperatives. For these purposes it can undertake any or all of the following activities: to promote, organize, develop and direct the integration of the cooperatives of the reformed subsector and to benefit and stimulate the spirit of the labor union movement among persons engaged in agricultural activities. A central office and regional offices have been established for the provision of services. The president and the secretary are at the central office, and regional offices have been established in Choluteca, Progreso and Tocoa as bases for activists engaged in political consultancy for the resolution of conflicts. The provision of services is concentrated in activities such as:

- Application for credits.
- Processing payments from the firms which market the products of members.

- Obtaining financing from national and international institutions for the development of the operations of its affiliates.
- Procuring technical assistance for its affiliates.
- Arranging educational assistance for its affiliates by means of agreements with public and private institutions.
- Serving as the agent, representative or attorney of affiliated cooperatives before national and international organisms.

FECORAH is the federation with the best prospects of development if, and only if, it is able to create an infrastructure of services based on distribution centers and the provision of different products to all its affiliates (which will permit it to capitalize funds in order to satisfy the demand for non-profitable services). By doing this, it will insure its own survival, autonomy and self-financing and those of its affiliates.

OTHERS

In addition to FECORAH, the Asociación Nacional de Campesinos de Honduras (ANACH: the Honduran National Association of Campesinos) is part of the reformed subsector. Though it is not a federation, it unites 161 cooperatives (147 grassroots cooperatives and 14 regional cooperatives) representing 29% of the 551 groups that are members of ANACH.

The regional cooperatives operate in the fields of production and the provision of services to their members. Their activities are not in competition with those of ANACH; rather, the federation is strengthened by the activities of its regional cooperatives. The regional cooperatives are responsible for developing agricultural plans and to this end they negotiate credits, provide and distribute inputs, coordinate technical assistance, manage a central machinery pool, provide certain storage facilities, support joint marketing and production activities and keep the books for their affiliates. These activities have not been fully developed in each of the regional cooperatives and these organizations urgently require assistance in order to implement these activities according to technological and scientific standards.

Cooperatives and subseccionales (subsectionals) can unite these regional cooperatives. The association was created with the subsectional as its model of organization. The subsectionals were then to organize cooperatives.

The other two campesino organizations that have cooperatives are the UNC and the UNCAH, which developed from a dissident wing of the UNC. Their prototype for enterprises is the Liga Campesina (Campesino League), but for reasons which are not yet understood both UNC and UNCAH have permitted some cooperatives to be formed within the organization, even though the number of these cooperatives is insignificant.

PERSONNEL

The reformed subsector of the agricultural sector is marked by a high degree of illiteracy, in excess of 36%. Fifteen percent of the population

know only how to read and write; 23% have from one to three years of primary education; 19% have from four to six years of schooling; the remaining 7% have studied at the middle level. These data reveal the limitations and the quality of the human resources of the cooperatives. And the cooperatives themselves have not yet realized the importance of administration, since only 4% of them report that they operate with a manager and only 5% with administrative bookkeepers. The remainder of the paid personnel work in activities related to production; 4% of the cooperatives have such employees on a permanent basis and almost all of them have such personnel on a temporary basis for planting or harvest.

THE STATE OF THE COOPERATIVES OF THE SUBSECTOR

It is difficult to generalize about the state of the cooperatives in the reformed subsector. With a slight margin of reliability, we can explain some specific cases which are not necessarily representative of the entire universe. The state of the cooperatives can only be measured by means of research which takes into account differences between fiscal years and closely observes constant and variable factors. Nevertheless, there are two points of view concerning the economic efficiency of the cooperatives and other groups which compose the reformed subsector, one which favors and one which opposes the process of the agrarian reform. Neither of these two positions is sufficiently grounded in facts. The approaches are partial, rather than comprehensive, and respond to special interests, even though they are of course right in certain aspects.

THE PROBLEMS

Many institutions are involved in the promotion, organization and support of cooperatives at the national level, even though these responsibilities have been assigned by law to DIFOCOOP.

DIFOCOOP has not grown at the same pace as the cooperative movement and later legislation has taken from DIFOCOOP its exclusive right or obligation to perform certain functions. As a consequence of this, other institutions have slowly developed collateral projects in complementation to DIFOCOOP, thereby taking from it even control of its own units of the cooperative movement. As a result of this process, the resources intended for the development of cooperatives bear no relationship to the results reflected in the cooperatives. This is because the personnel of these institutions who deal with cooperatives have little or no understanding of the organization, functions and administration of the cooperatives.

While the results of this research project were being analyzed, DIFOCOOP had not yet given any indication that it would correct this situation. A similar situation exists among the highest authorities of the cooperative movement. Nor have the many institutions involved in assisting the cooperatives taken measures to agree on common criteria, policies and strategies, and on compatible objectives for plans and programs.

The reformed agricultural subsector suffers the effects of these problems at the national level in the cooperative movement. As has been said, this subsector is assisted by many kinds of institutions which in turn

have their own problems of mutual coordination at their different hierarchical levels. The analysis of the reformed subsector has indicated some of the problems it confronts and the section of this report which precedes this special section has indicated others. Research identified a series of specific problems which must be explained because of their importance:

- The growth of the number of members of the subsector is not the direct responsibility of the federation or of the other campesino federations, but rather it depends on the progress of the agrarian reform. Table No. 10 reflects the limits on the numerical growth of the federation and other campesino associations; this growth has been subordinated by the political decision of the government at a certain moment to emphasize the agrarian reform process.

Table 10
Development of the Cooperative Movement:
The Reformed Agricultural Sector

Period	Number of Cooperatives Founded	Members
Pre-1975	196	5,450
1975	64	1,558
1976	64	1,753
1977	26	572
1978	12	256
1979	15	283
1980	5	97
TOTALS	383	9,969

- Because there is no planned policy for implementing the cooperative model, it is more difficult to convert a settlement to a cooperative than it would have been to create a cooperative in the first place. And so these groups are put through another period of organization, with all the well-known collateral problems of resistance and the bad habits inculcated in its members in the previous stage.

- To some extent, the situation just explained has repercussions in the fact that a considerable number of cooperatives are operating with fewer than the legally established minimum number of members. This deprives other Hondurans of the benefits of the agrarian reform; in extreme cases, the legal recognition awarded to these cooperatives is used for strictly personal purposes.
- In the Lower Aguán Valley colonization project, the growth of each cooperative has been limited to a certain extent because of the geographical circumstances and location and because there is no policy which responds to real needs and possibilities. The project presented an opportunity for the development of the cooperatives as enterprises, since enough resources were available; but these resources were oriented with priority to the crops themselves, instead of to the units that produce those crops.
- Some of the services the cooperatives provide to their associates (the sale of consumer items, personal loans and others) have little variety and do not guarantee lasting importance since they were implemented with no regard for a prudent profit margin.
- The federations and the organizations functioning as federations have not created services (provision of inputs, marketing of the products of affiliates and others) for the cooperatives in order to achieve their own capitalization and to extend and improve their services to the grassroots enterprises.
- Illiteracy and low levels of schooling (as well as unrealistic training programs) are responsible for inferior administration of the cooperatives.
- Deficient administration, losses from drought and flooding, and the lack of foresight and decision on the distribution of profits keep the cooperatives decapitalized and dependent on yearly credits in order to be able to produce.
- Defaults by some cooperatives deny them the possibility of receiving production credits and this makes them relatively inactive.
- The number of cooperatives that have properly established bookkeeping systems is very small and even in these cases there is the additional problem that the accounting is handled outside the enterprise itself. In such circumstances, bookkeeping only serves historical purposes or complies with legal requirements, but does not provide administrative controls for making decisions at the proper moment.
- Illiteracy has resulted in inequalities of all sorts in the cooperatives of the subsector. Opportunities for education and training fall to only a few of the members and only a few have access to administrative positions and to upward social mobility. Leadership positions rotate among a small number of members and this causes a number of concomitant problems.

- Many of the cooperatives of the subsector have been fundamentally vitiated by being used on certain occasions for political purposes and in addition their autonomy has been violated by extreme subjugation to the administration of the agrarian reform. Many observers have criticized this situation, which effectively has made state institutions of these cooperatives.

D.2. OTHER SUBSECTORS

D.2.1. SAVINGS AND CREDIT

This subsector has the second largest share of the total number of cooperatives, but it is in first place in terms of numbers of members and the organization of its components.

The first savings and credit cooperative to obtain legal recognition on the basis of the existing legislation was founded on 2 June 1965 in the city of Comayagua—the Cooperativa de Ahorro y Crédito "San Francisco," Ltda. (the San Francisco Savings and Credit Cooperative Ltd.). It is impossible to describe the growth of this subsector in terms of precise numbers of cooperatives and members, since the agency responsible for maintaining such records does not have reliable information available. Review of this documentation has confirmed that the statistical information provided by this source includes important self-contradictions. The cooperatives do not comply with regulations to report to DIFOCOOP on their operations and DIFOCOOP does not enforce its authority in this respect. Table 11 presents the numbers of cooperatives and associates in 1981 by department and their degree of integration.

Data on the savings and loan subsector and on the multiple services subsector are presented together, because some multiple service cooperatives are affiliates of the second-level federations of the savings and credit subsector and also because one of the principal activities of the multiple service cooperatives is savings and credit.

The 156 cooperatives active in the savings and credit subsector represent 24% of the total number of cooperatives in the country and 46% of the total number of individual members.

Twenty-four percent of the cooperatives in the subsector and 25% of the associates are located in the Department of Francisco Morazán, the most populous department and the most important economically. The five departments of Cortés, Choluteca, Santa Bárbara, Yoro and Olancho include 41% of the cooperatives and 44% of the total number of members, reflecting the agricultural activity which has developed in these departments. Of all the savings and credit cooperatives, 59% are urban and 41% rural. Fifty-three percent are closed cooperatives and 47% are open.

Seventy-two percent of the members of the cooperatives of this subsector are men and 28% are women. Only 10% of the members are illiterate; 22% know only how to read and write; 38% have not completed primary education; 8% are graduates of mid-level education;

19% are mid-level professionals; and 3% are university-level students and professionals. The foregoing data are related to the fact that most of the cooperatives are located in urban areas or in towns which have educational facilities available.

