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**SECOND EVALUATION
OF
SMALL FARMER COFFEE
IMPROVEMENT PROJECT**

by

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LIST OF ABBREVIATIONS

| | |
|-----------|--|
| GOH | Government of Honduras |
| INA | Instituto Nacional Agrario National Agrarian Institute |
| IHCAFE | Instituto Hondureño del Café Honduran Coffee Institute |
| BANADESA | Banco National de Desarrollo Agrícola National Agricultural Development Bank |
| BANHCAFE | Banco Hondureño del Café Honduran Coffee Bank |
| AHPROCAFE | Asociación Hondureña de Productores de Café Honduran Coffee Producers Association |
| FEHCOCAL | Federación Hondureña de Cooperativas Cafetaleras Honduran Coffee Cooperative Federation |
| BC | Banco Central Central Bank |
| ESF | Economic Support Funds Fondos de Apoyo Económico |
| FHIA | Fundación Hondureña de Investigación Agrícola Honduran Agricultural Research Foundation |
| ROCAP | Regional Office for Central America and Panama (USAID) |

U.S. \$1.00 = 2.00 Lempiras (Lps.) -- Official rate of exchange

1 manzana = .698 hectares = 1.726 acres

EXECUTIVE SUMMARY

Evaluation Objectives

The objectives are to evaluate:

- (1) The capacity developed so far by IHCAFE to coordinate Project activities and to provide improved extension services to small coffee farmers.
- (2) The efficiency developed by the involved banking institutions to provide credit to the Project's target group.
- (3) The impact of the Project on participating small coffee producers with respect to changes in production; income and profitability; use of modern technology and inputs; and provide an overview of the sociological impact of the Project.

Overall, the Project is progressing ahead of schedule and should accomplish the stated purpose by end-of-project (FY 86). This Second Evaluation builds on the first evaluation completed in January 1984. For more details, the reader should refer to the main body of this report as well as to the earlier evaluation report.

1. Recommendations

The following recommendations are taken from the end of each section in the main body of the report and are presented in that same order (order does not imply priority). It should be pointed out that many of the recommendations included in the first

evaluation report have been implemented or are in the process of being implemented. Those will not be repeated here.

Institutional Development

-There continues to be the need for improved information flow from the field to the central offices and return. Present efforts to computerize data to produce summary information and data for management should proceed with care but be completed as quickly as possible.

-The training and publicity section (capacitacion y divulgacion) in IHCAFE needs to be strengthened and a head of the unit named as quickly as possible so that training activities are better identified and coordinated

-AID/IHCAFE Project personnel should be involved in personnel decisions that affect the operation of the Project.

-The administrative load on the regional chiefs needs to be reduced so that they can carry out their supervision of field operations and personnel. The current thought is to place an administrative assistant in each region.

-The functions of the Credit Department should be clarified. Re-location of most of the staff to the regional offices to assist in loan collection is recommended.

-Higher administration in IHCAFE should require, and perhaps preside over, periodic meetings with heads of research, extension, and the Project implementing unit to coordinate activities among the various units.

-Policy analysis and planning needs to be strengthened within IHCAFE so that clear guidance is provided the action programs like the AID Project and the diversification activities. This applies to the regional as well as national levels.

-An outside management firm should be contracted to help the institution improve its management, administration, and supervision of operations. This same analysis should identify the kind of information that is needed at the various levels of management and the role that microcomputers can play, especially at the regional level.

-The present system of contracting an outside auditor is time consuming and problems that are identified may be months or years in the past. It is suggested that a firm be employed to carry out periodic audits, say every three or four months, to provide immediate input to management to help resolve problem areas.

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Extension Activities

-Para-technician program should continue as long as demand exists for their services. Efforts should be made to reach small non-Project coffee farmers as well.

-Training of extension agents and para-technicians still is needed in the areas of farm and financial management, production economics, and group techniques.

-Training of participating farmers and their families (wives and children) in farm and financial management and in technical coffee production still continues to be needed, especially since significant cash flows will be coming from current high coffee prices.

-Further effort is needed in working with groups, using para-technicians and in utilizing test plots on farmers fields. Great caution should be followed in extending credit through groups given IHCAFE's bad experience with this approach in the past.

-IHCAFE should speed up diversification research and its dissemination to the participating producers since the current high prices for coffee likely will not continue long.

-Increased emphasis should be given to assisting the farmers in processing and marketing their coffee. Coordinating with existing, strong cooperatives may help in this effort.

-Additional educational and audiovisual materials should be developed for use in the communities by the extension agents and the para-technicians.

-Experienced extension agents should not be used in implementing area profiles and other similar activities. Doing so may jeopardize their ability to service the participating coffee producers in their zone. New extension agents might be used for such data collection as part of their training and to acquaint them with their respective zones.

-Baseline data from a few existing and newly entering producers need to be gathered to serve as a basis for further evaluation of Project impact. Area profiles, using the current approach, will likely be too costly to provide baseline data for all the regions. Possibly, analysis of a sample of the 1979 census data could provide such baseline data.

-Future studies to determine research and program directions for the Project should consider using the "sondeo" approach.

Credit Activities

-IHCAFE needs to study the feasibility of placing an additional credit agent in the regions with large numbers of loans.

-Additional, intensive training workshops and seminars on credit are needed at all levels in the Project. Training needs to adjust to the clientele group--farmers at one level, para-technicians at another, and so on.

-Participating banks need to establish a systematic procedure for running spot checks on disbursements to farmers to assure the system is running well.

-Participating banks should be asked to take a greater responsibility in loan collections. Information on delinquent borrowers should be kept current and shared with IHCAFE workers.

-The Project should study the possibility of reducing the amount of credit for labor, especially when it is primarily family labor. This would greatly reduce the financial risk assumed by the borrower. New loans to farmers that have paid off a previous loan for one or two manzanas should not include payment for family labor.

-The Project should continue to work with the target group and, rather than be tempted to work with medium sized or larger farms, find ways to more effectively work with the large numbers of small farmers that still have not been reached but are reasonably good credit risks.

-Private participating banks should be encouraged to assume more and more of the technical and credit supervision as they are able to hire their own specialists.

-Participating banks should be encouraged to follow the example of Sogérin in passing some of the interest earnings to well-managed cooperatives that handle the loan processing and supervision of borrowers.

Technology and Diffusion

-Current technical recommendations need to be analyzed from an economic point of view and adjusted accordingly. Results of such an analysis will be especially important when coffee prices are lower. IHCAFE should plan on developing that capability internally as budget permits.

-Generally, there is poor coordination between extension and research. As quickly as possible, IHCAFE should locate research personnel in regions where none are presently located. More farmer test plots need to be established and used as a link

between the researcher and the extension agents and farmers.

-Fertilizer recommendations should be based on soil sample testing as much as possible. Investment plans currently cover such costs and farmers should be encouraged to use the money for that purpose.

-IHCAFE should look into methods of standardizing the weights and measures used in the coffee marketing system to ensure farmers receive equitable payment for their marketed coffee.

-The Project should begin to assist farmers in the processing and marketing of coffee to increase the prices received by farmers as well as to improve quality.

2. Summary of Findings

2.1 Overall Implementation Capacity within IHCAFE and the Involved Banking Institutions

IHCAFE has been relatively stable in terms of administrative and field personnel since the first evaluation. This has translated into steady progress in Project implementation. No major problems in terms of Project coordination were identified during the evaluation.

Perhaps the biggest institutional challenge is to completely integrate the operation of the Project into IHCAFE itself. It is important that lines of authority be more clearly defined by higher administration and that methods are established to assure coordination among the units. Information flows to and from the field could be improved. Management personnel at the national and regional levels often don't have the type of data needed for decision making. Placing loan data on the microcomputer may help in this regard but over-reliance on computers can also be dangerous.

Availability of quality seed on a timely basis is still a problem and must be dealt with by IHCAFE management. Again,

improved coordination of the various units involved is an important first step.

The loan discounting system through the Central Bank is working well and all of the participating banks seem pleased with its operation. The Project has been quite successful in bringing private banks into the system. There are now three private banks and one public bank extending individual and group loans through the Project.

The foreign technical assistant team has been significantly strengthened since the first evaluation. A credit advisor, an agricultural economist, and a sociologist are providing important inputs into Project operation, data analysis, training, and evaluation.

Links with regional institutions exist but are not yet well defined. The major tie is with PROMECAFE. That institution has carried out the first area profile study in the Comayagua region. Poor coordination in implementing a scheme for reorganizing the regional office as a result of that effort has caused some friction within IHCAFE. PROMECAFE's strongest link with the country is through its providing technical information and assisting in technical workshops and seminars.

2.2 Accomplishments with Respect to Extension Program

The extension service has maintained about the same level of capacity that existed at the time of the first evaluation. To this has been added the important and effective use of para-technicians.

Considerable formal and informal training of the extension

agents has taken place although it has fallen off the last half of 1985. The quality of the training has been variable, largely, it is thought, because no one now has the direct responsibility for training. That duty is assumed by the head of extension.

The regional offices prepare their own short courses of a few days duration to give their staff hands-on experience with the technical aspects of coffee production. Although annual training plans are prepared, their implementation is not always complete and well-organized.

The extension agents have a very limited number and selection of audiovisual and other training materials to use for talks and demonstrations to farmers. Information from the area profile study is not yet in use in the region where it took place but that may be because the results of that study are just becoming available. It is doubtful, however, that the profile information will be of much direct use by the extensionists.

Promotion of Project activities is no longer needed. Sufficient success has been reached so that knowledge of the program is apparently widespread. Field staff indicate they often face more requests than they can handle.

Criteria used for the selection of Project participants appears consistent with the original design. Coverage varies by region from 11 to 37 percent of all small farmers with from one to less than twenty manzanas of total farm area. Area coverage varies from about three to eleven percent, depending on the region.

The number of beneficiaries per extension worker varies even

more. The Copan region shows a extension agent/beneficiary ratio of around 122. The lowest ratio is in the Central region where the ratio is 23.

The Project is gradually moving towards working with groups for the technical assistance activities but this move has been slow. Much of the contact with farmers is still on a one to one basis.

It appears the extension agents' technical recommendations are being accepted by the farmers but no specific field studies of this question have been done to verify this conclusion. A recent study of the land titling project in the Comayagua region did include a small sample of Project participants who indicated relatively high technological acceptance.

2.3 Accomplishments with Respect to Credit Program

The credit activities are ahead of that projected by the Project agreement. Figures on the number of loans and volume are available through December 1985. At that time a total of 5,048 loans (all types) worth Lps. 29,661,300 had been approved. Of that amount, Lps. 24,413,000 or about 82 percent had actually been disbursed. Three different types of loans are available through the Project: (1) complete renovation (Model I), (2) partial renovation (Model II), and (3) plant nursery establishment. There was a significant drop in credit activities in 1985 compared with earlier years. One might wonder if that means the system is reaching its capacity. However, Project personnel indicated that funds were limited during that period because the original credit fund had been exhausted and there was some delay

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before additional monies could be obtained.

There are now credit agents at each of the regional offices but there is need for an additional agent or an assistant for those regions with heavy credit activities. The extension agent and/or the para-technician works with the farmer in completing the loan application. It is reviewed by the credit agent and sent to the participating bank for approval.

Loan collections are just now beginning for coffee planted in 1982. The Project is placing a lot of stress on the importance of good repayment by the borrowers since most should have the ability to repay with the relatively current high prices. Nevertheless, field extension agents estimate the delinquency on interest payments to be 5 to 15 percent depending on the area. A few zones thought their rates might be 20-30 percent. These rates should decline if they are effective in their repayment campaign.

