

ISN-32688

PN-AAN-980 / 62

BRIEFING BOOK

ON THE
U.S. AID PROGRAM
TO
HONDURAS

Prepared For

George A. ...

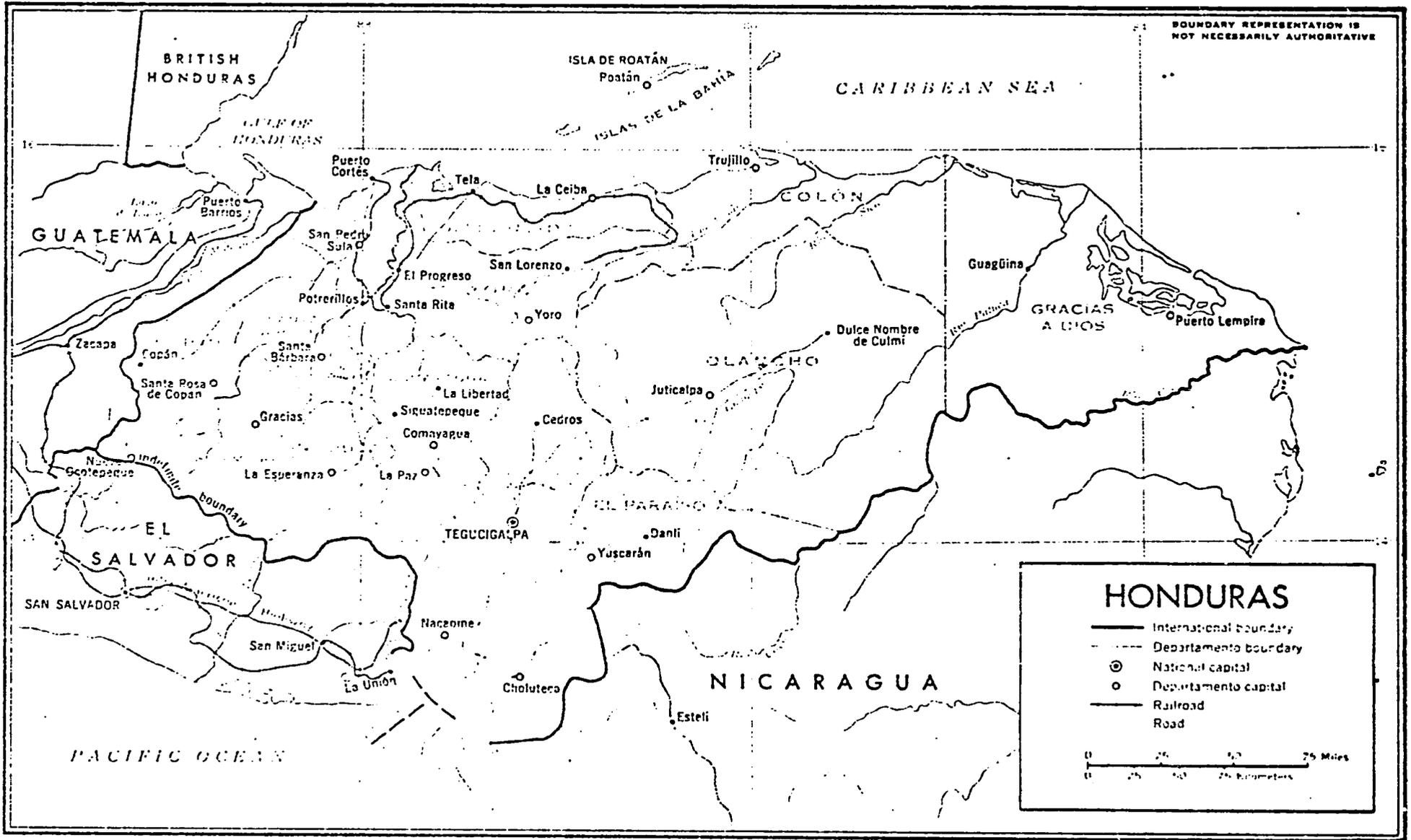
USAID/H
April, 1980

TABLE OF CONTENTS

Section 1	Itinerary and Guest lists for functions
Section 2	Biographic Information on Honduran Government and Private Sector Officials
Section 3	Current Political & Economic Backgrounds
Section 4	Macro-Economic Framework
Section 5	Agribusiness in Honduras
Section 6	AID's Overall Objective Strategy
Section 7	FY 80 Program Plan
Section 8	Honduran National Development Plan (1979-83) ←
Section 9	FY 1981 Congressional Presentation
Section 10	USAID Program - A Historical Perspective
Section 11	A. AID's Sectoral Objectives and Courses of Action -- Agriculture/Rural Development -- Population -- Health and Nutrition -- Education -- Urban/Regional Development -- Energy -- Regional Cooperation B. Topical Papers -- Land Reform and Landless Poor -- Role of the Peace Corps -- Credit Unions
Section 12	USAID Management -- USAID Organizational Chart -- USAID Project Manager List

TABLE OF CONTENTS

Section 13	Organization of Government of Honduras Principal Government Officials
Section 14	General Information on Honduras including economic facts, travel notes, climate and health hints
Section 15	Commonly used Acronyms
Annexes:	Agriculture Sector Assessment with Annexes (2 volumes)



Base 75364 3-69

4

PRESIDENTIAL MISSION ON AGRICULTURE AND AGRO-INDUSTRIAL
DEVELOPMENT IN CENTRAL AMERICA AND THE CARIBBEAN

AGENDA FOR HONDURAS

Monday, April 21

- 1605 Arrive Tegucigalpa SAHSA 902
- USAID Mission Director Oleson and Mr. Fred Rondon,
Deputy Chief of Mission, to meet team at airport
- 1705 Check-in Maya Hotel
- 1900-2100 Reception at Mr. Oleson's home (casual)

Attending: Presidential Mission
7 members

Embassy

Ambassador and Dr. Jaramillo
Fred Rondon, Deputy Chief of Mission
Paul Wackerbarth, Embassy Economic Officer

USAID

John R. Oleson, Director
Leo Ruelas, Deputy Director
Julio Schlotthauer, Assistant Director,
Office of Program and Capital Resources