In order to strengthen their administration and to offer services on a full-time basis, 42% of the cooperatives have managers and 31% have bookkeepers. The remaining 27% operate on a reduced schedule with the efforts of the treasurer of the administrative council. The services usually provided by the cooperatives to their members are: loans, demand deposits, fixed-term savings, Christmas clubs, children's savings, sales by the cooperative store, self-insurance, individual insurance, family insurance, education and social services. Some of these services make it possible to capture funds by means of internal and external financing: capitalization of interests and profits, capitalization of a percentage of loans, commissions, income from investments in the federation and other institutions and also some donations.

FACACH

The Federación de Asociaciones Cooperativas de Ahorro y Crédito (FACACH: the Federation of Savings and Credit Cooperatives) includes 58% of the savings and credit cooperatives and 65% of the total number of members in the subsector. FACACH is considered one of the best of the cooperative federations of the country because of its good administration and its efficient provision of services. The effective relationship between the federation and its cooperatives permits FACACH to provide up-to-date information on the operations and functioning of its member cooperatives, with a view to the solution of problems and the satisfaction of immediate necessities.

Despite the development which it has achieved, FACACH has not been able to incorporate all of the savings and credit cooperatives. The same is true of the multiple-service cooperatives; only 10% of these are members of FACACH. According to a number of the cooperatives interviewed, some of them have not become members of FACACH because they do not see any great advantage in membership; others say that they are not strong enough economically or that they cannot meet the requirements established by the federation.

In the course of this research, the non-federated cooperatives were unable to provide economic data because their bookkeeping was not up to date. As a result, the information on the current economic status of the cooperatives presented below deals only with the federated cooperatives.

The importance of the loans to be awarded by FACACH can be seen in Table 12, which details the purpose and amount of these loans.

Table 13 shows the difference between the planned disbursements indicated in Table 12 and the loans approved and actually disbursed on the same date.

These loans benefit 1,014 persons and it can be seen that there is a greater tendency toward production loans. These loans have not

Table 11
Data on Savings and Credit Cooperatives and Multiple Services Cooperatives
By Department
(Part 1)

DEPARTMENT	<u>SAVINGS AND CREDIT COOPERATIVES</u>					
	TOTALS		FEDERATED		NON- FEDERATED	
	X	Y	X	Y	X	Y
Atlántida	7	2,196	4	1,407	3	789
Choluteca	9	4,559	8	4,079	1	480
Colón	4	1,181	1	296	3	885
Comayagua	6	2,347	3	1,484	3	863
Copán	8	2,162	7	2,162	1	---
Cortés	26	4,362	14	2,548	12	1,814
Gracias a Dios	0	0	0	0	0	0
Intibucá	2	701	2	701	0	0
Islas de la Bahía	4	2,290	3	1,875	1	415
Lempira	2	594	1	292	1	302
Francisco Morazán	38	12,650	18	7,147	20	5,503
Ocatepeque	4	1,212	3	980	1	232
Olancho	7	3,678	4	2,011	3	1,667
El Paraíso	7	1,433	3	752	4	681
La Paz	2	638	1	522	1	116
Santa Bárbara	14	5,363	10	3,320	4	2,043
Valle	8	949	3	392	5	557
Yoro	8	4,407	5	3,000	3	1,407
TOTALS	156	50,722	90	32,968	66	17,754

KEY: X: Number of cooperatives.
Y: Number of members.

Note: 11 savings and credit cooperatives are inactive.

(Continues...)

(...Continued)

Table 11

Data on Savings and Credit Cooperatives and Multiple Services Cooperatives
By Department
(Part 2)

DEPARTMENT	MULTIPLE SERVICES COOPERATIVES					
	TOTALS		FEDERATED		NON-FEDERATED	
	X	Y	X	Y	X	Y
Atlántida	1	1,848	1	1,848	0	0
Choluteca	2	479	0	0	2	479
Colón	1	20	0	0	1	20
Comayagua	1	720	0	0	1	720
Copán	1	337	0	0	1	337
Cortés	10	11,820	3	4,170	7	7,650
Gracias a Dios	1	12	0	0	1	12
Intibucá	2	347	0	0	2	347
Islas de la Bahía	0	0	0	0	0	0
Lempira	0	0	0	0	0	0
Francisco Morazán	43	10,853	3	629	40	10,224
Ocatepeque	0	0	0	0	0	0
Olancho	0	0	0	0	0	0
El Paraíso	0	0	0	0	0	0
La Paz	1	36	0	0	1	36
Santa Bárbara	1	378	0	0	1	378
Valle	1	105	0	0	1	105
Yoro	3	4,200	0	0	3	4,200
TOTALS	68	31,155	7	6,647	61	24,508

KEY: X: Number of cooperatives.
Y: Number of members.

Note: 3 multiple services cooperatives are inactive.

Sources: FACACH, DIFOCOOP, IFC.

Table 12
Itemization of FACACH Loans Portfolio:
31 December 1980

Rank	Purpose	Amount (Lempiras*)	Share
1	Agriculture	3,214,674	35.37%
2	Fisheries	2,778,212	30.57%
3	Housing	1,094,762	12.04%
4	Operating capital	718,501	7.91%
5	Industry	607,786	6.69%
6	Marketing (agricultural)	425,578	4.69%
7	Commerce	130,544	1.44%
8	Cattle-raising	43,438	0.48%
9	Administration	34,469	0.38%
10	Electrification	21,247	0.23%
11	Inputs	9,505	0.10%
12	Transport	6,906	0.08%
13	Consumption	2,001	0.02%
	TOTALS	9,088,625	100.00%

* Note: To nearest lempira.

Source: J. N. Chinchilla, ACIDI.

Table 13
Purposes for Which FACACH Credits Extended

Purpose	Amount Approved (Lempiras*)	Amount Disbursed (Lempiras*)	Percentage of Total Disbursed
Coffee-Growing	1,310,438	877,754	35.2%
Agriculture	660,092	496,793	19.9%
Marketing	396,000	305,000	12.2%
Operating Capital	295,434	192,294	7.7%
Refinancing	179,025	179,025	7.2%
Capitalization	203,063	131,871	5.3%
Housing	131,520	90,034	3.6%
Commerce	109,528	81,889	3.3%
Industry	181,212	70,000	2.8%
Supervision	59,080	39,046	1.6%
Cooperative Shares	38,302	17,250	0.7%
Administrative Improvements	14,000	12,500	0.5%
TOTAL	3,577,694	2,493,456	100.0%

* Note: To nearest whole lempira.

benefitted the savings and credit subsector exclusively, but also other subsectors of the movement and other service institutions, as can be seen in Table 14.

Table 14
Credits Approved by Subsector

Subsector	Number of Cooperatives	Share of Total	Amount Approved (Lempiras*)
Savings and credit cooperatives	30	87.98%	3,093,188
Agricultural cooperatives	2	1.07%	26,058
Multiple service cooperatives	1	1.07%	26,069
Industrial cooperatives	1	6.22%	275,580
Other institutions (services)	1	3.67%	156,800
TOTALS	35	100.00%	3,577,695

* Note: To nearest lempira.

The economic status of the majority of the cooperatives affiliated to FACACH can be seen in Table 15.

The data in Table 15 on numbers of cooperatives, their contributions and the loans portfolio are all exact figures; on the other hand, the information on loans and on defaults was obtained from only 76% and 68% of the cooperatives investigated, respectively. It is important to emphasize the fact that the savings and credit cooperatives, specifically those affiliated with FACACH, have contributions and savings adding up to L 39,907,927 (US\$ 19,953,964).

The majority of these cooperative members are salaried employees; others are small-scale rural producers.

Eighty-one percent of the cooperatives of the subsector have received education and training through programs that deal with the cooperative movement in general and its doctrine, legislation and administration. Training and education services have been provided by FACACH and IFC, both independently and also jointly under special agreements. Technical assistance has been provided by FACACH and (to a lesser degree) by IFC; FACACH has made more (and more frequent) visits to attend to special programs.

Table 15

Economic Status of FACACH Affiliates: 1981

Department	Cooperatives	Contributions (Lempiras)	Savings (Lempiras)	Loans Portfolio (Lempiras)	Delinquency (Lempiras)
Atlántida	4	3,902,105	70,669	3,883,139	180,912
Choluteca	7	3,450,648	1,093,390	4,474,977	771,445
Colón	1	153,601	3,257	151,554	29,790
Comayagua	3	1,315,196	89,781	1,686,861	526,859
Copán	7	1,255,949	512,248	1,717,356	582,207
Cortés	15	7,280,868	307,041	7,248,304	843,156
Gracias a Dios	---	---	---	---	---
Intibucá	2	209,773	31,205	229,606	76,337
Islas de la Bahía	3	2,581,039	166,720	4,859,120	---
Lempira	1	134,886	5,793	123,747	50,736
Francisco Morazán	20	9,130,429	1,114,893	10,619,705	172,586
Ocotepeque	3	765,740	351,576	1,105,867	153,891
Olancho	4	883,646	33,277	1,468,397	393,064
El Paraíso	3	253,950	25,884	429,101	84,909
La Paz	1	325,394	47,376	483,417	65,989
Santa Bárbara	9	2,529,227	335,609	2,996,179	966,313
Valle	3	58,350	6,069	64,474	27,919
Yoro	5	1,226,867	255,472	1,432,282	358,769
TOTALS	91	35,457,668	4,450,260	42,974,086	5,284,882

Source: FACACH.