The participating banks appear to be handling the loan processing and extension of credit reasonably well. Some delays are encountered but they are not nearly as severe as found during the first evaluation. The discounting system through the Central Bank is functioning well now in the view of the participating banks.

Three private banks (Banco de Occidente, Sogérin, and BANHCAFE) and one public bank (BANADESA) are now active in the Project. Occidente has been growing the fastest in terms of loan volume although BANADESA still remains the largest lender.

The extension agents have not yet provided instruction and training to participating farmers in the areas of farm and

financial management. It appears this is an area of need since it is expected that farm cash inflows will be significant because of the relatively high yields on the renovated coffee plots and the current strong prices.

Credit appears to be available through regular channels for annual coffee maintenance. It is not known how many of the Project participants are receiving this type of credit.

2.4 Accomplishments with Respect to Technology

All indications are that the majority of the Project participants are following the technical recommendations given by the extension agents. Most producers have borrowed for complete renovation which means they have planted new, higher productive, disease resistant varieties. Limited data and field visits suggest the parcels are generally in good to excellent technical condition. The problem cases seem to be from farmers selected at the beginning of the Project. Extension agents admit to having selected a few participants poorly when the program was starting and they were inexperienced. For most of the participants, continuing with the recommended management and production practices should provide significant benefit to them over time.

No processing or marketing assistance has been provided the farmers to date but plans are underway to move into these activities. Such assistance is needed by the small producers. It is possible this is a potential area for involvement of cooperatives.

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3. External Factors Affecting Project Implementation

As has been characteristic of world coffee markets for many years, during the life of the Project prices have varied considerably. About the time the Project was being initiated there was a drop in Honduras's export quota along with a drop in the price of coffee. Now, the exact opposite is occurring. This uncertainty makes it very difficult to project future credit needs and producer interest. As reviewed in the first evaluation report, administrative changes seriously affected the Project in the initial stages. The recent election of a new President may also bring some disruptive changes in administration of IHCAFE and associated programs.

The important assumption listed in the original Project Paper that coffee would continue to be profitable relative to other crops still appears to hold. Nevertheless, one can be assured that prices will be coming down after major world coffee producers respond to the current high prices. IHCAFE will need to plan ahead and counsel its borrowers for that eventuality. No other external factors are known to have significantly affected Project implementation.

4. Status of Inputs

The major inputs for the Project were the credit fund, training of staff and farmers, purchase of vehicles and equipment, foreign technical assistance, and evaluation/audits. A more detailed listing of budget line items is shown in Appendix Table C-4. For the USAID loan portion of the budget, all of the credit funds have been disbursed. To date, less has been spent

on administration of the Project compared with the Project Paper proposed budget, as well as for demonstration plots, publications, and evaluation. The concept of demonstration plots has been replaced with using the actual farmers fields as demonstrations rather than specially established plots. With USAID's approval, some of these funds have been shifted to replacing plants on some problem parcels. Other funds are to be used for validation plots for on-farm tests of experiment station findings. Expenditures for publications and other similar materials has been less than projected because of lack of leadership in the IHCAFE section responsible for that activity.

The grant expenditures for foreign technical assistance have been greater than that budgeted with USAID's concurrence. Vehicle and equipment costs for both loan and GOH sources have exceeded proposed figures.

Generally, the expenditures on the input side have been satisfactory with the exception of the first year or so when delays with both USAID and GOH funding caused a slow start in Project implementation as covered in the first evaluation.

5. Status of Outputs

The Project outputs, indicators and current status are summarized in the following table:

| Outputs | Indicators (End-of-Project) | Status By end of 1985 |
|---|--|--|
| -IHCAFE's ability to help small farmers increased | 3,000 new coffee farmers serviced | About 4,584 new farmers had been helped |
| | 3,000 new farmers receive training | Same 4,125 have received training informally |
| -Technology improved | 6,000 Mz. using improved varieties | About 5,784 Mz. using improved varieties |
| | 6,000 Mz. fertilized | About 5,205 Mz. fertilized |
| | 6,000 Mz. treated for pests | About 5,205 Mz. treated for pests |
| | 6,000 Mz. under improved cultivation | About 5,784 Mz. under improved cultivation |
| -Management by farmers strengthened | 6,000 Mz. pruned coffee | Technified areas just now need pruning |
| | 6,000 Mz. fertilized | About 5,205 Mz. fertilized |
| | 6,000 Mz. under proper shade | About 4,000 Mz. under shade program |
| | 6,000 Mz. at optimum plant density | About 5,784 Mz. at optimum plant density |
| | By 1985, reflows begin to finance farmers beyond original participants | Reflows from nursery loans held in reserve. Other reflows just beginning |

As shown in the table, progress towards reaching output goals is ahead of schedule in most cases and satisfactory in the other output areas. Most of the end-of-project status indicators likely will be accomplished before the end of the Project. The only exception may be in the pruning of coffee which is only now beginning. It was also difficult to obtain reliable information on the actual number of manzanas under adequate or recommended levels of shade.

6. Status of Project Purpose

The Small Farmer Coffee Improvement Project was initiated in 1981 with the purpose of mitigating the production impact of coffee rust on small farm producers in Honduras by assisting as many of them as possible to increase yields and incomes so they could afford rust control measures. The Honduran Coffee Institute is the primary implementing institution with credit being delivered through public and private banks. It was expected that the Project would reach 3,000 small coffee producers in five years and would have considerable spread effect on others.

As suggested in the outputs section, most of the objectives of the Project will be accomplished by the specified end-of-Project (FY 86). The completely renovated coffee plots are generally in excellent technical condition and are producing at levels considerably above that anticipated at the start of the Project. In a few cases, producers entering the program either were poor candidates to start with or did not adequately follow technical recommendations so their production is lower. These are expected to be the problem cases as the collection of loan

principal begins in early 1986. Credit is reaching the Project recipients, although sometimes with delay, and they appear very receptive to the technical recommendations. Instruction in farm and financial management generally has not occurred. Such training is needed as producers are likely to see very significant cash inflows this harvest because of the historically high prices.

7. Description of Project Beneficiaries to Date

The first evaluation found the average coffee farmer receiving advice on complete renovation (Model I) to be about 40 years of age, had a total farm size of about 15 manzanas (10.5 hectares), produced about 6 manzanas of coffee (4 has.) with an average yield of 7.9 qq./mz, and received about \$2,150 of investment credit per manzana (\$3,075/ha.). At that time (1984), only about 6 percent of the credit went to farmers applying partial renovation (Model II). (This low application rate of Model II has persisted to date.) These farmers were younger (28.6 years ave.), had smaller farms (7.5 Mz. total and 5.1 Mz. of coffee), and received about one-half the gross income of those applying complete renovation. A cursory review of selected loan files suggests that the farmers currently being reached are very similar to those of two years ago.

A recent study by Núñez, based on the loan investment plans used in the field, found that the average return to the farmers investment in complete coffee renovation was 33 percent with a range of 16 to 72 percent among the regions. That analysis assumed a coffee price of Lps. 140 per quintal. Although the

analysis was not based on actual cost and return data collected from producers, the returns are likely to be high since coffee prices are now far above the assumed Lps. 140/qq. price.

8. Lessons Learned

The major lessons learned in the Project would be: (1) the importance of profitable technical recommendations to accompany credit, (2) the necessity of continually improving intra- and extra-institutional communication and coordination, (3) the feasibility of incorporating private financial institutions into a small farm credit system, and (4) the feasibility of using para-technicians for direct farmer contact.

The first lesson may well be the most critical in making this Project more successful than past supervised agricultural credit programs. IHCAFE is a case study in this regard. Previous to the initiation of this Project, it had extended large amounts of credit through farmer groups for coffee but there were very high rates of loan delinquency. The current emphasis on improved technology, especially where new, improved plants replace old, diseased ones, has been the difference. The second lesson is not new but needs to be repeated. Often poor management and coordination are the downfall of many projects.

The AID/IHCAFE Project has been relatively successful in getting private banks to join. Three private banks have handled about 44 percent of the value of loans disbursed through the end of 1985. One bank is now experimenting with taking complete responsibility for technical assistance and credit using Project funds and guidelines.

The para-technician system has only been operating a couple of years but the evidence is that it is contributing well to help reach Project goals. Most of the para-technicians are coffee growers themselves and the majority have been participants in the Project. Their assistance is helping the limited number of extension agents reach a larger number of borrowers. This approach has not been operating long enough to be able to identify major problems or weaknesses and the definition of the para-technicians primary function is still in process. It bears watching.

SECOND EVALUATION REPORT

INTRODUCTION

The Small Farmer Coffee Improvement Project was initiated with the signing of the Project Agreement in June 1981. The purpose of the Project is to mitigate the production impact of coffee rust, a fungus, on small farm producers in Honduras by assisting as many of them as possible to increase their yields and incomes so they can afford the required rust control measures. The Honduran Coffee Institute (IHCAFE) is the primary implementing institution and is responsible for providing technical and credit assistance. A credit fund was established through the Central Bank for participating public and private lending institutions. It was expected that the Project would reach 3,000 small coffee producers in five years and would have considerable spread effects to others.

The Project Paper specified that:

"The second evaluation will be undertaken during the final year of the Projects implementation. Data will be gathered on the effects of coffee rust, in addition to other pests and diseases, on the farmers' coffee plantations, both on technified and untechnified parcels. Preliminary estimates also will be made of the effects of the Project on farmer income. Calculations of the Project's impact on national production, especially in the form of export earnings also will be made."

However, as a result of possible Project expansion in early 1986, the second evaluation was moved up some in time. Also, emphasis on this evaluation will center on the status of recommendations made in the first evaluation conducted by

Experience Incorporated in 1984. Results of this second evaluation will be used to improve current Project management arrangements and in planning for an expansion of the Project. Specific terms of reference were prepared for the evaluation and are attached as Appendix A to this document. The main part of this report is directly keyed to those terms of reference. Persons wishing more detail on the questions raised for the evaluation should refer to that section.

Evaluation Objectives

The objectives are to evaluate:

- (1) The capacity developed so far by IHCAFE to coordinate Project activities and to provide improved extension services to small coffee farmers.
- (2) The efficiency developed by the involved banking institutions to provide credit to the Project's target group.
- (3) The impact of the Project on participating small coffee producers with respect to changes in production; income and profitability; use of modern technology and inputs; and provide an overview of the sociological impact of the Project.

Evaluation Methodology

The conclusions and recommendations in this report are based on a number of information sources. These include: results of the first evaluation; a review of periodic IHCAFE reports, consulting reports, USAID documents and files since the first evaluation; results of mini-evaluations carried out during 1985; and personal interviews with IHCAFE, bank, and USAID personnel, technical advisors, farmers, and other interested parties. Most interviews were held in private to gather as many honest and

frank opinions about the program as possible. A list of persons contacted and materials reviewed can be found in the appendices.

Even though considerable effort was expended to gather the most reliable and accurate information as possible, the short period of time for the evaluation may have led to some erroneous findings, omissions, or incompleteness in some subject matter areas.

Organization of Report

The remaining sections of the report are organized around the terms of reference found in Appendix A. The four main sections are: (1) Overall Institutional Development, (2) Extension Activities, (3) Credit Activities, and (4) Project Acceptability, Technological Adoption and Diffusion. Findings, observations, conclusions, and recommendations will be included in each section and are summarized in the Executive Summary of the report.

Since the terms of reference for this second evaluation are similar to those of the first evaluation, emphasis is placed on what has happened since that first study. A determination is made as to the extent to which the earlier recommendations have been implemented. New recommendations are made in each section where appropriate.