Jimmie Stone, Assistant Director Office
of Human Resources
Fred Zumwalt, Office Director for
Environment & Technology
William H. Janssen, Assistant Director
Office of Agricultural Development
Don Anderson, Senior Advisor
Jim Callaway, Office Director for
Development Engineering
John Clyne, Regional Legal Advisor
Stephen Wingert, Deputy Assistant for
Agricultural Development

Other

Peter Lara, Peace Corps Director
Vitautas Dambrava, USICA Director

Tuesday, April 22

- 0815 Meeting with Ambassador for political/economic briefing
by Embassy staff (Ambassador's Office)
- Fred Rondon, Deputy Chief of Mission
 - William Harbin, First Secretary
 - Stuart Lippe, First Secretary
 - Paul Wackerbarth, Economic Officer
 - William Janssen, Assistant Director Office of Agricultural Development
- 0930 Meeting with A.I.D. Director and briefings by A.I.D. Office
of Agriculture Development, Peace Corps and Commercial
Attaché, Agricultural Attaché if available
(A.I.D. Conference Room)
- John R. Oleson
 - William H. Janssen
 - Office of Agriculture Staff
 - Paul Wackerbarth
 - David Pugh
 - Peter Lara
- 1145 Meeting with Junta Militar
- General Policarpo Paz García
 - Cnel. Amílcar Zelaya
 - Cnel. Domingo Alvarez
 - Accompanied by Ambassador
- 1300 Working lunch at Mr. Oleson's home with Minister and Sub-
Secretary of Natural Resources

Attending:

Presidential Mission
7 members

Minister of Natural Resources
Lic. Rafael Leonardo Callejas

Vice-Minister of Natural Resources
Ing. Guillermo Sevilla

Mission Director
John R. Oleson

Deputy Mission Director
Leo Ruelas

Senior Advisor
Donald Anderson

Agricultural Development Officer
William H. Janssen

Deputy Assistant for Agricultural
Development
Stephen Wingert

- 1530 Meeting with President of Central Bank
Lic. Práxedes Martínez
Accompanied by P. Wackerbarth and W. Janssen
- 1630 Meeting with Minister of Finance
Lic. Valentín Mendoza (Minister's Office)
Accompanied by J. Oleson and W. Janssen
- 1900-2100 Reception by Ambassador with key GOH officials and agro-
business leaders