THE PROBLEMS OF THE SUBSECTOR

The education and training programs directed toward the cooperatives of the subsector by different institutions have not had the expected results. As cooperativist awareness grows arithmetically, the negative influence of the environment grows geometrically. The chief causes are:

- There is not enough active participation by members in the activities of the cooperative. This is a more marked problem in the closed cooperatives—those which operate as savings and loan banks rather than as true cooperatives.
- Fifty-eight percent of the cooperatives do not have properly organized education committees; those which do lack feasible plans and programs. Sixty-nine percent of the cooperatives have funds reserved to finance educational activities, but in practice the majority of the cooperatives use such funds for other purposes. This and other factors have made the majority of cooperatives dependent on the federation and other institutions for educational services.
- There is little participation by the members in leadership positions and there is apathy with regard to attendance and participation in the assemblies. Research has shown that 52% of the cooperatives had less than 39% member attendance at assemblies.
- Authentic leadership is lacking and there are no mechanisms by which new leaders might emerge.
- Trained personnel for the administration of the cooperatives are scarce; the cooperatives lack resources to cover the cost of salaries for trained personnel and as a result personnel are lost to new and better opportunities.
- The growth of the federation bears no relation to the growth of its affiliates and is not a product of their growth. The disproportion is rather a product of two factors: first, the fact that both the cooperatives and the federation have mistakenly focused on vertical integration, and secondly, the lack of any real compliance with the obligations of membership.
- Even though this subsector has the largest number of members and the membership with the highest levels of education, it does not have a clear view of the importance of horizontal integration. Little has been done to promote horizontal integration and the only available examples are isolated cases that are social in nature.
- These cooperatives are economically weak and lack greater incentives for savings in order to compete with the private banking industry and to play the role of regulators more fully, despite the provisions of Article 44 of the Regulations to the Cooperative Associations Law now in effect.
- The capitalization of these cooperatives is restricted because of the resistance of members, attributable in turn to their lack of education, of conscientization and of solidarity.

- The levels of default by members of the cooperatives and by the cooperatives to the federation are very high.

D.2.2. MULTIPLE SERVICES

The first cooperative of this sort to achieve legal recognition was founded in Lima, Cortés Department, on 10 June 1958, the Cooperativa de Servicios Múltiples "La Limeña," Ltda. (the La Limeña Multiple Services Cooperative, Ltd.).

Sixty percent of the total number of cooperatives in this subsector were organized in the 1970s; 87% of these cooperatives are urban and 65% are closed, created within state and private enterprises.

Table No. 11 presents the geographical distribution, the number of members and the degree of integration of the cooperatives in this subsector.

In the cooperative movement, the multiple-services subsector is in third place with regard to the number of cooperatives (68) and second place with regard to number of members (31,155). Seventy percent of the cooperatives and 78% of the associates are found in the departments of Cortés and Francisco Morazán.

Seven of the cooperatives (representing 10% of the subsector) are affiliated with FACACH. Some of the cooperatives of this subsector attempted to organize a federation together with the consumers' subsector, but this effort was unsuccessful because of the lack of government assistance and the apathy in the cooperatives. They did not feel any need for the federation since they received the support of the enterprises with which they were associated.

Forty-three percent of the cooperatives operate with only an administrative council and a junta de vigilancia (supervisory board), 28% operate with only an administrative council and a credit committee and 29% operate with only an administrative council. It must be made clear that these data refer merely to the election of the various bodies and not to their true functioning, which is even more restricted. Another characteristic discovered in the course of the research is that 90% of the cooperatives are directed by a very small group of persons. Only 23% of the cooperatives operate with a full-time manager and the remainder operate using the part-time services of their treasurers.

The majority of cooperatives in this subsector are not very open with information on their operations. The data from key informants indicates that they operate with an approximate amount of £ 15 to 17 million in contributions and savings (US\$ 7.5 to 8.5 million), excluding the value of the inventories in their consumers' stores.

THE PROBLEMS

Except for very few cooperatives, this subsector operates outside the doctrine and the legislation of the cooperative movement. In practice, its objectives are eminently economic and the cooperative is seen as a service provided by the firm with which it is associated.

Table 16
Data on Consumers' Cooperatives

Region	Acronym (Name)	Headquarters	Date Founded	Branches	Members
Olancho	COSMUDIEL	Juticalpa	IX 1972	---	---
Sur	COSMULSUR	Choluteca	XI 1972	23	547
Pinalejo	COSEMUSBAL	Pinalejo	XI 1973	9	995
Occidente	COSMUPUL	Santa Rosa de Copán	VIII 1973	37	2,167
Norte	COSMULNOR	Progreso	VIII 1974	38	1,450
La Libertad	COSMULGENIL	Libertad	VII 1975	12	360
La Esperanza	COSMULEGAL	Esperanza	1975	20	597
La Aurora*	La Aurora	Tegucigalpa	23 IV 1975	1	20
TOTALS				140	6,136

Source: IFC.

* Note: The Valle de Angeles Cooperative is not included: shortly after it was founded, it became inactive.

More specifically, this subsector has the following problems:

- A total separation in operational terms from the general cooperative movement.
- A mistaken conception which vitiates the essence of the cooperative movement in terms of autonomy with respect to the labor union movement and to the firm in which the cooperative operates.
- A notoriously vicious circle in which the malfunctioning of the cooperative is the result of lack of understanding of effective administrative principles and there is a marked indifference with regard to cooperative education and training.
- A very restricted range of services to its members, compared to the objectives stated in the by-laws.
- The lack of plans for the activities of the majority of cooperatives in the subsector; also the failure to make economic forecasts or to work on the basis of budgets. Generally, the bookkeeping systems are marked by a number of shortcomings and have not been kept up to date.
- In general, these cooperatives present a paradoxical situation: the success of these cooperatives is inversely related to the characteristics of their members, who have high levels of education and income stability.

D.2.3. CONSUMERS' COOPERATIVES

The majority of cooperatives in this subsector arose as a result of activities of the Catholic Church to counteract the abuses of unscrupulous merchants. This subsector has had as many as 13 cooperatives, but only 8 of these now exist. (See Table 16.)

The general characteristic of these cooperatives is that they operate as regional cooperatives headquartered in the more developed areas of the rural part of the country. All (with one exception) have branches in smaller towns and hamlets.

These cooperatives, together with some for multiple services, organized a pre-federation of consumers' and multiple service cooperatives. This effort was not as successful as had been hoped. Like many of the grassroots cooperatives, it is now inactive.

PROBLEMS

The decline of the subsector began when the state created BANASUPRO, the national centers for the provision of staple products, in order to regulate the prices of these products and to avoid speculation. The cooperatives of this subsector encountered resistance in the factories and the distribution agencies against acquiring their products without going through intermediaries. Moreover, when the BANASUPRO centers appeared, sales by the cooperatives fell. This factor, together with the apathy of their associates, substantially contributed to reducing their operating level.

D.2.4. COFFEE-GROWERS' COOPERATIVES

The first coffee-growers' cooperative was the Cooperativa San Nicolás, Ltda. (San Nicolás Cooperative, Ltd.) founded in San Nicolás, Santa Bárbara Department, in or around the year 1955.

In 1965, the Asociación Hondureña de Productores de Café (AHPRO-CAFE: the Honduran Coffee-Producers' Association) stimulated the activities of the existing cooperatives and sponsored the formation of six more. These all formed the Federación Hondureña de Cooperativas Cafetaleras, Ltda. (FEHCOCAL: the Honduran Federation of Coffee-Growers' Cooperatives) on 3 September 1969.

At this point, the subsector has 26 cooperatives and 6,136 members; these figures represent 4% and 6%, respectively, of the entire cooperative movement in Honduras. One of the characteristics of the subsector is the small number of cooperatives, all of them affiliates of the federation. These cooperatives unite 16% of the total number of coffee-growers in the country. The cooperatives are distributed as follows: 3 in the department of Santa Bárbara; 4 in Olancho; 2 each in Comayagua, Cortés, Yoro and Lempira and one each in Francisco Morazán, La Paz, Choluteca, El Paraíso, Copán and Ocotepeque.

Twenty-two of the cooperatives (85% of them) reported their economic status as of 31 December 1979. These data are given in Table 17.

Table 17
Data on Coffee-Growers' Cooperatives

Members		4,790		
Contributions	L	2,555,713	US\$	1,277,857
Assets	L	21,885,313	US\$	10,992,657
Sales	L	29,006,718	US\$	14,503,359
Loans granted	L	5,108,618	US\$	2,554,309
Reserves	L	1,831,889	US\$	915,945
Profits	L	287,939	US\$	143,970
Cash deposits	L	1,130,162	US\$	565,081

The members of the cooperatives in this subsector have many of the same characteristics as those of the associations in the agricultural subsector. Thus, illiteracy is one of the principal barriers blocking the development of the subsector. The typical member is a coffee-grower with an average of 20 manzanas (34 acres) or less of land. The large coffee-growers have greater access to credit and marketing; the very small producers cannot meet the requirements for membership established by the cooperatives. These cooperatives are devoted to marketing; the members produce coffee on an individual basis. The average number of members per cooperative is 244; this is the highest such figure of all of the agricultural subsectors.

FEHCOCAL was founded on 3 September 1969 with a total of 8 cooperatives and obtained its legal recognition on 6 October of the same year. In 1977, the federation had 26 member cooperatives (100% of the total) with 6,138 members. The number of affiliated cooperatives has been maintained and there has been a 3% growth in the number of individual members, hardly a significant growth rate.

The federation provides its affiliates with the following services:

- Consultancy.
- Education.
- Financing.
- Representation.
- Processing of products.
- Centralization of operations.
- Promotion of new cooperatives.
- Marketing.

The principal sources of permanent financing that FEHCOCAL has used for the production of coffee have been the Honduran private banking industry and the state banks; there has also been some temporary financing from international institutions (AID, IAF, and others).

In 1980, the federation sold £ 28,933,887 (US\$ 14,466,944) of coffee abroad; the principal buyers were Germany (35%), the United States (31%) and Holland (15%).

PROBLEMS

- There is a permanent need to finance production by the individual members, due to:
 - Fluctuations in coffee prices.
 - Administrative shortcomings.
 - Low levels of schooling and high illiteracy.
 - Technological backwardness and bad crop management.
 - Lack of financial foresight.