OVERALL INSTITUTIONAL DEVELOPMENT

1.1 Effectiveness of IHCAFE in project implementation

IHCAFE continues to improve its effectiveness in coordinating the technical assistance and credit activities of the Project. A lot of administrative problems were evident during the first evaluation but most of these appear to have been resolved. The major coordination responsibility falls with the Unidad Ejecutora. Leadership in that unit has changed since the earlier evaluation but this has not significantly affected the coordination activities of the unit. It is said there is now less shifting of personnel among offices and regions. This increased stability of field staff, no doubt, has been positive for the Project. Perhaps the biggest institutional challenge is to completely integrate the operation of the Project into IHCAFE itself. Presently the Unidad is responsible for Project coordination but field personnel, logistics, training, vehicles, and overall budget responsibilities, among others, are with the traditional lines of authority within IHCAFE. The Extension Department, one of three within the Agricultural Division, is the primary administrative unit carrying out the Project technical assistance and credit supervision at the farm level. Field staff seem to be a little confused about lines of authority and are not sure which channels should be used for resolution of problems or questions. At times, direct conflicts between the Unidad and other units of IHCAFE have caused implementation problems. Thus,

for continued success of the Project it is imperative that lines of authority be more clearly defined by the responsible administrators. One way to accomplish this is to assure there is continuous communication and coordination among the affected divisions and departments through periodic planning and problem resolution staff meetings.

Efforts are underway in the Unidad to place Project information on a microcomputer. This work is just beginning so it is not possible to judge its effectiveness at this time. Nevertheless, there does seem to be overly optimistic expectations, especially in the field, for what will be produced through the computerized information system. Problems associated with the lack of accurate data from the field offices will not be solved by the computer but it should help in summarizing already existing data. It would be wise to implement the computer information system slowly and carefully to assure only useful data are being gathered and that the results, in fact, are being used.

Availability of quality seed on a timely basis for the nurseries in all of the regions continues to be an institutional problem. Lack of good seed was a problem in the field in 1984 and is still a problem the first part of 1986. Extensive facilities are not available to store seed from the previous years harvest without deterioration. Thus, this year's seed must come from this year's crop. Coffee harvested at the experiment stations and on cooperating farms must be cleaned, dried, and selected in a very short period of time. Apparently, the

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Research Department is unable to adequately meet these short time schedules. For continued success of the Project, this problem needs to be resolved before the beginning of next years coffee season.

The control of Project funds by IHCAFE appears to be adequate. Periodic internal audits have been completed in the regions. When a problem arises or is suspected, the auditors are sent to the field to look into the matter. An outside auditing firm was employed to look at the credit side of the Project and their report has just been released. No major problems were identified by that audit. The Project Agreement specified annual audits but this apparently has not been implemented.

IHCAFE no longer handles input supplies for the participating farmers. Farmers either go to private suppliers or to BANADESA, the major governmental distribution network for the rural areas.

1.2 Effectiveness of Central Bank in managing loan funds

The long delays associated with the banks receiving their reimbursements through the CB (identified during the first evaluation) seem to have been completely resolved. The participating banks indicated that the present turn-around for reimbursements is two weeks or less and delays are no longer a problem.

The CB is now asking for less information about the individual farmer loans which should also have contributed to speeding up the process. No significant problems in the discounting system were identified during the evaluation nor were any mentioned by the CB or the participating banks. In summary, the

rather serious delays at the beginning of the Project have been eliminated and the system is operating well now.

1.3 Effectiveness of foreign technical assistance

The assistance of the foreign advisors continues to be an important element in Project implementation. All the advisors are known in the field and are making significant contributions to the Project.

The expertise and functions of the advisors have changed significantly since the first evaluation. The extension and media advisors completed their contracts and have been replaced with an agricultural economist, who joined the advisory team around August 1985, and a sociologist who arrived a month later. The credit advisor position has been renewed but that contract terminates in March, 1986.

The present advisors actively assist in the development and presentation of in-service training seminars and make regular visits to the field offices. Their work is a key part of the Project and should be supported and continued, especially if any Project extension takes place. In fact, the credit advisor appears to contribute very heavily to the daily operations, preparation of periodic reports, and to other on-going activities.

The agricultural economist also has made significant analytical contributions to the Project, even in the short time period he has been with the group. Works completed or in process include: a study of the returns to alternative investment plans used in the field, repayment capacity under different scenarios,

an estimate of the effects of current high coffee prices at the national and producer levels, and Project impact, among others.

The sociologist has also been productive through his heavy involvement in a major extension service self-evaluation activity. Summary data and conclusions from that evaluation are now being prepared.

The design and implementation of training activities slowed down in 1985, perhaps because the training/media advisor had left. Further implications of this apparent weakness is discussed in the Extension Activity Section.

1.4 Links with regional institutions

PROMECAFE has completed an area profile study for the Comayagua region. The four volumes resulting from the study are now completed but few copies will be available because of insufficient funds for reproduction. There was little evidence during the field visits that any of the information is being used directly by the field staff, even though they all seem to support the idea of the area profile studies.

Coordination and communication between PROMECAFE and the AID/IHCAFE Project seems to be weak, often resulting in conflicts in program operations. Training courses may be scheduled at the same time for the same field personnel. The reorganization of the Comayagua region activities has come out of the PROMECAFE work and appears to conflict with how others think the Project should be implemented. Unless there is improved coordination and communication by all concerned parties, the conflict likely will continue.

The strongest regional links with PROMECAFE are in the technical areas through the distribution of bulletins and other information releases and through their participation in national technical seminars on coffee production. ROCAP has also been involved in many of the same area profile studies and seminars.

1.5 Effectiveness in promoting bank participation

The Project, with the active help of the credit advisor, has been relatively successful in attracting banks to the program. Those presently active include BANADESA (public), BANHCAFE (semi-autonomous), Banco de Occidente (private), and Banco Sogérin (private). BANADESA handles over one-half of the loan volume, BANHCAFE around one-fourth, and the other two cover the remainder. However, Occidente is strongly supporting the Project and is now growing the fastest. Sogérin has only been working with the Triniteca Cooperative in Trinidad, but is in discussing the incorporation of other cooperatives into the Project. For Triniteca, Sogérin passes its entire share of interest for a bad loan reserve (4.5%) and one-half of its interest income (3%) to the cooperative. It appears they are willing to establish the same arrangements with any new cooperatives entering the Project that meet their management requirements.

The credit provided through the AID/IHCAFE Project is a significant part of BANADESA's portfolio in many branch offices. Appendix Tables C-6 to C-8 show amounts by branch office. Because of the smaller amounts involved, the Project credit is less important in the other banks' portfolios.

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1.6 Link of Land Titling and Coffee Projects

There is no direct link between these two projects but it is expected that the titling program is assisting many small coffee producers in the same regions where the AID/IHCAFE Project is operating. No doubt, many of these new land owners are Project participants.

The recent Seligson report on the Small Farmer Coffee Improvement Project came from data collected in a survey of the land titling project in Comayagua. Coffee producers made up 378 of the 755 land titling farms covered in the sample. Thirty of these were Project participants.

The Project also is planning a tie with the rural technologies project. Small coffee processing equipment and simple household equipment and items are scheduled for a demonstration area at the La Fe training center.

the land titling program in Comayagua

Recommendations

-There continues to be the need for improved information flow from the field to the central offices and return. Present efforts to computerize data to produce summary information and data for management should proceed with care but be completed as quickly as possible.

-The training and publicity section (capacitacion y divulgacion) in IHCAFE needs to be strengthened and a head of the unit named as quickly as possible so that training activities are better identified and coordinated

-AID/IHCAFE Project personnel should be involved in personnel decisions that affect the operation of the Project.

-The administrative load on the regional chiefs needs to be reduced so that they can carry out their supervision of field operations and personnel. The current thought is to place an administrative assistant in each region.

-The functions of the Credit Department should be clarified. Re-location of most of the staff to the regional offices to

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assist in loan collection is recommended.

-Higher administration in IHCAFE should require, and perhaps preside over, periodic meetings with heads of research, extension, and the Project implementing unit to coordinate activities among the various units.

-Policy analysis and planning needs to be strengthened within IHCAFE so that clear guidance is provided the action programs like the AID Project and the diversification activities. This applies to the regional as well as national levels.

-An outside management firm should be contracted to help the institution improve its management, administration, and supervision of operations. This same analysis should identify the kind of information that is needed at the various levels of management and the role that microcomputers can play, especially at the regional level.

-The present system of contracting an outside auditor is time consuming and problems that are identified may be months or years in the past. It is suggested that a firm be employed to carry out periodic audits, say every three or four months, to provide immediate input to management to help resolve problem areas.

EXTENSION ACTIVITIES

2.1 Extension Department Expansion

Although the Project Agreement anticipated an expansion in the number of coffee extension agents in the field, the GOH has not been able to comply with this goal. As shown in Table C-~~6~~⁵, the number of extension agents has declined over time rather than increase as was proposed. The condition precedent was modified by USAID when it was realized that the GOH would not be able to add more extension personnel due to budget constraints. The lower number of agents has been compensated for by hiring temporary field extension workers paid for by Project funds through the Unidad and by using local farmers as para-technicians.

The estimates for the number of para-technicians varies from 104 to 202 depending upon the source. Since the para-technicians work only part of each week, the numbers at any one time are not known with accuracy. The para-technicians have had about 5.9 years of schooling, on the average, and the majority are coffee farmers who have participated in the Project.

The para-technician system seems to be working well after a couple of years of operation. This approach plus additional emphasis on working with groups of coffee producers will help overcome the limited number of extension agents. Even so, if the Project expects to expand much more, it will probably have to hire additional field staff.

Approximately 80 percent of the agents have an educational preparation that is equivalent to graduation from the John F. Kennedy School, not a high level of technical achievement. While this level may be adequate to start the job, it indicates a need for continued strong in-service training.

2.2 In-service training of extension personnel

In-service training for extension agents has taken several forms: formal courses, regionally managed field training, informal training by foreign advisors, on-the-job training by those more experienced, and centrally managed formal training. All areas still need strengthening. Some extension agents have attended almost all available courses (normally those agents closer to Tegucigalpa or San Pedro de Sula) while others have attended few or no courses. Some complain of course duplication. Even experienced agents with good technical and methodological backgrounds still need training in farm and financial management to be able to meet the demands of the Project. No records were found of who had or had not attended courses. Thus, the invitations to future courses will be a hit and miss situation. It would be advisable for IHCAFE to maintain up-to-date records on training received by name, subject, and level of training to guide future training activities.

The other principal type of training received by IHCAFE extension agents is at the regional level. The regional director is responsible for assigning new agents to an experienced agent for side-by-side orientation for several weeks until the new agent is considered ready to work on his own. Most new agents go

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through a month long orientation at the training center in La Fe but some miss this because of timing problems. The regional director is also important because he is the one who does most of the supervision and evaluation of the agents. Under this system, the quality of training received is dependent on the quality of the regional director.

The regional credit agents may receive the same general training offered the extension agents but they also are given special workshops specifically oriented towards loan extension and repayment.

Although annual training plans are prepared, the actual implementation of training courses and activities seems to be rather ad hoc. It was reported that sometimes two courses are scheduled for the same training facility in La Fe. If true, this implies more effort and planning is needed for identifying training needs and to develop annual training schedules.

2.3 Importance of area profiles

The first area profile was carried out in 1985 under the guidance of PROMECAFE advisors. In addition to gathering secondary data about one region, Comayagua, approximately 340 complete interviews were conducted to gather farm level data. The results of these efforts are included in a four volume study just released. Because of limited funds for reproduction, few copies are currently available.

A lot of interesting data were produced by the area profile study but it is unclear how such data might be used by the Project or IHCAFE. Harper's evaluation report was rather

critical of the approach because of its high cost relative to the likelihood of its producing information directly of use in the field.