Wednesday, April 23 (Dress for day sport shirt with sweater or light
jacket)

- 0900 Meeting with selected U.S. agro-business leaders
(USAID Conference Room)
- Eduardo Aragón, Tela Railroad Company (United Brands)
 - David De Lorenzo, Standard Fruit (Castle and Cooke)
 - Jimmy Taylor and Calvin Hill, ALCON (Cargill)
 - Marcos Lagos, Aguas Fincas - shrimp farming (General Mills)
 - Louis Martin, Tabacalera Nacional
 - Tom McKinley, Plantas del Caribe - ornamental plants
 - Val de Beausset, USAID Contractor
 - Leo Ruelas, Deputy Mission Director
 - William H. Janssen, Agricultural Development Officer
- 1200 Luncheon held by Paul Wackerbarth at his residence, with
selected U.S. and Honduran agro-business leaders
(See Wednesday morning and Thursday afternoon for lists)
- David Pugh
 - William H. Janssen
 - Val de Beausset
- 1430 Leave Tegucigalpa for Pan American Agricultural School (PAS),
El Zamorano

Note: Attending El Zamorano activities:
-Ambassador and Dr. Jaramillo
-Leo Ruelas
-William H. Janssen

- Stephen Wingert
- Fred Zumwalt
- William Harbin

1530 Tour School at Zamorano with Director of PAS

1630 Meeting with approximately 10 leaders of farmer labor organizations, including members of the Danlí CARAOL Cooperative

Note: This will be only contact of team with campesinos

1900 Dinner with farmer leaders and key PAS staff

- Reyes Rodríguez Arévalo, ANACH President
- Santos Valeriano Ordóñez, ANACH Secretary General
- Antonio Julín Méndez, ANACH Cooperative Plan President
- Santos Camilo Padilla, ANACH (Julín faction) President
- Eugenio Casalegno, ANACH/CARAOL (Regional Coop.) President
- Patrocinio Mendoza, ANACH/CARAOL (Regional Coop.) President
- Marcial Euceda Díaz, UNC Secretary General
- Angel Velásquez, AIFLD/Honduras
- Felícito Avila, CGT President
- Céleo González, FESITRANH President
- Víctor Artiles, CTH Secretary General
- Ana Ruth Zuñiga, CDI

2100 Leave Zamorano

2130 Arrive at Hotel Maya

ursday, April 24

0800 Meeting with political party leaders and possible key newspaper editors (accompanied by S. Lippe - place to be announced)

Note: Due to election related events, this meeting may be canceled and we tentatively plan to use this time for a meeting with USAID/Nicaragua Mission Director Larry Harrison

1000 Meetings being arranged for Team sub-groups or individual team members as follows:

1. Rector (President) Honduras National Autonomous University Dr. Juan Almendarez
 - Suggested team members: E. T. York and Robert Culbertson (Michael Schwartz, USAID to accompany)
2. General Manager of IHMA "Marketing Institute" Lic. René Ardón Matute
 - Suggested team members: Richard Baldwin (Stephen Wingert, USAID to accompany)
3. Director of Agricultural Research Dr. Mario Contreras
 - Suggested team members: David Garst, Quentin West (Fred Zumwalt/Charles Oberbeck, USAID, to accompany)
4. Credit Union Federation (FACACH) P.M. Angel Banegas Luque
 - Suggested team members: Robert Ross, Jonathan Dill (Ralph Conley, USAID to accompany)

1200 Luncheon sponsored by Director Oleson at his home with:

1. President of Central Bank Lic. Práxedes Martínez
 2. Executive Secretary of Superior Council for Economic Planning Lic. Virgilio Cáceres Pineda
 3. Interim President of Agricultural Development Bank Lic. Roberto Valladares Barrientos
 4. Director of National Investment Corporation (CONADI) Ing. Augusto C. Coello
- Presidential Team
 - USAID:
 - John R. Oleson
 - Fred Zumwalt
 - William H. Janssen
 - Stephen Wingert
 - Embassy:
 - Paul Wackerbarth