Table 18
Data on Housing Cooperatives:
31 December 1980

Cooperative	reue- ration	Location*	Date Founded	Number of Units	Cost (Lempiras)	Source of Funds
COLVISULVA	Yes	San Pedro Sula, Cortes	13 IX 1963	92	1,596,500	AID-FEHCOVIL Cooperation
El Sauce	Yes	La Ceiba, Atlántida	1 X 1963	375	3,865,506	AID, CABEI
Obreros del Sur		Choluteca, Choluteca	27 III 1963	14	37,800	AID, FEHCOVIL
El Hogar	Yes	Tegucigalpa	29 IV 1971	400	4,800,000	AID
La Concordia		San Juan de Flores	29 VI 1973	12	27,000	AID, FEHCOVIL
Miraflores Sur	Yes	Tegucigalpa	7 IV 1975	220	3,630,000	CABEI
Nueva Suyapa	Yes	Tegucigalpa	8 IV 1975	81	144,000	FEHCOVIL, CARE
Josefita Velásquez	Yes	Tegucigalpa	4 VIII 1975	19	380,000	CABEI
Zapotre Norte		Comayagua	4 IV 1978	320	1,322,000	CABEI
CASMUL		San Manuel, Cortes	28 II 1978	47	164,500	FEHCOVIL, CARE
Guamilito		Comayagua	11 IV 1978	88	484,000	FEHCOVIL, CARE
Centroamericana	Yes	Comayagua	13 IV 1978	380	1,284,000	CABEI
Rio Grande Sur	Yes	Comayagua	4 VIII 1979	138	3,750,000	CABEI
TOTALS				2,186	21,485,306	

* Note: In department of Francisco Morazán unless otherwise indicated.

- The scarcity and high cost of labor.
- Absolute dependence on the one crop.
- Bad use of income.
- The cooperatives are insufficiently capitalized in terms of their volume of operations.
- The quality of the processed coffee is acceptable but it could be improved if there were centralized regional processing plants.
- The contributions of the members are not the fundamental basis for the award of loans. Instead, the criteria are the size of the property and the volume of production. This creates an inequality among the members as well as contributing to decapitalization. Among the individual members, there is a marked tendency to market through the cooperative only enough of their production to cover the value of the loan granted by the cooperative and then to sell the remainder to persons and institutions who are in competition with the cooperative. This reduces the volume of operations in their own enterprise, even though large volume is essential to the cooperative's role in regulating prices and even though this practice stimulates the continued activities of the intermediaries.

D.2.5. HOUSING

The Cooperativa Local de la Vivienda de San Pedro Sula, Ltda. (COLVISULA: the San Pedro Sula Local Housing Cooperative) was the first to achieve legal recognition, though other housing cooperatives had been founded earlier. COLVISULA was organized on 13 September 1963 and obtained its legal recognition in December of that same year.

The records of DIFOCOOP for 1980 show that there are 19 housing cooperatives, although in fact there are 21. Nevertheless, only 13 of these have been able to accomplish the construction of housing. The remainder either expect to make their plans reality or have dissolved. Table 13 lists the cooperatives, their housing projects, their location, the date they were founded, the total number of members and the amounts invested.

Sixty-nine percent of the cooperatives and 76% of the housing are located in the department of Francisco Morazán. Sixty-one percent of the cooperatives and 36% of the housing have benefitted low-income persons and the remainder has been devoted to middle-income persons. Eighty-four percent of the cooperatives are urban and these absorb 99% of the investment in housing projects.

The Federación Hondureña de Cooperativas de Vivienda, Ltda. (FEHCOVIL: the Honduran Federation of Housing Cooperatives, Ltd.) was created in 1963 by two cooperatives, that of the employees of BANAFOM and that of the employees of the Dirección General de Tributación Directa (the General Directorate of Direct Taxation); the COLVISULA and El Sauce cooperatives then joined too. Of the 13 cooperatives which constructed housing, 8 are members of the federation and 5 maintain a relationship with FEHCOVIL as non-affiliated members.

In its initial stages, the federation received financial assistance from AID and from the Cooperative Housing Foundation of Washington. A characteristic of the work of the federation is that it promotes and executes its own projects. Other possible associates had very little contact with the federation in its initial stages. As an institution, FEHCOVIL has available sufficient economic resources and has achieved a healthy administration of the projects undertaken. It is contributing efficiently to the solution of Honduras' housing problems.

PROBLEMS

- The majority of the members interviewed said that their roles as members ended when they received their own housing. In other words, they feel that simply by keeping up-to-date with their economic obligations they will have fulfilled their obligations as cooperative members.
- The cooperatives do not provide any other type of service to their members. Nor are members eager to create other services, which would establish permanent bonds of unity and solidarity and assure that the cooperatives stay active and functional.
- FEHCOVIL does not develop projects for the members of the cooperative movement in other subsectors.
- Neither FEHCOVIL nor its affiliated cooperatives have programs of cooperative education for the members who benefit from the housing. The educational services of the federation only exist in the promotion stage.
- At a general level, a marked apathy and lack of awareness of the cooperative movement is evident in the members.

D.2.6. TRANSPORT

This subsector was born with the creation of the Cooperativa Transporte Honduras (Honduras Transport Cooperative) in Comayagua on 2 December 1958. It is now reported that there are 56 cooperatives in this subsector; however, 4 of these are inactive. Thirty-three percent of the cooperatives are in the department of Cortés, 15% are in Francisco Morazán, 12% are in Atlántida, 10% are in Yoro, and the rest are scattered throughout the remaining departments. There is no concrete information on the number of individual members of the subsector; nevertheless, in various documents the number of members is estimated at 2,000 and the sample investigated in the course of this research found 787 members in 11 cooperatives.

The cooperatives are distributed as follows in terms of the kind of transport involved: 34% provide inter-urban passenger services, 8% provide urban passenger services, 12% are taxis, 24% handle cargo, and 22% are mixed, offering both passenger and cargo services.

The educational status of the members is as follows: 4.5% are illiterate, 45.2% have some primary education, 33.1% have completed primary schooling, 8.7% have some secondary education, 7.5% have completed secondary education, and 1.0% have higher education.

The economic development of the transport cooperatives is little known, because of the lack of primary sources: records are not kept, badly kept or contradictory. Because these cooperatives operate in such a decentralized way, there are difficulties in collecting data. The following data in Table 19 were received from 23 cooperatives; the figures reported are for 31 December 1979.

Table 19
Data on Transport Cooperatives

Associates		747		
Contributions	₡	1,204,253	US\$	602,127
Assets	₡	10,861,771	US\$	5,430,886
Sales	₡	5,326,573	US\$	2,663,287
Reserves	₡	2,961,652	US\$	1,480,826
Profits	₡	360,803	US\$	180,402

In order to carry out their operations, 43% of the cooperatives use their own funds; 33% use credit and their own funds; 15% use credits, their own funds and donations; 5% use their own funds and donations and 5% operate solely with credits. The principal sources of financing for these cooperatives are BANCAHSA, the Banco de Occidente, the Banco de los Trabajadores, Bancomer, the Banco de América and the Banco Central. The cooperatives operate in two ways: in a centralized manner when the vehicles belong to the cooperative and in a decentralized way when the vehicles belong to the associates and are administered and operated by them.

Approximately 33% of the cooperatives are affiliated with one or the other of the two federations:

- The Federación Nacional de Cooperativas de Transporte (FENACOTRAL: the National Federation of Transport Cooperatives), formed in 1966 for passenger transport cooperatives. The operations of FENACOTRAL have fallen off considerably.
- The Federación Hondureña de Cooperativas de Transporte de Carga (FEHCOTRAC: the Honduran Federation of Cargo Transport Cooperatives), founded in 1975 but now completely inactive.

PROBLEMS

In general, the transport sector operates through a diversity of forms of organization at both the grassroots and the highest levels. It does not make rational use of the economic, political and social power available to it. This way of operating has undercut the importance and necessity of the federations, which are frequently supplanted by other organizations created in order to represent the sector and defend its interests.

Another force contributing to the disintegration of the subsector is the diversity of interests at play within it and the outside forces which contribute to even greater internal fragmentation. Thus, there is no point of reconciliation which would permit the subsector to operate with unity.

These factors result in the following problems:

- A reduced degree of federation among the cooperatives.
- Economic inequality among the members, even within a single cooperative, as a result of differences in the number of vehicles owned by each of them.
- The use of the legal recognition of inactive cooperatives by a restricted number of persons which is less than the legally required minimum for operation. Another abnormality is the entry of nominal members in order to maintain the minimum number of members required by the law.
- Administrative shortcomings, due to:
 - The small number of cooperatives operating with managers.
 - The incompetence and scanty training of managers.
 - Deficiencies in the bookkeeping system and the absence of bookkeeping control.
 - Low levels of capitalization and high requirements for financing.
- The delayed promulgation of the transport law and its regulations in 1976, as well as the fact that the law and the regulations do not correspond to current reality and to current requirements.
- The lack of educational programs and training in the majority of the cooperatives and the apathy of members concerning participation in such events.
- The lack of recognition of the cooperative movement among members and ignorance of the cooperative associations law and its regulations.
- The failure of the subsector to develop an acceptable, efficient and dynamic scheme for cooperative work.

D.2.7. SUGARCANE GROWERS' COOPERATIVES

From documentary sources it is known that there are 38 sugarcane growers' cooperatives. One of these claims to be affiliated with the Federación Nacional de Cooperativas Cañeras (FENACOCAL: the National Federation of Sugarcane Growers' Cooperatives), which was founded on 26 June 1972. FENACOCAL was organized in order to acquire its own sugar refinery with the assistance of the government, but the government decided to install this refinery in another part of the country. This provoked the dissolution of the federation. The sugar subsector, which had been considered an independent subsector, then lost this special status and its members came to be part of the agricultural subsector.

D.2.8. INDUSTRIAL

On 28 June 1955, the first industrial cooperative was created at Minas de Oro in Comayagua department: the Cooperativa San Antonio, Ltda. (the San Antonio Cooperative, Ltd.) In 1981, there were 34 industrial cooperatives with legal recognition, though 8 of these were inactive. The 26 active cooperatives have a total of 1,214 members; these figures represent 3.5% and 1% respectively of the totals in the national cooperative movement.

These cooperatives produce a variety of manufactured products, most of them artisanal. In general terms, they have not achieved an industrial level of production or a collective form of work.