It is clear no baseline data are available for most of the coffee regions and this lack of data for evaluation purposes and for Project planning needs to be rectified. The question is, What data collection approach is most appropriate? Because of its relatively high cost, the area profile will not likely be duplicated in all of the regions. A first step in providing general regional information would be to analyze the 1979 coffee census data which are already on computer tape. To complement those data, a region by region "sondeo" approach might be implemented. This approach is being used by the international research centers in various parts of the world and uses a small group of well-trained, experienced professionals from various disciplines who visit a region for 2-4 weeks to identify the priority areas of research and problem areas in need of further detailed study before agronomic research actually begins. The advantage of this approach is that some research can begin immediately. It also tends to focus efforts in a few areas identified as most critical in contrast to gathering data on all aspects of a region.

2.4 Organization and effectiveness of Project promotion

Although this was a specific need when the Project first began, it is no longer of high priority. The relative success of the Project in terms of increased coffee production on the technified parcels has generated considerable interest on the

part of other producers so promotion is no longer needed. The problem may now be how to service all of the requests.

2.5 Borrower selection criteria and effectiveness

Selection criteria include the guidelines used for defining the target group as spelled out in the Project Agreement, the extension agent's own technical and personal evaluation, and the bank's judgment of credit worthiness. Most agents now recognize that they made some bad selections the first year of operation and these are now showing up as delinquent borrowers. Selection seems to have improved in recent years as the field technicians gained more experience. Also, the para-technicians apparently play a critical role in helping the extension agent decide whether or not a given farmer should enter the Project because of their extensive local knowledge. Agents also use accessibility, sometimes residency on the farm, and moral standing in the community as selection criteria. It appears that the selection process is consistent with the target group specified in the Project Agreement.

As determined during the first evaluation, the average farmer receiving technical assistance and credit for complete renovation (Model I) in 1982 was about 39 years of age, had a total farm size of 15 manzanas (10.5 hectares), total coffee of a little less than 6 manzanas (4 has.) with production at 7.9 qq. (100 lbs.) per manzana. The average loan size in 1982 was Lps. 4965 or Lps. 4043 per manzana. Farmers receiving credit for partial renovation (Model II) were a little younger (35 years), had smaller farms (6 manzanas or 4.2 has. total), less coffee

(4.2 manzanas or 2.9 has.) and had obtained Lps. 1798 of credit per manzana. Additional data on farmer and loan characteristics can be found in the first evaluation-report.

2.6 Extent of Project coverage

The number and value of loans extended by region and year are shown in Appendix Tables C-1 through C-3. Few data are available to determine the extent of coverage in the nine regions. However, by the end of 1985, the Project had extended technical assistance and credit to an estimated 4,584 coffee farmers. This represents about 11.5 percent of the estimated 40,000 coffee producers in the country.

The data in Table 1 provide additional insights on coverage for four regions where sufficient information was available to make such comparisons.

Table 1. Extent of Coverage within the Small Coffee Project by Number of Farmers, Area Covered, and Region

| Region | Number of | | Total Area (Mz.) | |
|--------------|---------------------|----------------------|------------------|--------------------|
| | Farmers* (total) | IHCAFE Borrowers* | in Coffee | IHCAFE Financed |
| Sta. Barbara | 4,923 | 676 (13.7%) | 20,816 | 862 (4.1%) |
| Yoro | 1,639 | 609 (37.2%) | 6,687 | 736 (11.0%) |
| El Paraiso | 3,376 | 391 (11.6%) | 13,309 | 486 (3.7%) |
| Comayagua | 2,518 | 682 (27.1%) | 10,467 | 792 (7.6%) |

*Figures are for coffee farms with 1 Mz. to less than 20 Mz. in total farm area.

SOURCE: 1979 Coffee census (Nunez), and Cuello, IHCAFE

As can be seen, the extent of coverage varies from region to region. Of course, it should be remembered that these are very rough estimates and should be used with care. Even so, it does appear that there is still considerable room for Project growth within the small farm coffee sector, assuming the remaining farmers are receptive to receiving technical assistance and credit. The "sondeo" method of studying an area might be applied to measure the number and characteristics of those not yet reached.

It should be pointed out that IHCAFE field personnel also work with coffee producers who are not part of the AID/IHCAFE Project. The numbers reached are unclear but the recent extension self-evaluation has produced some estimates of non-Project work. For example, data for El Paraiso supplied by Fuerta indicate that of the total of 431 coffee farmers contacted by extension agents directly, 12.5 percent were in the Project, 36 percent had credit from another source, and the remainder had no formal credit at all. For those assisted in Copan, 24.1 percent were with the Project, 5.8 percent with other credit, and the rest were without credit. For Copan, 24.1 percent were with the Project, 5.8 percent with other credit, and the rest without credit. However, these figures are not consistent with interviews with extension agents who indicated they spent anywhere from 80 to 100 percent of their time with the Project. No doubt, the estimates of the agents in the self-evaluation include all contacts with farmers, however incidental.

A separate study of the impact of the Project on reducing the effects of coffee rust is in process but results were not available at the time this evaluation report was prepared. Since rust is found in all coffee areas, the technification of some 4 to 11 percent of the land area in coffee associated with the Project, depending on the region, should be having a positive effect.

2.7 Current extensionist/beneficiary ratio

Using the current number of extensionists as shown in Appendix Table C-5, the number of beneficiaries per agent is illustrated in Table 2.

Table 2. AID/IHCAFE Beneficiaries per Extension Agent by Region

| Region | Farmers per Agent | Region | Farmers per Agent |
|--------------|----------------------|------------------|----------------------|
| Sta. Barbara | 67.6 | La Paz | 48.7 |
| Copan | 122.8 | Olancho | 61.2 |
| Yoro | 87.4 | Cortes | 51.3 |
| El Paraiso | 61.3 | Central | 23.1 |
| Comayagua | 95.6 | National average | 52.7* |

*Includes the 20 temporary agents

SOURCE: IHCAFE data

Clearly, there is great disparity among the regions in terms of the number of Project borrowers handled by each extension agent. However, a number of caveats are in order. The regional estimates do not include the temporary staff since their distribution is not known. These figures are only in terms of

the Project participants and do not include other beneficiaries of IHCAFE's services. Nevertheless, it would appear that some extension agents need to be added to some of the regions. The only office that doesn't seem to be carrying its share is the central region. The extension self-evaluation study in four of the regions may help clarify the differences among the regions.

These figures also indicate there may not be much excess capacity in the system since field interviews suggested that each agent can not effectively handle many more than 80 borrowers when they are receiving credit.

2.8 Replacement of on-farm visits with a farmer education program

The extension methodology used with Project beneficiaries is highly variable. As mentioned, the success of the Project depends upon continuing to strengthen the weaker or less experienced agents and better training for all agents in financial management and in working with groups. To date, little effort has gone into organizing groups, probably because IHCAFE had such a poor experience working with groups in the 1960's (primarily for credit purposes). In Comayagua there is a major effort to organize farmer groups for technical assistance and technology transfer purposes. Field staff are unanimous in their belief that credit should not be extended through groups (except for already organized formal cooperatives with strong management). Certainly, if the Project is going to continue to expand, some type of farmer grouping or association will be needed given current field staff.

Farmer supervision is still highly paternalistic and parti-

icipating farmers are simply following instructions. Continued work is needed to achieve a system of education that can monitor the participants' improvement, and eventually allow the farmer to work primarily on his own. While strict supervision is necessary and desirable, there appears to be a need for a better process of evaluation of farmers' progress toward educational goals.

The area where the farmers are most dependent is in management of their finance and farms. Farmers often rely heavily on the extension agent for information about their loans. With the current high coffee prices, the farmers are even further in need of financial education so they can use any increased income wisely.

An additional topic that might be included in farmer education programs relates to crop diversification. IHCAFE seems to be more aware now about the need for diversification as compared with two years ago. Unfortunately, moving from a specialized system around coffee to a more general technical assistance program has many traps. In addition, most of the IHCAFE diversification work is located in the more tropical areas (cacao) of the country where little coffee is grown. Some cardamom work is beginning but that market is quite small so there is little potential for widespread adoption. IHCAFE should consider the possibility of doing some of the diversification work in the coffee areas so recommendations can be given the farmers on this important topic. Such work should not be just limited to export type crops. Livestock and other locally consumed products may have greater potential for many producers.

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It appears IHCAFE is in need of additional policy analysis and direction in its work, not only for diversification, but more generally. It must clearly define its goals and purposes and translate those into clear courses of action. At present, there seems to be considerable confusion as to what IHCAFE is trying to accomplish.

2.9 Effect of training program on farm technification

The Project has achieved excellent results so far since most of the producers have selected the complete renovation model which produces dramatic effects in a relatively short period of time for a perennial. Even so, it is not clear what role the training program has had in this process. There does appear to be need for many more contacts with farmers through field days, formal and informal training sessions, and other methods of transferring technical knowledge to farmers.

A recent study of Seligson found that for a small sample of Project participants in Comayagua, about 31 percent had only been visited by IHCAFE technicians once a year or less. This is a little disturbing if true since direct supervision is supposed to be an important part of the Project. This further illustrates the need for a farm level impact study as quickly as possible. It also suggests IHCAFE needs to improve the management and supervision procedures it is using to evaluate field staff and activities. Because of the nature of the sample, those findings should be used with care until further verification is available.

Recommendations

-Para-technician program should continue as long as demand exists for their services. Efforts should be made to reach small non-Project coffee farmers as well. -

-Training of extension agents and para-technicians still is needed in the areas of farm and financial management, production economics, and group techniques.

-Training of participating farmers and their families (wives and children) in farm and financial management and in technical coffee production still continues to be needed, especially since significant cash flows will be coming from current high coffee prices.

-Further effort is needed in working with groups, using para-technicians and in utilizing test plots on farmers fields. Great caution should be followed in extending credit through groups given IHCAFE's bad experience with this approach in the past.

-IHCAFE should speed up diversification research and its dissemination to the participating producers since the current high prices for coffee likely will not continue long.

-Increased emphasis should be given to assisting the farmers in processing and marketing their coffee. Coordinating with existing, strong cooperatives may help in this effort.

-Additional educational and audiovisual materials should be developed for use in the communities by the extension agents and the para-technicians.

-Experienced extension agents should not be used in implementing area profiles and other similar activities. Doing so may jeopardize their ability to service the participating coffee producers in their zone. New extension agents might be used for such data collection as part of their training and to acquaint them with their respective zones.

-Baseline data from a few existing and newly entering producers need to be gathered to serve as a basis for further evaluation of Project impact. Area profiles, using the current approach, will likely be too costly to provide baseline data for all the regions. Possibly, analysis of a sample of the 1979 census data could provide such baseline data.

-Future studies to determine research and program directions for the Project should consider using the "sondeo" approach.

CREDIT ACTIVITIES

3.1 Organization and strengthening of Credit Department

Very little has been done relative to the Credit Department. Its current primary responsibility appears to be the collection of past delinquent loans issued by IHCAFE before the AID/IHCAFE Project began. The Credit Advisor of the Project has worked informally with the Credit Department and the head of the department has participated in some of the Project training seminars.

The original Project design included some 20 credit agents in the field. That was modified through a Project Agreement where there would be one credit agent in each regional office. Given the design change and the fact that the Credit Department is only working with past delinquency, it is unclear what its tie should be with the Project. It could play a role in loan collections as this becomes more important but much of that work is in the field, not in the central office. Thus, some relocation of its staff to field locations would be required for it to work effectively with the Project.