- 1430 Round table discussion with selected Honduran agro-business leaders (USAID Conference Room - Wackerbarth, Ruelas, Janssen attend)
- Augusto C. Coello, CONADI (National Investment Corporation)
 - Fernando Montes, IHCAFE (Coffee Institute)
 - Fernando Lardizábal, FENACH/COHEP (National Cattlemen and Farmers Association/Council of Private Business)
 - Miguel Facussé, Astro Agrícola, S.A.
 - Gilberto Goldstein, ACENSA (Sugar)
 - Paul Vinnelli, Banco Atlántida
- 1730 Return to Hotel Maya
- Evening free for personal contacts

Friday, April 25

- 0830 Meeting with President of Central American Bank for Economic Integration (CABEI)
Lic. Alberto Galeano
- Suggested team members: Jonathan Dill, Robert Ross, Richard Baldwin
(William H. Janssen and Dean Bernius, USAID, to accompany)
- 0830 Meeting with Director of INA "Agrarian Reform Institute"
Cnel. Manuel Enrique Suárez
- Suggested team members: E. T. York, David Garst, Robert Culbertson and Quentin West
(L. Ruelas and S. Wingert, USAID to accompany)
- 1000 Remainder of day free for internal work of the Presidential Mission
- 1430 Depart from Hotel for Airport
- 6 team members
- 1445 Check-in Airport
- 1520 Depart Honduras via TAN 776 to Miami

Saturday, April 26

- 0755 J. Dill departs Honduras for New Orleans SAHSA 412

**PRESIDENTIAL MISSION
AMBASSADOR'S RECEPTION**

APRIL 22, 1980

Mr. Louis Martin
Tabacalera Nacional, S.A.
Avenida Los Próceres
Tegucigalpa, D.C.

Mr. Felipe Peraza
Azucarera Cantarranas
5A. 14C. 1402
Comayaguela, D.C.
TELEPHONE: 22-0773

Mr. Gunther Stache
CADECA
Km. 3 Carretera a Olancho
Tegucigalpa, D.C.

Mr. Conrado Napki
Cooperativa de Algodoneros
y Agricultores del Sur Ltda.
Colonia Lara
Tegucigalpa, D.D.C

Mr. Jorge Bueso Arias
Banco de Occidente
6 Avenida, 2-3 Calle
Tegucigalpa, D.C.
TELEPHONE: 22-5611

Mr. Oscar Kafati
Café El Indio
Barrio La Bolsa
Comayaguela, D.C.

Mr. Armando Erizo
Industria Ganadera Hondureña
Edificio Polio, 3er. Piso
Tegucigalpa, D.C.
TELEPHONE: 32-2918

Mr. Jorge Torres
Delikatessen
Colonia Alameda
Tegucigalpa, D.C.

Mr. Gilberto Goldstein

ACENSA

Blvd. Morazán

Tegucigalpa, D.C.

TELEPHONE: 32-2658

Mr. Fernando Montes

IHCAFE

Edificio Farach

Tegucigalpa, D.C.

Mr. Rafael Leonardo Callejas

Minister

Ministry of Natural Resources

Tegucigalpa, D.C.

Mr. Guillermo Sevilla

Vice-Minister

Ministry of Natural Resources

Tegucigalpa, D.C.

Mr. Mario Contreras

Ministry of Natural Resources

Tegucigalpa, D.C.

Mr. Carlos Zelaya

Ministry of Natural Resources

Tegucigalpa, D.C.

Mr. Roberto Valladares B.

Vice-President

Banco Nacional de Desarrollo Agrícola

Comayagueta, D.C.

Mr. Augusto C. Coello

President

CONADI

Barrio La Granja

Comayagueta, D.C.

Mr. Olban Valladares

Vice-President

CONADI

Barrio La Granja

Comayagueta, D.C.

Mr. Raúl Medina Luna
CONADI
Barrio La Granja
Comayaguela, D.C.

Mr. Virgilio Cáceres Pineda
Executive Director
CONSUPLANE
Edificio Sucursal Banco Atlántida
Comayaguela, D.C.
TELEPHONE: 22-8738

Mr. Juan Ramón Mondragón
Deputy Director
CONSUPLANE
Edif. Sucursal Banco Atlántida
Comayaguela, D.C.

Mr. Roberto Villeda Toledo
Comisión de Política Agrícola
Banco Nacional de Desarrollo Agrícola
Comayaguela, D.C.

Mr. Valentín Mendoza
Minister
Ministry of Finance
Tegucigalpa, D.C.