These cooperatives are distributed as follows: 6 in Cortés; 4 in Francisco Morazán; 3 each in El Paraíso and Yoro; 2 each in Choluteca and Valle; and 1 each in Comayagua, Colón, La Paz, Lempira, Ocotepeque and Santa Bárbara.

The decentralized manner in which the members of these cooperatives work does not allow the level of operations to be determined, since the administrations of the cooperatives only record data on the sale of raw materials to their members. Even this information is incomplete. It was not possible to obtain complete information from any source.

The members of these cooperatives are artisans who have small workshops or factories. Their levels of education are as follows: 5.7% are illiterate, 43.9% have some primary schooling, 44.2% have completed primary schooling, 5.7% have some secondary schooling, 0.3% have completed secondary schooling and 0.2% have higher education.

These cooperatives are typically urban and devoted to artisan industry in the fields of shoemaking and similar trades, tailoring, pottery, baking, lime production, salt production, boat building, and conserves.

According to our research, the weak point in these cooperatives is their administration, both at the level of the individual member as a small businessman, and also at the level of the cooperative as a business.

The Federación Hondureña de Cooperativas Industriales, Ltda (FEHCIL: the Honduran Federation of Industrial Cooperatives, Ltd.) was established with eight cooperatives in November of 1976 and obtained its legal recognition on 29 March 1979. In 1981, it united ten cooperatives with 634 members, representing 41% and 52% of the subsector, respectively. The federation has promoted the incorporation of the other cooperatives of the subsector and has fostered the creation of new cooperatives. In 1981 it had 6 pre-cooperatives organized and 7 more groups in the promotion stage. With these groups, the total number of members receiving technical assistance rises to 960. Since 1980, the federation has strengthened its activities and has planned certain programs and projects which it is about to implement in order to strengthen existing cooperatives and promote and organize new groups.

In order to finance this series of activities, it has received the economic assistance of AID, IAF, IDB and Misereor.

PROBLEMS

- Insufficient education and training in the principles of the cooperative movement and in technical and productive areas.
- Low levels of industrial development.
- The fact that the production is individually manufactured and marketed by each member.
- Deficient levels of administration, both in the individual members' shops and factories and at the level of each of the cooperatives itself.
- Reduced ability to compete in the market, due to high costs and low volume of production.
- A low level of identification by the members with their cooperative.

D.2.9. FISHING

This subsector was begun with the creation of the Cooperativa San Lorenzo, Ltda. (the San Lorenzo Cooperative Ltd.) in 1959 and its legal recognition on 30 June 1963. Twenty-two years later in 1981, this subsector has nine cooperatives.

It is impossible to provide concrete data on the number of members or the volume of operations, because of the lack of knowledge of this subsector in the different institutions, the lack of reports by the cooperatives themselves and the fact that no records are kept. Some studies report that this subsector has from 207 to 261 members, of the approximately 5,000 artisanal fishermen in the country.

The area with potential for fisheries is 683 kilometers (423 miles) of Atlantic coastline and 162 kilometers (100 miles) of Pacific coastline. These resources are scarcely being used by Honduran fishermen or firms. The nine cooperatives of the subsector are located as follows: 3 in the department of Valle, 2 each in Atlántida and Colón and 1 each in Islas de la Bahía and Cortés.

PROBLEMS

At the level of the grassroots cooperatives, this subsector has grave organizational and administrative shortcomings. It is technologically backward and there is a marked degree of individualism. In addition, the cooperatives are geographically dispersed and there is no second level organization to unite them. This subsector is the weakest of the Honduran cooperative movement. The scarcity of available information makes it difficult to make a more profound analysis of the problems of the subsector, though these problems surely are much more serious than we have indicated.

D.2.10. FORESTRY

The forestry subsector was strengthened with the creation of the Corporación Hondureña de Desarrollo Forestal (COHDEFOR: the Honduran Forestry Development Corporation) by Decree No. 103 of 10 January 1974. This decree granted COHDEFOR authorization to organize the Sistema Social Forestal (the Social Forestry System) in

order to benefit the campesinos in such specific areas as forest protection, reforestation, fire prevention and prevention of over-grazing. This decree gives first priority to the cooperative model in the organization of campesinos who exploit the forests. As a result of this decree, 26 cooperatives had been created by 1979; the first was founded on 14 November 1966 in Ojojona in the department of Francisco Morazán. In 1981, there were 80 cooperatives and 60 pre-cooperative groups distributed throughout 9 departments and organized into 6 districts.

Table 20 presents data on these cooperatives and pre-cooperatives.

Table 20 does not include some 700,000 board feet of dyewoods. It was impossible to determine the value of this production, because of the differences in the value of the varieties. The geographical break-down of Table 20 follows the administrative districts that have been established. This table aggregates data for both cooperatives and pre-cooperatives. Thirty-six percent of the groups are cooperatives and represent 69% of the members of groups in the subsector.

These cooperatives are eminently rural and almost all of the members are men. In terms of education, 39.3% are illiterate, 53.1% have some primary schooling and 10.7% have completed primary schooling. The geographic mobility of the members of groups in this subsector is rather significant and causes fluctuations in the membership of the cooperatives. The root cause of this situation is that the exploitation of forest products is kept at a constant level and the corresponding income to each member is relatively low, which means that the members must engage in complementary economic activities. Fifty-five percent of the members work individually, 36% work collectively and 9% work in both ways. The great majority work in the collection of resin, but there is also some harvesting of wood.

The subsector is organized by the Federación Hondureña de Cooperativas Agroforestales, Ltda. (FEHCAFOR: the Honduran Federation of Forestry Cooperatives, Ltd.), which was created in 1971 with 12 member cooperatives and legally recognized in 1975.

Unfortunately, the lack of a real plan for capitalization, the fact that the members do not identify with their cooperatives and their federation, and administrative and management problems have resulted in the extreme inactivity of the federation. Certain institutions have made attempts to reactivate FEHCAFOR, but the mistrust and limited credibility of the grassroots leadership has made it difficult to resurrect this federation.

PROBLEMS

- Administrative shortcomings in the cooperatives, resulting from the low educational level of the members and their financial inability to contract trained personnel.
- Low levels of income among the members and the scanty capitalization of the cooperatives, since they devote themselves exclusively to the gathering and sale of a raw material and have no role in processing the product.

Table 20
Data on Forestry Cooperatives: 1981

Number / District	Cooperatives and Pre-Cooperative Groups	Members	Production of Resin (Barrels)	Value of Production (Lempiras)
1 Comayagua	11	223	2,099	241,385
2 Northwest	3	700	668	76,820
3 Francisco Morazán	32	2,136	34,436	3,960,140
4 Copán	11	323	2,334	268,410
5 El Paraíso	12	583	17,167	1,974,205
6 Yoro	13	350	2,558	294,170
TOTALS	82	4,315	59,262	6,815,130

Source: Social Forestry System, COHDEFOR.

- Insufficient financing available to the cooperatives.
- The improper and illegal admission into the cooperatives of persons with no common tie to the activity of the cooperative, with consequent problems as a result of divergent interests.
- The lack of cooperative spirit, due to the low levels of income produced by collective work, which forces the members of these cooperatives to work in supplementary activities outside the realm of the cooperative and undercuts their sense of identification with their cooperatives.
- The use of paid labor for the exploitation of the forest by certain members who are richer.
- The fact that the majority of the cooperatives do not justify their own existence in terms of services provided.

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E. THE STATE AND THE COOPERATIVE MOVEMENT

The growth of the Honduran cooperative movement is due to the fact that at different times and by means of different legislation the state has considered cooperatives to be a form of organization in the public interest. Nevertheless, neither before nor after the promulgation of the Law of 1954 has the state clearly delineated its role with respect to the cooperative movement. As time has passed, different policies have been formulated to promote certain subsectors of the cooperative movement as responses to general policies that were chiefly economic in nature. The cooperative model has also been fostered in many cases as a result of international policies and agreements that imposed this model as a condition for receiving foreign aid. In summary, the policies of the state have not been directed toward the general development of the cooperative movement and as a result the following problems have arisen at this level:

- The principles of the cooperative movement are not included in the syllabus of educational plans and programs, even though both the cooperative associations law and the Ley Orgánica de Educación (Organic Education Law) contain provisions to this effect.
- There is a marked inconsistency between the objectives of development plans formulated in different periods and the assignment of resources to the different subsectors of the cooperative movement.
- The state agencies responsible for the development of the cooperative movement have assigned a disproportionate share of their resources to the most developed subsectors, to the detriment of the weaker subsectors.
- Excessive paternalism on the part of the State and its agencies with respect to cooperatives has limited their autonomy and, in some cases, given the impression that certain cooperatives are State enterprises.
- In some subsectors of the cooperative movement, there has been a duplication of efforts and use of resources by different state agencies that have not reached agreement on criteria for the provision of assistance to cooperatives, even though these

agencies are responsible for similar functions; the absence of specific policies for the development of the cooperative movement is an additional problem.

- The budget assigned to DIFOCOOP bears no relationship to the large number of existing cooperatives which DIFOCOOP must serve.
- Other state institutions are in even more deficient situations since they do not have available the knowledgeable and experienced personnel required by the dynamics of the cooperative enterprise and the constant changes through which the movement is passing both in Honduras and abroad.
- Subsequent laws have been issued which contradict certain concepts, standards and types of organization in the current cooperative associations law. This makes necessary the enactment of a new law or code which will bring all of these provisions from other laws together and reconcile them so that they can be applied in expeditious, operational and opportune agreement with the needs and the development of the cooperative movement.
- Many cooperatives are functioning outside the law. This distorts the philosophy, the doctrine and the principles of the cooperative movement. Moreover, many fragmented cooperatives continue to function and their legal recognition is used for the personal benefit of certain persons. To a lesser degree, there are cooperatives that operate as commercial businesses, to the detriment of the cooperative model and as the target of strong criticism which handicaps the entire cooperative movement.