3.2 Effectiveness of banks in approving and administering loans

Problems in loan approval and processing that occurred during the first couple of years of the Project seem to have been largely eliminated. Currently the approval process by the banks is functioning relatively well. However, during certain times of the year the processing of loans for basic grains does conflict

with coffee loan processing. This problem has largely been resolved by the banks placing temporary employees in the branch offices to help process the loans. Some of this temporary help has been financed by the Unidad.

The only other problems identified were those associated with changes of personnel, either in IHCAFE or in the banks. New employees require time to learn the system and may be reluctant to make decisions. When this happens, there are delays in loan processing.

Each of the participating banks has extended Project credit through cooperatives and this appears to have been successful. Because of this, further discussions are in process to bring additional cooperatives into the Project. All indications are that the credit is reaching the target group of farmers as specified in the Project Agreement.

3.3 Level of funding and credit flows

Figures on the number of loans and volume are available through December 1985. At that time a total of 5,048 loans (all types) worth Lps. 29,661,300 had been approved. Of that amount, Lps. 24,413,000 or about 82 percent had actually been disbursed. Three different types of loans are available through the Project: (1) complete renovation (Model I), (2) partial renovation (Model II), and (3) plant nursery establishment. The accumulated figures for these loan categories is shown in Table 3.

Table 3. Total Accumulated Credit Flows Through December 1985

| Loan type | No. of Loans | Lps. Approved | Lps. Disbursed | No. of Manzanas |
|--------------------|--------------|---------------|----------------|-----------------|
| Model I (complete) | 4,390 | 24,400,100 | 19,968,400 | 5,489 |
| Model II | 212 | 503,300 | 448,100 | 295 |
| Nurseries | 446 | 4,745,100 | 3,996,500 | --- |
| Total | 5,048 | 29,661,800 | 24,413,000 | 5,784 |

Source: IHCAFE files.

It should be pointed out that there are several planned disbursements for the renovation loans over the first two years which may explain some of the delay in disbursements. Withdrawals are permitted more quickly for the nursery loans since they are shorter in term.

Information was also gathered on the value of loans discounted through the Central Bank mechanism set up by the Project. These data are shown in Table 4.

Table 4. Value of Discounts by Banks Through December 1985

| Bank | Nursery Loans | | Investment Loans | | Total | |
|---------------------------------|---------------|----------|------------------|----------|--------|----------|
| (Accumulated value in 000 Lps.) | | | | | | |
| BANADESA | 1,833 | (62.1%) | 10,361 | (54.9%) | 12,194 | (55.9%) |
| Occidente | 281 | (9.5%) | 3,102 | (16.4%) | 3,383 | (15.5%) |
| Sogérin | - | - | 680 | (3.6%) | 680 | (3.1%) |
| BANHCAFE | 839 | (28.4%) | 4,736 | (25.1%) | 5,575 | (25.5%) |
| Total | 2,953 | (100.0%) | 18,879 | (100.0%) | 21,832 | (100.0%) |

Source: Credit Dept., Central Bank

As has been true throughout the life of the Project, BANADESA is the major participant in the credit component. However, its relative share has dropped from about 67 percent in 1983 to the present 56 percent. During the past two years private banks have become more active. BANHCAFE, a new bank created in 1980, now accounts for about one-fourth of the lending. Banco de Occidente began extending nursery loans in November 1983. More recently, it has added many individual loans and is now the fastest growing bank in terms of Project loans. Banco Sogérin started its participation with a large loan to the Triniteca Cooperative, Trinidad, in 1984. Discussions are taking place now for loans to four other cooperatives working with coffee.

3.4 Role of IHCAFE credit and extension agents in credit

The involvement of the credit and extension agents in providing credit along with technical assistance has been fairly effective in Project implementation. Most farmers are selecting the complete renovation model which requires more technical knowledge as well as more credit. Since there are now 10 rather than the 20 credit agents as originally planned, their functions are also different.

Although the 1983 Cuevas study suggested that the credit and extension agents were handling essentially the same functions, this does not always seem to be true. At the farm level they may well perform similar functions but the regional credit agent is usually the only person that maintains direct contact with the credit institutions. Normally the extension agents do not work directly with the banks. They are responsible for gathering data

from the farmer and filling out the loan application forms. They also make farm visits at the time of the application and when disbursements are made. When extension agents are on leave or absent for some reason, the credit agent may carry out those duties, and vice versa. In some regions both the credit and extension agents carry out the pre-harvest farm visits, while in other areas they seem to place the primary responsibility on the credit agent.

A major push for loan repayment is now taking place and involves both the credit and extension agents. The first contact with the farmer reminding him of repayment is by the extension agent. For problem cases or for more specific information the credit agent may make field visits. Normally, the credit agent spends a major part of his time reviewing loan documents, following up on problem cases, and coordinating loan activities with the banks.

To date, the field agents have given little or no assistance to farmers in farm and financial management. Training of agents and farmers in these important subject matter areas was recommended in the first evaluation report. With the expected large cash flows going to participating farmers because of currently high coffee prices, this recommendation needs to be emphasized again. The Project can be even more successful if the expected increases in farm incomes are channeled into other productive investments or into housing or other priority needs of farm families.

3.5 Availability of production loans

Farmers will likely need annual maintenance loans in addition to their coffee rehabilitation loans to cover weeding, pruning, disease control and other annual production costs. GOH counterpart funds are expected to be available for this purpose through the same participating financial institutions. As far as can be determined, there is no problem for those farmers wishing to obtain annual coffee production loans for maintenance. No accurate figures were available concerning the portion of those with complete (Model I) or partial (Model II) renovation loans that have obtained annual production loans. It is estimated somewhere around 60 percent of the Project borrowers are also receiving the maintenance loans. This is certainly a question that needs to be researched further.

Recommendations

-IHCAFE needs to study the feasibility of placing an additional credit agent in the regions with large numbers of loans.

-Additional, intensive training workshops and seminars on credit are needed at all levels in the Project. Training needs to adjust to the clientele group--farmers at one level, para-technicians at another, and so on.

-Participating banks need to establish a systematic procedure for running spot checks on disbursements to farmers to assure the system is running well.

-Participating banks should be asked to take a greater responsibility in loan collections. Information on delinquent borrowers should be kept current and shared with IHCAFE workers.

-The Project should study the possibility of reducing the amount of credit for labor, especially when it is primarily family labor. This would greatly reduce the financial risk assumed by the borrower. New loans to farmers that have paid off a previous loan for one or two manzanas should not include payment for family labor.

-The Project should continue to work with the target group and, rather than be tempted to work with medium sized or larger farms, find ways to more effectively work with the large numbers of small farmers that still have not been reached but are reasonably good credit risks.

-Private participating banks should be encouraged to assume more and more of the technical and credit supervision as they are able to hire their own specialists.

-Participating banks should be encouraged to follow the example of Sogérin in passing some of the interest earnings to well-managed cooperatives that handle the loan processing and supervision of borrowers.

TECHNOLOGY AND DIFFUSION

4.1 Farmers acceptance of technification program

When talking with field agents, one would get the impression that all borrowers are completely following their recommendations, with few exceptions. Given the general USAID experience of providing supervised agricultural credit to small farmers in Latin America, one should not be surprised if field studies reduce that optimism somewhat. In many respects, the very recent Seligson study does just that. It is based on a very small sample of 30 Project participants in just one region, Comayagua. Furthermore, it is an off-shoot of a land titling study and was not specifically designed to study the effects of the AID/IHCAFE Project. Thus, in no way does it statistically represent the Project in either Comayagua or in general. Nevertheless, it does provide some interesting findings that might guide further research geared directly towards the Project.

The average size farm for Project participants at the time of the interview was 23.9 Mz.. The farmers averaged 41.5 years of age, had significantly higher levels of formal (but still relatively low) and informal education as compared with the non-technified farms, and they were more active in a number of community organizations. Project farmers used higher levels of technology, especially fertilizers and pesticides, as compared with non-technified farmers. For Project participants, technical assistance was four times that received by the others and most of

that came from IHCAFE. Credit use was higher among Project farmers as well. In contrast, coffee yields were considerably below those of the non-Project but-technified farms and below even the non-technified farms. The apparent reason for this is that the parcels had been completely renovated and were just beginning production. Unfortunately, no data were gathered about the amount of time since renovation to test this hypothesis.

Many participants in the Project apparently do take soil samples for laboratory analysis but this practice is not widespread. FHIA is now available for soil testing and its reputation for such work is very good. No doubt, there are other soil testing laboratories that may be satisfactory for small farm soil analysis.

4.2 Effect of Prices on Farmer Interest

Current coffee prices are very high and are expected to remain strong due to the 1985 frost in Brazil. While the price per quintal (100 lbs.) was around 160 Lps. in early 1984, by mid-January 1986 the price had jumped to more than 200 Lps. Thus, with current prices, the Project has not had difficulty in attracting participants. Few or no advertising or informational programs are now needed to attract new participants to the Project. Field technicians consistently indicated there is no problem of getting new borrowers. This is in sharp contrast to the considerable effort that had to be made the first couple of years to interest good participants.

4.3 Following of instructions by farmers

As expressed by extension staff during interviews and generally supported by the Seligson-study, most farmers seem to follow the instructions of the extension agents. However, except for that study, no specific data are available on this question. No doubt, the acceptance of technical recommendations by farmers will vary considerably. Field staff estimate that maybe 5 to 10 percent of the farmers don't follow their advice very well.

If farmers continue to follow the recommended management and production practices, they should see significant benefit over time, especially with the current high coffee prices. Nevertheless, the recommended technical models need to be reviewed regularly and adjusted according to new research findings and current economic conditions. Current recommendations appear to be based on trying to maximize physical production. This approach may be reasonable given current high prices but with lower or falling prices it is especially important to test the returns and cost effectiveness of various levels of technical management.

4.4 Farmer satisfaction with credit and technical assistance

Farmers seem satisfied with the technical help and credit that they are receiving although no specific field studies have been done to substantiate that conclusion. The system is still quite paternalistic and needs to gradually educate and train the farmer and his family so this will be less necessary in the future.

4.5 Incorporation of processing and marketing activities

No significant progress is evident in this area although many technicians and field staff have expressed the need for coffee processing and marketing assistance. Discussions on the possible extension of the Project are including these activities as an important part of any future work. No doubt, assisting the small coffee producers in processing and marketing will help them receive a higher farm-gate price for their coffee. Most farmers apparently sell their coffee humid.

The Unidad is planning to establish a small demonstration area at the training facility in La Fe where farm level type of equipment for small-scale coffee processing can be shown. Items developed by the the AID-financed rural technology project are also expected to be included in the display.

Recommendations

-Current technical recommendations need to be analyzed from an economic point of view and adjusted accordingly. Results of such an analysis will be especially important when coffee prices are lower. IHCAFE should plan on developing that capability internally as budget permits.

-Generally, there is poor coordination between extension and research. As quickly as possible, IHCAFE should locate research personnel in regions where none are presently located. More farmer test plots need to be established and used as a link between the researcher and the extension agents and farmers.

-Fertilizer recommendations should be based on soil sample testing as much as possible. Investment plans currently cover such costs and farmers should be encouraged to use the money for that purpose.

-IHCAFE should look into methods of standardizing the weights and measures used in the coffee marketing system to ensure farmers receive equitable payment for their marketed coffee.

-The Project should begin to assist farmers in the processing and marketing of coffee to increase the prices received by farmers as well as to improve quality.

APPENDIX A

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PIO/T PROJECT IMPLEMENTATION
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Small Farmer Coffee Improvement
Project 522-0176

ATTACHMENT No. 1

STATEMENT OF WORK

Background:

The first evaluation of the Project was conducted by Experience Incorporated and a final report submitted on February 10, 1984. The Project Agreement called for an additional evaluation to be carried out in the final year of the Project. Consideration of an expansion of this Project would indicate that this second evaluation should be carried out prior to the development of the Project Paper amendment. During CY1985 a number of mini-evaluations have been carried out relative to the loan portfolio, the paratécnicos activity, and baseline data. These evaluations will be provided to assist in the overall Project evaluation.