Mr. Carlos Manuel Zerón
Minister
Ministry of Economy
Tegucigalpa, D.C.

Mr. René Ardón Matute
Director
Instituto Hondureño de Mercadeo Agrícola
IHMA
2a. Avenida 2a. Calle
Comayaguela, D.C.

Mrs. Dorcas de González
Executive Director
Centro de Desarrollo Industrial
Avenida La Paz
Tegucigalpa, D.C.

Mrs. Marlene de Sierra
Sub-Director
Centro de Desarrollo Industrial
Avenida La Paz
Tegucigalpa, D.C.

Mr. Mario Figueroa
Dirección General de Fomento Cooperativo
Edificio Alonzo
6a. Calle
Tegucigalpa, D.C.

Mr. Orlando Lara
Mejores Alimentos
Km. 86, Carretera del Norte
Comayagua

Mr. Fuad Canahuati
Manager
Empresa de Equipos Agrícolas
7a. Ave. S.O. #42
San Pedro Sula
TELEPHONE: 52-0025

Mr. Fouad Faraj
Manager
FEFASA
3a. Ave. S.O. 25
San Pedro Sula
TELEPHONE: 52-0026

Mr. Amadeo Levi
Coordinator
Casa Mathews, S.A.
3a. Ave. No. 57
San Pedro Sula
TELEPHONE: 52-2059

Mr. Edwin Rosenthal, Manager
Distribuidora Barrett, S.A.
2a. Ave. S.O. No. 7
San Pedro Sula
TELEPHONE: 52-1750

Mr. Miguel Facussé
President
ASTRO AGRICOLA, S.A.
5a. Calle y 6a. Ave.
Comayaguela, D.C.
TELEPHONE: 22-6582

Mr. Walter Camoriano
Manager
SEMPE
Carretera a Toncontín
Comayaguela, D.C.
TELEPHONE: 22-6582

Mr. Bernard Hirsch
Manager
Comercial Laeisz
Carretera a Toncontín
Comayaguela, D.C.
TELEPHONE: 22-3570

Mr. José Segovia Inestroza
Manager
Agrocomercial Segovia, S.A.
5a. Calle y 5a. Ave.
Comayaguela, D.C.
TELEPHONE: 22-1530

Mr. Pedro Atala
President
CAMOSA
Blvd. Toncontín
Comayaguela, D.C.
TELEPHONE: 22-5354

Mrs. Anna Lucía de Acosta
Manager
HIASA
2a. Avenida y 9a. Calle
Comayaguela, D.C.
TELEPHONE: 22-7641

Mr. Jaime Letelier
Manager
Equipos y Repuestos, S.A.
Ave. Los Próceres
Tegucigalpa, D.C.
TELEPHONE: 32-6288

Mr. Jorge Coello
Standard Fruit Co.
Edificio Aseguradora Hondureña
Tegucigalpa, D.C.

Mr. Luis Alavardo
Tela R.R. Co.
2a. Ave. y 8a. Calle
Comayaguela, D.C.

Mr. Iván Casco
President
COHBANA
Barrio La Granja
Comayaguela, D.C.

Col. Manuel E. Suárez Benavides
Director
Instituto Nacional Agrario
Colonia Alameda
Tegucigalpa, D.C.

Mr. Generoso Eiroa
Tabacos de Honduras, S.A.
Danlí, el Paraíso

Mr. Fernando Lardizabal
President
FENAGH
2a. Calle, Col. Palmira
Tegucigalpa, D.C.

Mr. José Roberto Velasco
FENAGH
2a. Calle, Col. Palmira
Tegucigalpa, D.C.

Mr. Emín Barjum
President
ANDI
Blvd. Los Próceres
Tegucigalpa, D.C.

Mr. Emilio Larach
President
Cámara de Comercio de Tegucigalpa
Blvd. Miraflores
Tegucigalpa, D.C.

Mr. Reginaldo Thompson
Cámara de Comercio de Tegucigalpa
Blvd. Miraflores
Tegucigalpa, D.C.

Mr. Rafael Pastor Zelaya
President
Cámara de Comercio de San Pedro Sula
San Pedro Sula

Mr. Emín Abufele
Cámara de Comercio de San Pedro Sula
San Pedro Sula, Cortés

Mr. Juan Almendarez
Rector
Honduran National Autonomous University
Carretera a Suyapa
Tegucigalpa, D.C.