E.1. DIFOCOOP

The Dirección de Fomento Cooperativo (DIFOCOOP: the Directorate for Cooperative Development) is a semi-autonomous state institution which is a dependency of the Secretaría de Economía y Comercio (Ministry of the Economy and Commerce). It was created by the Cooperative Associations Law of 13 March 1954, established on 1 July 1955 and organized on the basis of the principles of the cooperative movement by Decree No. 91 of 23 November 1971. In 1975, the structure of DIFOCOOP was reviewed and altered in response to the priorities established by the government in the National Development Plan. The new structure now in effect is as follows:

The Junta de Fomento Cooperativo: This Cooperative Development Board is the highest authority within DIFOCOOP and consists of four proprietors and their alternates. These members are: the minister of the economy and commerce, the ministry of the treasury and public credit, a representative of the board of directors of the BANADESA, a representative of the cooperative associations and the director of DIFOCOOP, who serves as the secretary of the board.

The Administration: This is the unit which executes the decisions of the board. A technical assistant serves as coordinator of the activities of the different divisions, departments and offices. The following offices and divisions answer to the administration:

- The Administrative Office: This office is divided into three sections:
 - Accounting.
 - General services.
 - Mechanical shop.
- The Office of Programming and Projects: This office plans, organizes, directs and supervises the specialized work of the different units and dependencies of DIFOCOOP and the work directed at the cooperative sector.
- The Personnel Office: This office is in charge of all work related to personnel administration and is by its very nature subject to the greatest degree of discretion and confidentiality.
- The Legal Division: This division is responsible for all assistance and advice in legislative and legal aspects of cooperatives in general and of DIFOCOOP specifically. The Departamento de Registro Nacional de Cooperativas (the Department of the National Registry of Cooperatives) is a dependency of this division; this department is responsible for keeping and updating the registry of all cooperatives that are legally recognized or that have applied for legal recognition.
- The Division of Cooperative Development: This division is responsible for assisting and executing programs of cooperative extension work, cooperative development and cooperative training at the national level. It has the following departments:
 - Agricultural cooperatives.
 - Forestry cooperatives.
 - Transport cooperatives.
 - Other sectors.
 - Education and extension.
- The Audit and Inspection Division: The function of this division is to control, inspect and supervise the cooperative associations and federations of Honduras. It verifies the results of the management of financial and administrative resources by the cooperatives and federations, and has two departments:
 - Audit.
 - Inspections.
- The Regional Office: This is a unit which has the specific function within a delimited geographical zone of assisting and executing programs for the development, training, inspection, control and supervision of cooperatives. There are three regional offices, each with three sections: legal, cooperative extension, and audit and inspection. These are directly responsible to the chiefs of the regional office and have additional technical responsibility to the responsible for their specialties.

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F. PROSPECTS FOR NEW LEGISLATION

F.1. DRAFT LEGISLATION AND DRAFT REGULATIONS

It has already been noted in the course of this study that the law now governing cooperatives dates from March of 1954. As the years have passed, there have been reforms of certain articles having to do with tax exemption, taxes and surcharges. Other revisions have dealt with DIFOCOOP. The necessity of more far-reaching revisions or a completely new law has been felt with more and more urgency as the system has continued to develop on its different levels and in different dimensions. Another factor which makes a new law necessary is that since the 1960s there have been special laws (such as the agrarian reform law, the fisheries law and the law establishing COHDEFOR and the social forestry system) which contain provisions governing cooperatives in those economic sectors.

In order to eliminate barriers to the more rapid progress of the national cooperative movement and to achieve better coordination of the work undertaken by the appropriate state authorities and by the authorities of the movement itself, in recent years the CHC has undertaken an analysis of the proposed changes in the current law and regulations to make them respond more realistically to the Honduran situation. The conclusion reached was that a new and more flexible law reflecting modern principles of economics and business administration would be a vital factor for the healthy development of the Honduran cooperative movement.

For this purpose, a draft cooperative associations law was prepared in 1978, together with the pertinent regulations and a draft cooperative law code. The most important reforms proposed in these drafts concern the following specific issues:

- The general concept of cooperatives.
- The classification of cooperatives.
- Political, ethnic and religious discrimination.
- The INC.
- The registry of cooperatives.
- Capital stock and the reinvestment of profits.
- Debt instruments and cooperative bonds.

- Exemption from taxes and duties.
- State guarantees and prerogatives.
- Cooperative delegates.
- Coordination with other authorities.
- The transformation of cooperatives.

Unfortunately, none of the proposed reforms have yet been put into effect. Conventional cooperatives continue to be governed by the law and regulations of 1954, while the union cooperatives, the agrarian reform cooperatives and the cooperatives in the forestry, fishing and transport sectors are all subject to the special laws that governed their creation. This situation is of course an obstacle to the true integration of the cooperative movement. As a civilian and democratic government has recently come to power, the national cooperative movement hopes that a new and favorable general law on cooperatives will be produced by the current congress.

F.2. THE LAW ON AGRO-INDUSTRIAL COOPERATIVE ENTERPRISES OF THE AGRARIAN REFORM

In June 1981, Decree No. 52, the Ley de Empresas Cooperativas Agro-Industriales de la Reforma Agraria (the Law on Agro-Industrial Cooperatives of the Agrarian Reform) was promulgated and published in the official gazette. This law constitutes a new phenomenon in the cooperative legislation of Latin America. According to this law, such enterprises can be created by two or more cooperatives, by two or more associative enterprises, or by some combination of the two sorts of organizations. Moreover, the state can also participate, when the direct or indirect financial support of the state is required for the proper operation of these associative enterprises and their eventual extension.

This unique form of cooperative was created in order to establish and manage industries that would transform agricultural products and undertake any related activities in the reformed agricultural sector. The state would be able to make it clear that the handling of certain agro-industrial products, including their industrialization, was the exclusive privilege of these new enterprises created under this law. The general assembly of these enterprises will consist of at least three delegates from each of the participating enterprises. Nevertheless, whatever the number of delegates, each affiliated enterprise has only one vote in the decisions of the general assembly.

Administrative and executive functions are the responsibility of a general manager, ordinarily named by the administrative board elected by the general assembly. Nevertheless, if the agro-industrial cooperative enterprise has contracts with the government or benefits from government guarantees, the appointment of the manager will be made in consultation with the executive power of the government, through the Ministry of the Treasury and Public Credit. Pending financial obligations to the government are paid from a special fund established with a certain percentage of the value of the deliveries of raw materials by the

enterprises participating in the cooperative agro-industrial enterprise, with a percentage of the gross sales of the processed products or with a percentage of the gross profits obtained by the agro-industrial enterprise at the end of each fiscal year. The law also provides for the establishment of a special development fund the enterprise that will receive 10% of the gross annual profits.

The regulations governing the application of this law have already been approved and are due to be published within the next several weeks.

Matters not provided for in this law and its regulations will be governed by the cooperative associations law and its regulations, the agrarian reform law and the bylaws of the campesino associative enterprises. For all practical purposes, the new law is now being put into effect in the Cooperativa Agro-Industrial de la Reforma Agraria de la Palma Africana, Ltda. (COAPALMA: the Agro-industrial African Palm Cooperative of the Agrarian Reform) in the Lower Aguán valley. The campesino organizations which are affected are already anticipating the reform of certain articles of the new law.

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G. COOPERATIVE EDUCATION

G.1. TRAINING INSTITUTIONS

Education and training in cooperative principles is carried out by public and private institutions, but mostly by the former. These institutions do not follow a uniform scheme and there is little or no coordination between them. The chief reasons for this situation are:

- Cooperative education is not the principal function of most of these institutions.
- There is great diversity of ideas and standards with respect to what cooperative education should be.
- Cooperative education is very incomplete in many institutions; it is chiefly seen in terms of simple motivation for specific projects and conscientization.
- There is no scientific teaching methodology that reflects modern advances in the fields of pedagogy and adult education.

This situation has denied cooperatives the opportunity to receive adequate training and education; moreover, it has provoked a distorted image of what the cooperative movement truly is.

G.1.1. STATE INSTITUTIONS

DIFOCOOP is the state agency which designs and executes programs of education and training through its Directorate of Cooperative Development and that office's Department of Education and Extension. These programs serve the cooperatives of the different subsectors of the movement at the national level. In 1981, DIFOCOOP's staff of 15 educators carried out 161 courses with 2,898 participants. By its nature, DIFOCOOP is the only state institution closely tied to the national cooperative movement.

The experience acquired by DIFOCOOP permits it to direct its educational activities in keeping with the real necessities of the cooperatives and to hold to a broad conception of education and training as a means for achieving efficient administration.

The INA, also a state institution, accomplishes cooperative education through its Division of Training and Rural Development. Training is provided exclusively to the beneficiaries of the agrarian reform and

within this group only for cooperatives. For training purposes, three technical levels are established:

- Organizational (motivation and social participation).
- Administrative.
- Productive.

In 1981 INA carried out a total of 220 courses in the cooperative movement, for a total of 5,052 participants. Approximately 150 employees were involved in these efforts. Some courses were provided to non-cooperative groups in order to motivate them, as well as to cooperatives that had already been established. Some of the cooperative members benefitting from these services have complained about these events with regard to cooperative principles, both because of the limited number of such events at the higher levels and also because of disagreements with the structure of the curricula and the approach to certain topics.

The Ministry of Natural Resources is the agency which above all others is responsible for providing technical assistance on the production process to individuals and entities involved in agriculture. This is the activity which most closely relates the ministry to the cooperatives of the agricultural subsector. The ministry's efforts in cooperative education are carried out through its Department of Agricultural Extension. The fishing cooperatives profit from some education and training activities of this ministry through its Artisan Fishing Program. But since education about cooperatives is not a priority area of concern in this program, records are not kept on the volume of events, the numbers of persons served or the human resources devoted to such activities.

The Ministry of Labor and Social Services complies with Article 491 (8) of the Labor Code which established the Planes Cooperativos Sindicales (Labor Union Cooperative Plans). The ministry provides the plans with promotion, organization and training services. The divisions responsible for this work are the Directorate-General of Social Services and specifically the Department of Social Promotion for Workers. Even though the structure of these cooperative plans is identical to that of a cooperative, they operate using the legal recognition of their sponsoring trade unions and are therefore legally subject to the Ministry of Labor. At this time, there are 51 such cooperative trade union plans with a total of some 25,000 members.