As a result of the Project expansion planned in early 1986, emphasis on this evaluation will center on the status of recommendations made in the first evaluation conducted in December 1983 and January 1984.

Article I. Title

Second formative evaluation of the Project Small Farmer Coffee Improvement.

Article II. Objectives

1. To evaluate the capacity developed so far by IHCAFE to coordinate Project activities and to provide improved extension services to small coffee farmers.
2. To evaluate the efficiency developed by the involved banking institutions to provide credit to the Project's target group.
3. To evaluate the impact of the Project on participating small coffee producers with respect to changes in production; income and profitability; use of modern technology and inputs; and provide an overview of the sociological impact of the Project.

Results of this evaluation will be used to improve current Project management arrangements and in planning of an expansion of the Project.

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Title III. Statement of Work

A. Methodology

Contractors should contact Samuel Tenorio, BANADESA, and Roger Marín, BANHCAFE, Jorge Bueso A., Banco de Occidente and Sidney Panting, Banco Sogerin, for credit experience under the Project. Within IHCAFE, Jaime Villatoro, Project Coordinator will be the primary contact. IHCAFE will coordinate field visits with regional offices to assure maximum exposure to activities and problems. Field work may approximate one half of total work days requested. IHCAFE will provide contractors with all quarterly reports as well as quarterly reports from Servicios Técnicos del Caribe technicians working on the Project. It is anticipated that approximately one month will be required for this work.

B. Specific Terms of Reference

1. Overall Institutional Development

- 1.1. How effective has been IHCAFE in implementing the Project given additional ongoing activities. In this respect,
 - (a) has IHCAFE proven to be an effective institution in coordinating the credit and technical assistance delivery services to Project beneficiaries; and,
 - (b) has IHCAFE's Accounting Department shown satisfactory capacity to manage Project funds, to establish the accounting system needed to control the use of Project funds, and to procure and sell needed agricultural inputs to participating farmers?
- 1.2. How effective have been the Central Bank in managing loan funds and in making capital available to BANADESA, BANHCAFE, Banco Sogerin and Banco de Occidente according to Project needs?
- 1.3. What has been the effectiveness of short and long-term foreign technical assistance on:
 - (a) the creation and staffing of the credit agent positions in support of the extension activities organized;
 - (b) the definition of the in-service training program for extension agents;
 - (c) the implementation of the area profile activity;

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- (d) the development and implementation of media programs designed to train coffee farmers in IHCAFE's technification models; and,
 - (e) the implementation of credit activities for groups?
- 1.4. What support links have been developed between regional institutions (e.g., IICA and PROMECAFE) and IHCAFE, and to what extent these links have facilitated the implementation of the Project?
- 1.5. How effective has been IHCAFE in promoting the participation of additional banks in the Project?
- 1.6. To what extent are the Titling Project and the Small Farmer Coffee Improvement Project being coordinated, and what formal linkages should be established between both to maximize impact?
2. Extension Activities
- 2.1. Has the Extension Department within IHCAFE been expanded as a result of Project activities?
- 2.2. What is the status of the in-service training program instituted to improve the capacity of IHCAFE extension agents to transfer technology to coffee farmers? That is,
- (a) What kinds of training activities have been organized?
 - (b) What has been the quality of training received up to date?
 - (c) To what extent the content of courses, seminars, and workshops organized is relevant to field activities planned for extensionists?
- 2.3. What importance has IHCAFE given to the preparation of area profiles? Are these profiles being prepared? If so,
- (a) to what extent data collected for such profiles is relevant and accurate;
 - (b) what use do extension agents make of profiles, and,
 - (c) is information collected being updated?
- 2.4. What Project promotion activities are being organized, how do extension agents participated in the organization of such activities, and to what extent are they being effective in getting target farmers involved in the Project?

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- 2.5. What selection criteria are being used to select Project beneficiaries, have extension agents participated in the definition and application of such criteria, and how effective are they in reaching the Project's target group? In this respect, are such selection criteria useful in identifying and reaching small coffee producers as anticipated by the Project Paper?
- 2.6. What is the extent of Project coverage at this time? What type of coffee farmers are presently participating in the Project, and are the more affected areas by coffee rust being serviced?
- 2.7. What is the current extensionist/beneficiaries ratio? Is this ratio adequate to provide needed technical assistance?
- 2.8. To what extent is the system of on-farm supervisory visits being replaced by a system of farmer education? That is, has IHCAFE translated its technical models into technology transfer messages that can be easily understood by Project beneficiaries? In this respect,
- (a) is a gradual approach being used to get small coffee farmers involved in the Project and is this approach adequate;
 - (b) is formal instruction being provided to groups of small coffee producers;
 - (c) are extension agents establishing demonstration lots in cooperation with local producers;
 - (d) are radio broadcasts and mobile training units being used to either train or reinforce training; and,
 - (e) who is currently receiving individualized/intensive assistance and to what extent this type of assistance is being utilized as a training follow-up mechanism?
- 2.9. What is the effect of the new training program on the technification on the farm?

3. Credit Activities

- 3.1. What arrangements have been made by IHCAFE to adequately organize and staff its Credit Division? To what extent the Project amendment in this respect has proven to be an adequate decision?

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- 3.2. How effective have been the participating banks in approving and administering subloans to small coffee farmers and in providing them with needed banking services? In this respect, what has been the credit flow to Project beneficiaries so far? Are disbursement rates anticipated for the initial years of Project implementation being attained?
- 3.3. What level of funding is now available for the credit program, including both investment and production loans? Is the GOH making available stipulated counterpart for such program?
- 3.4. What role has been played so far by IHCAFE credit agents in the development of credit plans for small coffee farmers, in assisting them in loan management, in distributing inputs and in monitoring loan repayments? Has the involvement of IHCAFE credit agents in such activities proven to be effective in Project implementation?
- 3.5. Are production loans in addition to investment loans being made available to participating farmers by BANADESA, Banco de Occidente, BANHCAFE and Banco Sogerin?
- 4. Project Acceptability, Technological Adoption and Diffusion
 - 4.1. Have target farmers accepted the technification program proposed by IHCAFE technicians? In this respect, to what extent (a) the credit terms designed, (b) the type of assistance offered, and (c) the possibility of a gradual renovation of damaged plantations have enhanced Project involvement?
 - 4.2. Has any previous interest in the Project among beneficiaries been affected by the current world coffee prices?
 - 4.3. Are (persistent) Project participants adequately following instructions provided by IHCAFE technicians? That is, are participating farmers replacing old coffee varieties by new ones, repopulating their plantations to optimum levels, and utilizing fertilizers, pest control practices, advanced

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shading and pruning techniques as expected? If not, why not and what modifications must be introduced for technology transfer to occur?

- 4.4. Are Project participants satisfied with the credit assistance (e.g., both investment and production credit) and technical assistance being provided under the Project? If not, what are their complaints, and how can existing problems be overcome?
- 4.5. To what extent has IHCAFE acquired the capacity and is involved in promoting the advantages of processing and marketing cooperatives through its technical assistance activities? Have farmers shown any receptivity to such promotion? If not, what modifications must be introduced for the adopted cooperative involvement strategy to be effective?

Article IV. Reports

The Contractor is expected to present a final evaluation report by January 31, 1986. This report should follow the Project Evaluation Summary (PES) format and it should have the following sections:

1. Recommendations
2. Summary of Findings
 - 2.1. Overall Implementation Capacity within IHCAFE and involved banking institutions.
 - 2.2. Accomplishments with respect to Extension Program.
 - 2.3. Accomplishments with respect to Credit Program.
3. External Factors affecting Project implementation
4. Status of Inputs
5. Status of Outputs
6. Status of Project's Purpose
7. Description of Project Beneficiaries to Date
8. Lessons Learned

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Article V. Relationships and Responsibilities

The Contractor will receive technical direction from John L. Jordan, from the Rural Development Office at USAID/Honduras.

Article VI. Term of Performance

Beginning on/about December 20, 1985 and ending on/about January 24, 1986.

APPENDIX B

LIST OF PRINCIPLE CONTACTS

IHCAFE:

| | |
|--------------------------|--------------------------------------|
| Jaime Villatoro | Coordinator, AID/IHCAFE Project Unit |
| Gilberto Franco | Technical Asst., " " |
| Gustavo Moncada | Field Coordinator, " " |
| Joaquín Ayala | Computer center, " " |
| Fausto Cuello | Data technician, " " |
| Amparo Canales Cruz | Assistant, " " |
| Julio Gonzalez | Chief, Extension Department |
| Alberto Durón | Diversification Dept. |
| Felix Espinosa | Diversification Dept. |
| Eduardo Avarado | Training and Publicity Section |
| Octavio Tórrrez | " " " " |
| Jose Lainez | " " " " |
| R. Ramos | " " " " |
| Raul Búeso Godoy | Regional Chief, El Paraíso |
| Jorge Alberto Escobar | Credit Agent, " |
| David Díaz Zelaya | Regional Chief, Comayagua |
| Francisco Calero Matute | Regional Credit Agent, Comayagua |
| Elpidio Zelaya Aguilar | Extension Agent, " |
| Carlos Bertrand H. | " " " " |
| Virgilio Chicas Banegas | " " " " |
| Carlos Antonio Flóres | Credit Agent, " |
| Mario Alcantara G. | " " " " |
| Jose Francisco Velázquez | " " " " |
| Rony A. Lazo | " " " " |
| Manuel de Jesús Soto V. | Regional Chief, Olancho |
| Oscar Valderranos N. | Credit Agent, " |
| Jose Félix Molina | Extension Agent, " |
| Pedro Enamorado Q. | " " " " |
| Daniel Roberto Contreras | " " " " |
| Jose Ernesto Gallardo | " " " " |
| Domingo Acosta B. | " " " " |
| Carlos Isidro Martínez | " " " " |
| Pablo Palma | " " " " |
| Guillermo Zaldivar L. | Credit Agent, Central |
| Osmar Giron Castillo | Regional Chief, Yoro |
| Angel Rene Licon | Credit Agent, Yoro |
| Humberto Lobo Sanabria | Regional Chief, Sta. Rosa de Copan |
| Eliseo Planco Martínez | Regional Chief, Sta. Barbara |
| Victor Amador Ramos | Credit Agent, Sta. Barbara |
| Máximino Serrano | Regional Chief (Acting), Cortes |
| López | Cacao Ext., San Pedro |
| Mario Enrique Palma | Experiment Station, Campamento |
| Rubio | Coffee Research, Comayagua |

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SERVICIOS TECNICOS DEL CARIBE:

C. Frank Astacio
 Ruben Núñez
 Ricardo Puerta

Credit Advisor, IHCAFE
 Agricultural Economist Advisor, IHCAFE
 Sociology Advisor, IHCAFE

USAID:

John Jordon
 William Kaschak
 Peter Kranstover
 Peter Lara

Rural Development, Credit
 Development Finance
 " "
 Land Titling Program

BANCO CENTRAL:

César A. Núñez

Credit Department

BANCO SOGERIN:

Sidney Jose Panting

Accounts Executive

BANADESA:

Francisco Lupiac
 Hernan Velásquez
 Mario Santos
 Norma de Morales

Asst. Bank Manager
 Chief, Regional Supervision Office
 Supervisor, Field Offices
 Chief, Finance Division

BANHCAFE:

Roger Marin
 Ronaldo Núñez
 Manuel Mariaga
 Wilfredo Medina

General Manager
 Credit Accounts
 " "
 Juticalpa Office

FECOAL:

Miguel Fernández

President

BANCO DE OCCIDENTE:

Jorge Bueso A.
 Marco T. Cano
 Miguel R. Aguilar B.

General Manager
 Credit
 Chief, Agriculture Department

Others:

John Gloetzner
 John Wyeth

ESQUELI
 Coffee Policy Advisor, IHCAFE
 Overseas Dev. Admin., UK

PARTIAL LIST OF REFERENCES AND MATERIALS USED

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Table C-1. Number and Amount of Loans by Region and Year--Model 1

| Region | 1982 | | | 1983 | | | 1984 | | | 1985 | | | Total | | |
|-----------------|------------------------------|-----------------|------------------|--------------|-----------------|------------------|------------------------------|-----------------|------------------|--------------|-----------------|------------------|--------------|-----------------|------------------|
| | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed |
| | (all values are in 000 Lps.) | | | | | | (all values are in 000 Lps.) | | | | | | | | |
| 1. Sta. Barbara | 83 | 439.8 | 424.9 | 148 | 963.4 | 590.5 | 208 | 1245.5 | 1002.2 | 237 | 1361.5 | 1326.8 | 676 | 4010.2 | 3344.6 |
| 2. Copan | 82 | 483.4 | 331.5 | 183 | 1129.8 | 765.2 | 290 | 1772.6 | 1227.6 | 182 | 963.4 | 1029.4 | 737 | 4349.2 | 3333.7 |
| 3. Yoro | 62 | 331.9 | 228.7 | 25 | 125.3 | 154.5 | 256 | 1497.4 | 987.9 | 266 | 1412.6 | 1300.5 | 609 | 3367.2 | 2671.6 |
| 4. El Paraiso | 40 | 374.9 | 356.2 | 49 | 271.6 | 163.9 | 117 | 584.8 | 500.2 | 165 | 839.7 | 703.0 | 391 | 2071.0 | 1725.3 |
| 5. Comayagua | 101 | 493.7 | 469.0 | 170 | 899.4 | 594.0 | 303 | 1550.1 | 1271.3 | 108 | 524.2 | 640.3 | 682 | 3467.4 | 2974.6 |
| 6. La Paz | 51 | 308.3 | 200.2 | 7 | 43.0 | 109.7 | 118 | 677.7 | 468.0 | 160 | 982.1 | 783.2 | 336 | 2011.1 | 1561.1 |
| 7. Olancha | 70 | 358.4 | 321.4 | 127 | 708.2 | 461.3 | 100 | 614.6 | 587.8 | 70 | 358.4 | 404.1 | 367 | 2039.6 | 1774.6 |
| 8. Cortes | 83 | 457.0 | 441.5 | 106 | 588.1 | 349.5 | 144 | 699.3 | 528.4 | 74 | 388.3 | 432.2 | 409 | 2132.7 | 1731.6 |
| 9. Central | 3 | 23.2 | 23.2 | 28 | 155.4 | 101.1 | 90 | 308.9 | 381.2 | 62 | 264.2 | 306.0 | 183 | 951.7 | 811.5 |
| Total | 595 | 3270.6 | 2796.6 | 843 | 4884.2 | 3291.7 | 1626 | 9150.9 | 6954.6 | 1326 | 7094.4 | 6925.5 | 4390 | 24400.1 | 19948.4 |

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Table C-2. Number and Amount of Loans by Region and Year--Model II

| Region | 1982 | | | 1983 | | | 1984 | | | 1985 | | | Total | | |
|-----------------|------------------------------|-----------------|------------------|--------------|-----------------|------------------|------------------------------|-----------------|------------------|--------------|-----------------|------------------|--------------|-----------------|------------------|
| | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed |
| | (all values are in 000 Lps.) | | | | | | (all values are in 000 Lps.) | | | | | | | | |
| 1. Sta. Barbara | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| 2. Copan | 0 | 0.0 | 0.0 | 1 | 2.5 | 2.5 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 1 | 2.5 | 2.5 |
| 3. Yoro | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 3 | 7.6 | 7.6 | 0 | 0.0 | 0.0 | 3 | 7.6 | 7.6 |
| 4. El Paraiso | 6 | 22.5 | 18.7 | 0 | 0.0 | 0.0 | 12 | 23.4 | 22.8 | 33 | 41.9 | 34.7 | 51 | 87.8 | 76.2 |
| 5. Conayagua | 46 | 108.4 | 104.1 | 31 | 79.3 | 54.4 | 5 | 8.5 | 10.1 | 1 | 0.9 | 0.9 | 83 | 197.1 | 169.5 |
| 6. La Paz | 0 | 0.0 | 0.0 | 2 | 6.4 | 4.2 | 1 | 1.9 | 4.3 | 2 | 4.9 | 2.0 | 5 | 13.4 | 10.5 |
| 7. Olancha | 27 | 73.9 | 72.9 | 11 | 35.6 | 30.8 | 13 | 48.8 | 31.2 | 15 | 28.9 | 39.8 | 66 | 187.2 | 174.7 |
| 8. Cortes | 1 | 1.8 | 1.2 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 1 | 1.8 | 1.2 |
| 9. Central | 2 | 5.9 | 5.9 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 2 | 5.9 | 5.9 |
| Total | 82 | 212.5 | 202.8 | 45 | 124.0 | 91.9 | 34 | 90.2 | 76.0 | 51 | 76.6 | 77.4 | 212 | 503.3 | 448.1 |

Table C-3. Number and Amount of Loans by Region and Year--Nuseries

| Region | 1982 | | | 1983 | | | 1984 | | | 1985 | | | Total | | |
|-----------------|------------------------------|-----------------|------------------|--------------|-----------------|------------------|------------------------------|-----------------|------------------|--------------|-----------------|------------------|--------------|-----------------|------------------|
| | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed | No. of Loans | Amount Approved | Amount Disbursed |
| | (all values are in 000 Lps.) | | | | | | (all values are in 000 Lps.) | | | | | | | | |
| 1. Sta. Barbara | 12 | 147.6 | 106.5 | 44 | 393.8 | 192.5 | 14 | 231.4 | 255.7 | 8 | 66.4 | 70.0 | 98 | 839.2 | 624.7 |
| 2. Copan | 12 | 150.1 | 112.8 | 21 | 217.1 | 204.3 | 23 | 306.1 | 272.6 | 4 | 61.5 | 83.3 | 60 | 734.8 | 673.0 |
| 3. Yoro | 0 | 0.0 | 0.0 | 33 | 343.0 | 226.7 | 38 | 311.8 | 290.5 | 6 | 45.6 | 93.1 | 77 | 709.4 | 610.3 |
| 4. El Paraiso | 3 | 35.4 | 19.6 | 16 | 147.4 | 106.4 | 13 | 145.9 | 134.5 | 1 | 7.9 | 23.7 | 33 | 336.6 | 284.2 |
| 5. Coayaqua | 8 | 44.8 | 37.8 | 11 | 195.2 | 202.1 | 18 | 295.6 | 292.6 | 12 | 91.9 | 88.0 | 49 | 627.5 | 629.5 |
| 6. La Paz | 0 | 0.0 | 0.0 | 22 | 319.2 | 198.8 | 11 | 124.4 | 130.3 | 10 | 88.5 | 81.0 | 43 | 532.1 | 410.1 |
| 7. Olancha | 9 | 135.0 | 124.4 | 6 | 105.0 | 74.4 | 12 | 133.5 | 117.8 | 0 | 0.0 | 0.0 | 27 | 373.5 | 316.6 |
| 8. Cortes | 10 | 129.0 | 88.3 | 0 | 0.0 | 0.0 | 17 | 205.3 | 154.0 | 10 | 105.8 | 58.8 | 37 | 440.1 | 381.1 |
| 9. Central | 2 | 15.2 | 1.0 | 5 | 56.2 | 40.1 | 7 | 54.1 | 75.7 | 8 | 48.7 | 39.2 | 22 | 174.2 | 156.0 |
| Total | 56 | 657.1 | 490.4 | 178 | 1776.9 | 1245.3 | 153 | 1808.1 | 1723.7 | 59 | 516.3 | 537.1 | 446 | 4758.4 | 3996.3 |

Table C-4. Budget and Operating Expenditures 1981-1985

| Item | Year | 1981 | 1982 | 1983 | 1984 | 1985 | Total Spent | Total Budgeted |
|--------------------------|------|--------|--------|--------|--------|---------|-------------|----------------|
| (All values in 000 Lps.) | | | | | | | | |
| USAID Loan | | | | | | | | |
| Training | | 11.0 | 35.2 | 146.8 | 108.5 | 301.5 | 377.2 | |
| Demo plots | | | 27.4 | 19.9 | 72.1 | 119.4 | 280.4 | |
| Publications | | | 7.6 | 36.1 | 81.9 | 125.6 | 216.0 | |
| Vehicles, equip. | | 299.7 | 251.4 | 4.9 | 54.1 | 610.1 | 512.0 | |
| Evaluation | | | 0.4 | | | 0.4 | 2.5 | |
| Administration | | 11.7 | | 0.1 | 0.1 | 11.9 | 89.0 | |
| Credit fund | | 4685.5 | | 5892.4 | 5422.1 | 16000.0 | 16000.0 | |
| Contingencies | | 12.6 | | | | 12.6 | 0.3 | |
| Sub-total | | 5020.5 | 322.0 | 6100.2 | 5738.8 | 17181.5 | 17477.4 | |
| USAID Grant | | | | | | | | |
| Tech. Assistance | | 201.7 | 415.5 | 282.0 | 97.3 | 996.5 | 960.0 | |
| Training | | | | | | | 0.1 | |
| Sub-total | | 201.7 | 415.5 | 282.0 | 97.3 | 996.5 | 960.1 | |
| GOH Counterpart | | | | | | | | |
| Personnel | 45.9 | 839.5 | 1602.4 | 1697.4 | 1591.9 | 5777.1 | 2772.0 | |
| Training | | 4.2 | 2.7 | | | 6.9 | 24.0 | |
| Vehicles, equip. | | 2.7 | 62.1 | 36.6 | 44.1 | 145.5 | 13.8 | |
| Administration | 3.4 | 23.2 | 82.2 | 85.7 | 136.4 | 330.9 | 1708.0 | |
| Credit Admin. | | | | | | 0.0 | 2400.0 | |
| Credit fund | | | | | 1339.2 | 1339.2 | 2000.0 | |
| Contingencies | | | 0.3 | 4.2 | | 4.5 | 441.6 | |
| Sub-total | 49.3 | 869.6 | 1749.7 | 1823.9 | 3111.6 | 7604.1 | 9359.4 | |
| Project Total | 49.3 | 6091.8 | 2487.2 | 8206.1 | 8947.7 | 25782.1 | 27796.9 | |

Table C-5. Number of Extension Agents by Region and Year - IHCAFE

| Region | Year | 1981 | 1982 | 1983 | 1984 | 1985 |
|-----------------|------|------|------|------|------|------|
| 1. Sta. Barbara | | 17 | 16 | 12 | 11 | 10 |
| 2. Copan | | 12 | 8 | 9 | 9 | 6 |
| 3. Yoro | | 9 | 7 | 7 | 6 | 7 |
| 4. El Paraiso | | 6 | 7 | 7 | 7 | 7 |
| 5. Comayagua | | 8 | 8 | 8 | 8 | 8 |
| 6. La Paz | | 8 | 7 | 7 | 7 | 7 |
| 7. Olancho | | 8 | 8 | 8 | 7 | 6 |
| 8. Cortes | | 9 | 8 | 8 | 7 | 8 |
| 9. Central | | 9 | 6 | 6 | 5 | 8 |
| Total | | 86 | 75 | 72 | 67 | 67 |
| Temporary | | 5 | | 5 | 15 | 20 |