In the field of education, this Ministry serves the cooperative plans by means of basic, mid-level and advanced or specialized courses; the cost of these activities are covered by budget items assigned for this purpose and sometimes by contributions from the wealthier unions.

G.1.2. PRIVATE INSTITUTIONS

The IFC is the only private institution dedicated to education and training for the various subsectors of the cooperative movement. The educational events undertaken by the IFC are categorized as basic, mid-level and advanced. According to the methodology used in the training

process, these events can be seminars, seminar-workshops, workshops or courses. The coverage of these events can be local, regional, national or international.

Even though the IFC performs research, undertakes evaluations and offers technical assistance, education and training are its principal function. It therefore has special personnel and facilities available for dealing with the demands of the cooperative movement and related institutions. In 1981, the IFC carried out 136 events which benefitted a total of 3,442 persons; this program was the work of the 10 educators attached to the Department of Education and Technical Assistance.

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H. FOREIGN AID

The Honduran cooperative movement has received the financial, credit and technical assistance of organizations from friendly countries. This assistance cannot be quantified here because the necessary data is dispersed among the institutions which have benefitted. The following are some of the institutions that have provided assistance:

- The Central American Bank for Economic Integration (CABEI):
Technical assistance (a group of experts); credit assistance; financing; equipment and supplies.
- The Organization of American States (OAS):
Technical assistance; training (scholarships to go abroad); supplies and equipment.
- The Canadian International Development Agency (CIDA):
Technical assistance; equipment and supplies; credit; training (scholarships to go abroad).
- The Inter-American Institute of Agricultural Sciences of the Organization of American States (IICA):
Technical assistance (through professionals and on-site fieldwork); training (through professionals and on-site fieldwork); equipment and supplies.
- The Inter-American Development Bank (IDB):
Technical assistance (a group of advisers); financial assistance.
- The United Nations: the UN Development Program (UNDP); the Food and Agriculture Organization (FAO); the International Labor Office (ILO); the World Food Program (WFP); and the International Fund for Agricultural Development (IFAD):
Technical assistance; training; financial assistance; food contributions; supplies and equipment.
- The World Bank / International Development Association (IBRD / IDA):
Technical assistance (group of advisers); financial assistance; equipment and supplies.

- Agricultural Cooperative Development International (ACDI):
Technical assistance; subcontracting services.
- The Federal Republic of Germany:
Training
 - The Cooperación Hondureña Alemana de Alimentos por Trabajo (COHAAT: the German/Honduran Cooperative Food-for-Work Program).
 - The Friedrich Naumann Stiftung (the Friedrich Naumann Foundation): Technical assistance; financing.
 - The Friedrich Ebert Stiftung (the Friedrich Ebert Foundation): Financing.
 - The Deutsche Gesellschaft für Technische Zusammenarbeit G.m.b.H. (GTZ: the German Society for Technical Cooperation): Technical assistance; financing.
 - Misereor: Financing.
- The Agency for International Development (AID):
Technical assistance; training; supplies and equipment; credit; financing.
- The Cooperative Housing Foundation (Washington):
Technical assistance and assistance in organizing courses.
- The Japanese Mission:
Technical assistance; financing.
- The World Council of Credit Unions (WOCCU):
Technical assistance; financing.
- The Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC: the Confederation of Latin American Savings and Credit Cooperatives):
Technical assistance; financing.
- The Interamerican Foundation (IAF):
Financing.
- The Pathfinder Fund:
Financing.
- The Centro Agronómico Tropical de Investigación y Enseñanza (CATIE: the Tropical Agriculture Research and Training Center):
Training.
- The Belgian Government:
Training; financing.

- The French government:
Training.
- The United Kingdom:
Technical assistance; training.
- The Cooperación Suiza para el Desarrollo (COSUDE: the Swiss Development Cooperation):
Technical assistance; training; financing.
- The Canadian International Center for Development Research (IRDC):
Technical assistance; training.
- The Cooperación América Latina Bélgica (CAL: Belgian Latin American Cooperation):
Volunteers; technical assistance.
- The Organización de las Cooperativas de América (OCA: the Organization of the Co-Operatives of America):
Training.
- The Sociedad Interamericana de Desarrollo de Financiamiento Cooperativo (SIDEFCOOP: the Interamerican Society for the Development of Cooperative Financing):
Financing; training.
- The Asociación Latinoamericana de Centros de Educación Cooperativa (ALCECOOP: the Latin American Association of Cooperative Education Centers):
Training; technical assistance; exchange of experts; research; publications; consultant

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APPENDICES

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Geographic Distribution of Cooperatives by Affiliation with Second-Level Organizations

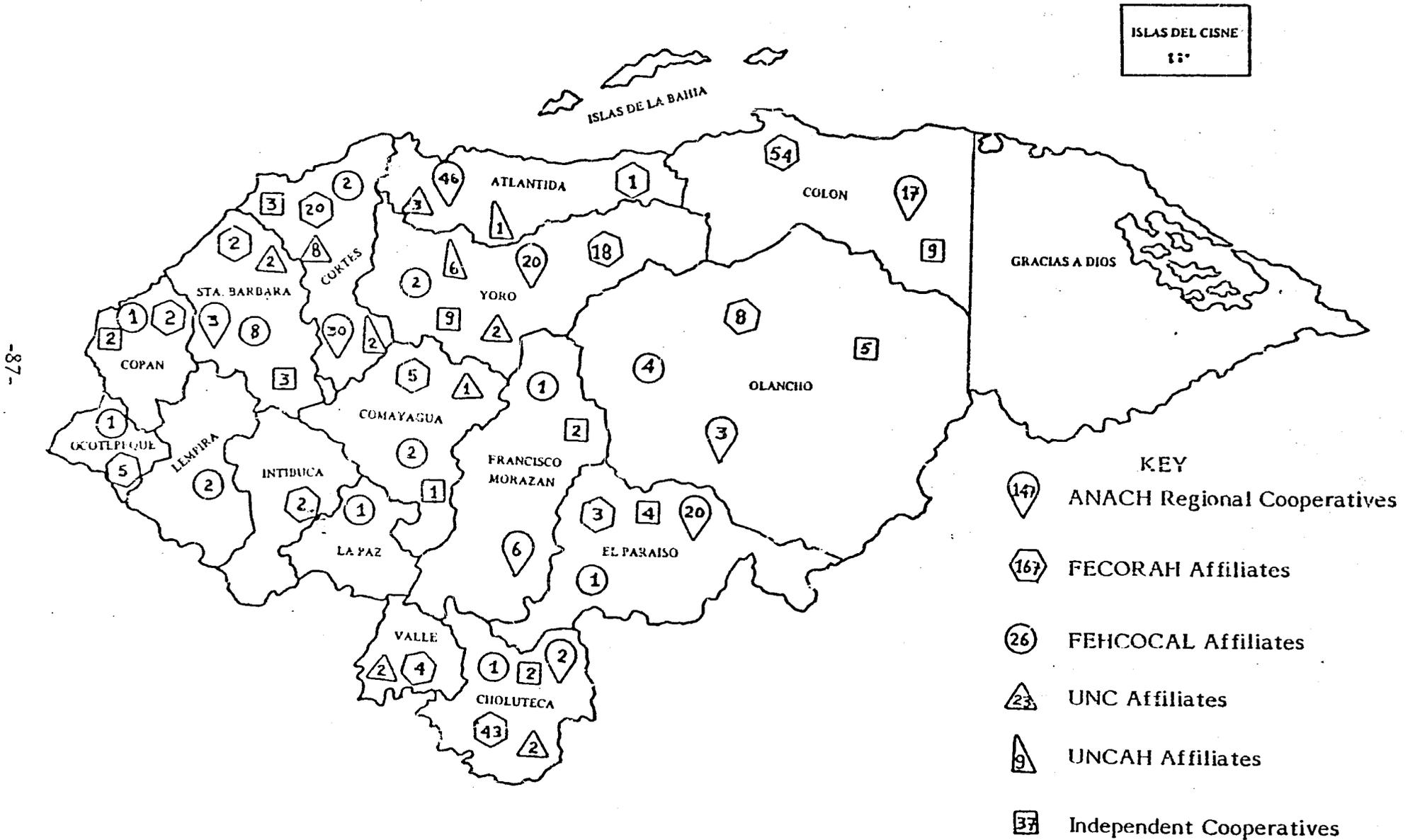


Table 21
Cooperatives and Members by Sector and Department: 1981
(Part 1)

SUBSECTORS DEPARTMENT	Agriculture		Savings and Credit		Multiple Services		Coffee-Growers'		Consumers'	
	X	Y	X	Y	X	Y	X	Y	X	Y
Atlántida	51	924	7	2,196	1	1,848	0	0	0	0
Choluteca	49	857	9	4,559	2	479	1	112	1	547
Colón	80	2,793	4	1,181	1	20	0	0	0	0
Cornayagua	7	148	6	2,347	1	720	2	376	1	360
Copán	4	83	8	2,162	1	337	1	230	1	2,167
Cortés	63	1,408	26	4,362	10	11,820	2	489	0	0
Gracias a Dios	0	0	0	0	1	12	0	0	0	0
Intibucá	2	113	2	701	2	347	0	0	1	597
Islas de la Bahía	0	0	4	2,290	0	0	0	0	0	0
Lempira	0	0	2	594	0	0	2	365	0	0
Francisco Morazán	8	130	38	12,650	43	10,853	1	309	1	20
Ocotepeque	5	129	4	1,212	0	0	1	297	0	0
Olancho	16	368	7	3,678	0	0	4	685	1	---
El Paraíso	27	632	7	1,433	0	0	1	256	0	0
La Paz	0	0	2	638	1	36	1	408	0	0
Santa Bárbara	10	304	14	5,363	1	378	8	2,290	1	995
Valle	6	93	8	949	1	105	0	0	0	0
Yoro	55	1,978	8	4,407	3	4,200	2	529	1	1,450
TOTALS	383	9,960	156	50,722	68	31,155	26	6,350	8	6,136

KEY: X: Number of Cooperatives.
Y: Number of Members.