Table C-6. Value of AID/IHCAFE Loans Approved by Year--BANADESA

| <u>Agencies</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>Total Amount Approved</u> |
|------------------------|----------------|----------------|----------------|----------------|--------------------------------------|
| | | (000 Lps.) | | | |
| Oficina Principal | 22.4 | - | 2.1 | 103.8 | 128.3 |
| Comayagua | 557.2 | 1,053.1 | 847.4 | 341.1 | 2,798.8 |
| Choluteca | - | 92.1 | 185.9 | 21.5 | 299.5 |
| El Paraiso | 189.9 | 63.7 | 97.8 | 52.8 | 404.2 |
| Danli | 213.4 | 165.5 | 180.9 | 129.3 | 689.1 |
| Progreso | 98.1 | 106.5 | 966.5 | 1,051.6 | 2,222.7 |
| Tela | - | - | - | - | - |
| Juticalpa | 112.4 | 159.2 | 239.0 | - | 510.6 |
| Catacamas | 73.3 | 69.2 | 108.8 | 5.0 | 256.3 |
| Marcala | 264.1 | 119.9 | 40.3 | 71.5 | 495.8 |
| La Esperanza | 44.2 | 28.3 | 112.6 | 142.0 | 327.1 |
| Olancho | - | 52.6 | 64.9 | 87.3 | 204.8 |
| San Pedro Sula | 362.9 | 73.1 | 167.6 | 67.3 | 670.9 |
| Puerto Cortés | 8.8 | - | - | - | 8.8 |
| Santa Rosa de Copán | 670.8 | 1,101.3 | 1,060.3 | 598.4 | 3,430.8 |
| Santa Barbara | 369.1 | 364.4 | 1,048.7 | 554.6 | 2,336.8 |
| Voro | 215.0 | 206.6 | 606.2 | 306.8 | 1,334.6 |
| Minas de Oro | 58.2 | 29.9 | 291.1 | 309.5 | 688.7 |
| San Luis Santa Barbara | 61.3 | 38.9 | 21.8 | 211.2 | 333.2 |
| La Paz, La Paz | - | 10.0 | 145.0 | 271.6 | 426.6 |
| Talanga | - | - | 399.8 | 242.2 | 642.0 |
| TOTAL | 3,321.1 | 3,734.3 | 6,586.7 | 4,567.5 | 18,209.6 |

SOURCE: BANADESA, Entregas y Recuperaciones

Table C-7. Value of AID/IKCAFE Loans Disbursed by Year--BANADESA

| Agencies | 1982 | 1983 | 1984 | 1985 | Total Disbursements |
|------------------------|----------------|----------------|----------------|----------------|---------------------|
| | | (000 Lps.) | | | |
| Oficina Principal | 14.0 | 4.2 | 0.4 | 74.3 | 92.9 |
| Comayagua | 405.3 | 902.0 | 811.8 | 276.6 | 2,395.7 |
| Choluteca | - | 74.4 | 158.9 | 37.8 | 271.1 |
| El Paraiso | 124.2 | 104.7 | 70.9 | 42.4 | 342.2 |
| Danli | 146.0 | 161.5 | 166.6 | 103.4 | 577.5 |
| El Progreso | 66.5 | 100.8 | 579.1 | 862.3 | 1,608.7 |
| Tela | - | - | - | - | - |
| Juticalpa | 73.6 | 130.1 | 207.4 | 58.3 | 469.4 |
| Catacamas | 43.6 | 77.6 | 93.7 | 31.5 | 246.4 |
| Marcala | 169.1 | 152.1 | 42.2 | 51.1 | 414.5 |
| La Esperanza | 32.0 | 34.4 | 68.8 | 106.2 | 241.4 |
| Olanchito | - | 36.1 | 54.5 | 67.9 | 158.5 |
| San Pedro Sula | 206.6 | 181.0 | 134.5 | 79.8 | 601.9 |
| Puerto Cortés | 6.1 | 2.3 | 0.4 | - | 8.8 |
| Santa Rosa de Copán | 4 | 847.2 | 843.4 | 557.3 | 2,701.1 |
| Santa Barbara | 247.2 | 327.8 | 669.6 | 550.0 | 1,794.6 |
| Yoro | 149.5 | 201.8 | 389.8 | 293.3 | 1,034.4 |
| Minas de Oro | 39.1 | 36.4 | 184.3 | 231.2 | 491.0 |
| San Luis Santa Barbara | 42.2 | 40.7 | 28.5 | 126.6 | 238.0 |
| La Paz, La Paz | - | 19.8 | 69.9 | 175.4 | 265.1 |
| Talanga | - | - | 202.8 | 212.7 | 415.5 |
| T O T A L | 2,218.2 | 3,434.9 | 4,777.5 | 3,938.1 | 14,368.7 |

SOURCE: BANADESA, Entregas y Recuperaciones

Table C-8. Value of AID/IHCAFE Loans Collected by Year--BANADESA

| <u>Agencies</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>Total Amount Recuperated</u> |
|-------------------------|-------------|--------------|----------------|----------------|---|
| | (000 Lps.) | | | | |
| Oficina Principal | - | - | - | 15.3 | 15.3 |
| Comayagua | 1.1 | 122.5 | 318.1 | 109.6 | 551.3 |
| Choluteca | - | 9.2 | 42.0 | 13.9 | 65.1 |
| El Piraíso | - | - | 25.9 | 69.1 | 95.0 |
| Danlí | - | 16.8 | 46.5 | 14.5 | 77.8 |
| El Progreso | - | - | 85.8 | 178.8 | 264.6 |
| Tela | - | - | - | - | - |
| Juticalpa | - | 1.3 | 12.2 | 61.9 | 75.4 |
| Catacamas | 0.3 | - | 45.8 | 14.8 | 60.9 |
| Marcala | 0.6 | - | 50.7 | 24.3 | 75.6 |
| La Esperanza | - | - | 36.2 | 31.4 | 67.6 |
| Olanchito | - | 5.7 | 19.9 | 15.8 | 41.4 |
| San Pedro Sula | 2.5 | 28.0 | 70.0 | 16.1 | 116.6 |
| Puerto Cortes | - | - | - | - | - |
| Santa Rosa de Copán | 37.0 | 95.8 | 200.6 | 210.5 | 543.9 |
| Santa Barbara | - | 30.6 | 120.8 | 83.0 | 234.4 |
| Yoro | - | 7.7 | 102.3 | 53.7 | 163.7 |
| Minas de Oro | - | - | 27.2 | 44.3 | 71.5 |
| San Luis, Santa Barbara | - | 14.8 | - | 21.9 | 36.7 |
| La Paz, La Paz | - | - | 17.1 | 28.7 | 45.8 |
| Talanga | - | - | - | 14.3 | 14.3 |
| T O T A L | 41.5 | 332.4 | 1,221.1 | 1,021.9 | 2,616.9 |

SOURCE: BANADESA, Entregas y Recuperaciones

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

ANNEX A

LIFE OF PROJECT:
From FY 81 to FY 86
Total U.S. Funding: \$9,540,000
Date Prepared: April 1, 1981

PROJECT TITLE & NUMBER: Coffee Production 522-0176

PAGE 1

| AGRI-CULTURAL SUMMARY | OBJECTIVELY VERIFIABLE INDICATOR | MEANS OF VERIFICATION | IMPORTANT ASSUMPTIONS |
|--|--|--|--|
| <p>GENERAL OBJECTIVE: The leader objective to which this project contributes:</p> <p>To increase the incomes and quality of life of rural farm families while increasing national production</p> | <p>Measures of Goal Achievement:</p> <p>Average income of farm families working less than 10 has. of land increases from \$ _____ to \$ _____ (real dollars) by 19 ____.</p> <p>Increase of 6.5% in real value of GDP by 1985.</p> | <p>National Agricultural statistics. IHCAFE Records.</p> | <p>Assumptions for achieving goal targets:</p> <p>The world market price of coffee remains sufficiently high to enable most small coffee farmers to increase their production levels in view of coffee agreements.</p> <p>The farm gate price paid for non-coffee crops does not fall below a real 1979 level.</p> <p>Other income-generating activities of GOM positively affect rural family income.</p> |
| <p>PROJECT PURPOSE:</p> <p>Mitigate the impact of coffee rust on small coffee producers by assisting as many of them as possible to increase their yields so as to be able to afford pest control measures thereby allowing them to increase their real income</p> | <p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>1.1. Productivity per ha. increased from 8 to a minimum of 25 quintals leading to a production increase of 34,000 quintals on 1,400 manzanas which enter the technification program by the end of 1983, with commensurate income increases for producers.</p> <p>1.2 By 1986, a total of 6,000 manzanas will experience some increase in total production based upon year of entry into the Project.</p> <p>1.3 Credit availabilities for small farmer investment cease to be a constraint for technification of additional land by 1986.</p> <p>1.4 Success of program will attract 4000 manzanas into an expanded technification program by EOPS</p> | <p>Project evaluation and records. IHCAFE records and reports.</p> | <p>Assumptions for achieving purpose:</p> <p>No major natural or man-made disasters other than rust and broca adversely affect coffee production.</p> <p>The farm gate price for non-coffee products does not sustain itself at a price which gives a better return to the small farmer than coffee.</p> |
| <p>7</p> <p>8</p> <p>1. IHCAFE's ability to respond to small farmer needs strengthened.</p> | <p>Magnitude of Outputs:</p> <p>1.1. Small coffee farms being serviced by IHCAFE and credit institutions increased to 3,000 and continues to increase by 10% per year.</p> <p>1.2. # of small farmers receiving training from IHCAFE extension workers increased by 3,000 over life of Project.</p> | <p>Project reports and evaluations. IHCAFE records.</p> | <p>Assumptions for achieving outputs:</p> <p>GOM/IHCAFE commitment to small coffee producers remains high.</p> <p>Relative market prices for technical production inputs do not change substantially.</p> <p>Project inputs are provided on a timely basis.</p> |

2. Technology improved at farm level.

2.1. Number of manzanas using more productive varieties increased to 6,000 over life of Project.

2.2. Number of manzanas of farmer coffee land treated with fertilizers increased by 6000 mzs. by end of Project.

2.3. Number of manzanas pest control practices increased by 6000 mzs. by end of project.

3. Management capabilities of small farmers strengthened.

3.1. Amount of farm area employing improved cultivation practices increased by 6000 mzs. by end of project.

3.2. Amt. of area employing advance pruning techniques increased by 6000 mzs. by end of project.

3.3. Amt. of area increasing/decreasing shade tree canopy to optimum level increased by 6000 mzs. by end of project.

3.4. Amt. of area increasing/decreasing per hectare plant population to optimum level by 6000 mzs. by end of project.

4. Viable, self-sustaining credit system for small coffee farmers established.

4.1 By 1985, reflows begin to finance credit for small coffee growers beyond original participants

INPUTS:

Implementation Targets
(Type and Quantity)

1. Credit Fund established
2. Training provided to coffee extension workers and credit managers.
3. Commodities.
4. Technical assistance for training, research and credit activities.
5. Extension workers
6. Evaluation and Audits

- 1.1. AID \$8,000,000.
- 1.2. CQH \$2,200,000.
- 2.1. AID \$ 296,600.
- 2.2. CQH \$ 12,000.
- 3.1. AID \$ 440,720.
- 3.2. CQH \$ 6,975.
- 4.1. AID \$ 550,000.
- 5.1 CQH \$1,386,000
- 6.1 AID \$ 125,000

AID Disbursement records and audit reports.

Assumptions for Providing Inputs:

- Project authorized and funds allotted.
- Project agreement executed.