(Continues...)

(...Continued)

Table 21
Cooperatives and Members by Sector and Department: 1981
(Part 2)

SUBSECTORS DEPARTMENT	<u>Housing</u>		<u>Transport</u>		<u>Forestry</u>		<u>Industrial</u>		<u>Fishing</u>	
	X	Y	X	Y	X	Y	X	Y	X	Y
Atlantida	1	375	6	---	1	650	0	0	2	---
Choluteca	1	14	1	---	0	0	2	34	0	0
Colon	0	0	2	---	0	0	1	36	2	---
Comayagua	0	0	1	---	3	161	1	36	0	0
Copan	0	0	4	---	0	0	0	0	0	0
Cortes	2	139	17	---	1	30	6	336	1	---
Gracias a Dios	0	0	0	0	0	0	0	0	0	0
Intibuca	0	0	1	---	3	51	0	0	0	0
Islas de la Bahia	0	0	0	0	0	0	0	0	1	---
Lempira	0	0	1	---	2	161	1	32	0	0
Francisco Morazan	9	1,888	8	---	8	1,450	4	336	0	0
Ocotepeque	0	0	1	---	0	0	1	45	0	0
Olancho	0	0	2	---	0	0	0	0	0	0
El Paraiso	0	0	0	0	10	400	3	108	0	0
La Paz	0	0	1	---	0	0	1	36	0	0
Santa Barbara	0	0	2	---	1	35	1	35	0	0
Valle	0	0	0	0	0	0	2	72	3	---
Yoro	0	0	5	---	1	54	3	108	0	0
TOTALS	13	2,416	52	2,000	30	2,992	26	1,214	9	234

KEY: X: Number of Cooperatives.
Y: Number of Members.
*: Not Disaggregated.

Grand Totals: 771 Cooperatives; 113,179 Members.

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LIST OF ACRONYMS

- ACDI: Agricultural Cooperatives Development International.
(Not: Agencia Canadiense de Desarrollo Internacional.)
- AHPROAPPA: (An association of Honduran potato producers).
- AHROCAFE: Asociación Hondureña de Productores de Café.
(Honduran Coffee-Producers' Association.)
- AIC: American Institute of Cooperation.
- AID: Agency for International Development.
(Agencia Internacional para el Desarrollo.)
- ALCECOOP: Asociación Latinoamericana de Centros de Educación Cooperativa.
(Latin American Association of Cooperative Education Centers.)
- ANACH: Asociación Nacional de Campesinos de Honduras.
(National Association of Campesinos of Honduras.)
- BANADESA: Banco Nacional de Desarrollo Agrícola.
(National Agricultural Development Bank.)
- BANAFOM: Banco Nacional de Fomento.
(National Development Bank.)
- BANASUPPRO: (A national center for the provision of staple products.)
- BANCAHSA: Banco de la Capitalizadora Hondureña.
(Honduran Capitalizing Bank.)
- CABEI: Central American Bank for Economic Integration.
(BCIE: Banco Centroamericano de Integración Económica.)
- CAL: Cooperación America Latina Bélgica.
(Belgian Latin American Cooperation.)
- CARAGUAL: Cooperativa Agropecuaria Regional Guaymas, Ltda.
(Guaymas Regional Agricultural Cooperative, Ltd.)
- CARAL: Cooperativa Agropecuaria Regional Atlántida, Ltda.
(Atlántida Regional Agricultural Cooperative, Ltd.)
- CARAOL: Cooperativa Agropecuaria Regional Alianza Occidental, Ltda.
(Alliance Western Regional Agricultural Cooperative, Ltd.)
- CARCEFMOL: Cooperativa Agropecuaria Regional del Centro Francisco Morazán, Ltda.
(Central Francisco Morazán Regional Agricultural Cooperative, Ltd.)

- CARCHOL: Cooperativa Agropecuaria Regional Choluteca, Ltda.
(Choluteca Regional Agricultural Cooperative, Ltd.)
- CARCOL: Cooperativa Agropecuaria Regional Colón, Ltda.
(Colón Regional Agricultural Cooperative, Ltd.)
- CARCOMAL: Cooperativa Agropecuaria Regional Comayagua, Ltda.
(Comayagua Regional Agricultural Cooperative, Ltd.)
- CARCOTEL: Cooperativa Agropecuaria Regional Cortés, Ltda.
(Cortés Regional Agricultural Cooperative, Ltd.)
- CAROL: Cooperativa Agropecuaria Regional Olancho, Ltda.
(Olancho Regional Agricultural Cooperative, Ltd.)
- CATIE: Centro de Investigación y Enseñanza de Agricultura Tropical.
(Tropical Agriculture Research and Training Center.)
- CENEC: (Unknown.)
- CHC: Confederación Hondureña de Cooperativas.
(Honduran Confederation of Cooperatives.)
- CIDA: Canadian International Development Agency.
- COAPALMA: Cooperativa Agro-Industrial de la Reforma Agraria de la Palma Africana.
(Agro-Industrial African Palm Cooperative of the Agrarian Reform.)
- COHAAT: Cooperación Hondureña Alemana de Alimentos por Trabajo.
(German/Honduran Cooperative Food-for-Work Program.)
- COHDEFOR: Corporación Hondureña de Desarrollo Forestal.
(Honduran Forestry Development Corporation.)
- COLAC: Confederación Latino Americana de Cooperativas de Ahorro y Crédito.
(Latin American Confederation of Savings and Credit Cooperatives.)
- COLVISULVA: Cooperativa Local de Vivienda de San Pedro Sula, Ltda.
(San Pedro Sula Local Housing Cooperative, Ltd.)
- COPAC: Committee for the Promotion of Aid to Cooperation.
- COSMUDIEL, COSMULEGAL, COSMULGENIL, COSMULNOR, COSMULSUR, COSMUPUL, COSMUSBAL: (Regional consumers' cooperatives: See Table 16.)
- COSUDE: Cooperación Suiza para el Desarrollo.
(Swiss Development Cooperation.)
- CUNA International: Credit Union National Association International.
- DIFOCOOP: Dirección de Fomento Cooperativo.
(Directorate for Cooperative Development.)
- FACACH: Federación de Asociaciones Cooperativas de Ahorro y Crédito de Honduras.
(Honduran Savings and Credit Cooperatives Federation.)
- FAO: Food and Agriculture Organization of the United Nations.
- FECOAGROH: Federación de Cooperativas Agropecuarias de Honduras.
(Honduran Federation of Agricultural Cooperatives.)

- FECORAH:** Federación de Cooperativas de la Reforma Agraria de Honduras.
(Federation of Cooperatives of the Agrarian Reform of Honduras.)
- FEHCAFOR:** Federación Hondureña de Cooperativas Agroforestales, Ltda.
(Honduran Federation of Forestry Cooperatives, Ltd.)
- FEHCIL:** Federación Hondureña de Cooperativas Industriales, Ltda.
(Honduran Federation of Industrial Cooperatives, Ltd.)
- FEHCOCAL:** Federación Hondureña de Cooperativas Cafetaleras.
(Honduran Federation of Coffee-Growers' Cooperatives.)
- FEHCOTRAC:** Federación Hondureña de Cooperativas de Transporte de Carga.
(Honduran Federation of Cargo Transport Cooperatives.)
- FEHCOVIL:** Federación Hondureña de Cooperativas de Vivienda.
(Honduran Federation of Housing Cooperatives.)
- FENACOCAL:** Federación Nacional de Cooperativas Cañeras, Ltda.
(National Federation of Sugarcane Growers' Cooperatives.)
- FENACOTRAL:** Federación Nacional de Cooperativas de Transporte.
(National Federation of Transport Cooperatives.)
- GTZ:** Deutsche Gesellschaft für Technische Zusammenarbeit G.m.b.H.
(Sociedad Alemana de Cooperación Técnica.)
(German Society for Technical Cooperation.)
- IAF:** Interamerican Foundation
- IBRD:** International Bank for Reconstruction and Development – The World Bank.
- IDA:** International Development Association (of the World Bank).
- IDB:** Inter-American Development Bank.
- IFAD:** International Fund for Agricultural Development (of the UN).
- IFC:** Instituto de Investigación y Formación Cooperativista "Elías Villegas Reyes."
(Elías Villegas Reyes Institute for Cooperative Research and Training.)
- IHESCOOP:** Instituto Hondureño de Estudios Cooperativistas.
(Honduran Institute for Cooperative Studies.)
- IICA:** Instituto Interamericano de Ciencias Agrícolas.
(Interamerican Institute of Agricultural Science.)
- ILO:** International Labor Office (UN).
- IHMA:** Instituto Hondureño de Mercadeo Agrícola.
(Honduran Agricultural Marketing Institute.)
- INA:** Instituto Nacional Agrario.
(National Agrarian Institute.)
- IRDC:** Canadian International Center for Development Research.
- OAS:** Organization of American States.

- OCA: Organización de las Cooperativas Americanas.
(Organization of the Co-Operatives of the Americas.)
- PRE-FECOSEM: Pre-Federación de Cooperativas de Servicios Múltiples y Consumo de Honduras.
(Honduran Pre-Federation of Multiple Service and Consumer Cooperatives.)
- SIDA: Swedish International Development Agency.
- SIDEFCOOP: Sociedad Interamericana de Desarrollo de Financiamiento Cooperativo.
(Interamerican Society for the Development of Cooperative Financing.)
- UNACOHL: Unión Nacional de Asociaciones Cooperativas de Honduras, Ltda.
(National Union of Cooperative Associations of Honduras, Ltd.)
- UNACOOPH: Unión Nacional de Cooperativas de Honduras.
(Honduran National Cooperatives Union.)
- UNAH: Universidad Nacional Autónoma de Honduras.
(Autonomous National University of Honduras.)
- UNC: Unión Nacional de Campesinos.
(National Union of Campesinos.)
- UNCAH: Unión Nacional de Campesinos Auténticos.
(National Union of Authentic Campesinos.)
- UNDP: United Nations Development Program.
- WOCCU: World Council of Credit Unions.