Mr. Miguel Alvarado
Director
CURLA (Agricultural University)
La Ceiba, Atlántida

Mr. Marcial Euceda
Unión Nacional de Campesinos (UNC)
Frente Parque Herrera
Tegucigalpa, D.C.

Mr. Reyes Rodríguez Arévalo
President
Asociación Nacional de Campesinos
ANACH
P.O. Box 1031
San Pedro Sula

Mr. Marcial Euceda
FUNACAM
Bo. La Ronda, No. 518
Tegucigalpa, D.C.

Mr. Alberto Galeano
President
Central American Bank for Economic Integration
Edif. Midence Soto
Tegucigalpa, D.C.

Mr. Renzo Scavazzone
FAO
P.O. Box 976
Tegucigalpa, D.C.

Dr. Simón Malo
Director
Panamerican School
El Zamorano
Tegucigalpa, D.C.

Mr. Mayo Vega
Director
Instituto Interamericano de Ciencias
Agrícolas
Media Cuadra antes del Teatro Clámer
Tegucigalpa, D.C.

Mr. Práxedes Martínez
President
Banco Central de Honduras
Tegucigalpa, D.C.

Mr. Marijo Nufio
Banco Central de Honduras
Tegucigalpa, D.C.

Dr. Paul Vinnelli
President
Banco Atlántida
Tegucigalpa, D.C.

Mr. Ruben Carlles
Vice-President
Banco Atlántida
Tegucigalpa, D.C.

Mr. Benjamín Villanueva
Colonia La Aurora #34
Tegucigalpa, D.C.

Mr. David Barcellos
Manager
Bank of America
Tegucigalpa, D.C.

Mr. Boris Goldstein
Goldstein y Cía
3 Calle, S.O. No. 14
San Pedro Sula

U.S. AGRIBUSINESSMEN

Mr. Marco A. Lagos
Aqua Finca de Camarones
22 y 23 Ave. No. 4 Calle No. 28
Apartado Postal 677
San Pedro Sula

Mr. Oscar Martínez C.
Sea Farms de Honduras
P.O. Box No. 33
Choluteca, Choluteca

Mr. David A. De Lorenzo
Standard Fruit Co.
La Ceiba, Atlántida

Mr. Eduardo Aragón
Tela R.R. Co.
La Lima, Cortés

Mr. Jimmy Taylor
ALCON
P.O. Box 283
San Pedro Sula, Cortés

Mr. Frazer Parker
9a. Ave. S.O. 1 y 2 Calle
cerca Centro Comercial PRISA
San Pedro Sula, Cortés

Mr. Alexander Ritter
Viveros Industriales
El Progreso, Atlántida

Mr. George Duke
Rancho Lorenzo
Col. Parcaltagua Sur
Colonia Lara
Tegucigalpa, D.C.

Mr. Thomas Mc Kinley
Plantas del Caribe, S.A.
Apartado Postal 326
San Pedro Sula, Cortés

Mr. John Starr
NUMAR, S.A.
Ave. New Orleans
San Pedro Sula

Mr. Ricardo Frohmader
Manager
Productos Acuáticos y Terrestres
PATSA
Apartado Postal 155
Tegucigalpa, D.C.

MEMBERS OF U.S. MISSION

Mr. Fernando E. Rondon, Deputy Chief of Mission
Mr. William B. Harbin, First Secretary
Mr. Stuart H. Lippe, First Secretary
Mr. Paul H. Wackerbarth, Economic Officer
Mr. David C. Pugh, Commercial Officer
Mr. Juan José Ortuño, Senior Commercial Specialist

Mr. John R. Oleson, Mission Director
Mr. Leo Ruelas, Deputy Mission Director
Mr. Julio Schlotthauer, Assistant Mission Director for Program and
Capital Resources
Mr. Jimmie Stone, Assistant Mission Director for Human Resources Development
Mr. Fred Zumwalt, Office Director for Environment and Technology
Mr. Donald Anderson, Senior Advisor
Mr. William H. Janssen, Assistant Mission Director for Agricultural
Development
Mr. Stephen Wingert, Deputy Assistant for Agricultural Development
Mr. T. David Johnston, Agricultural Economist
Mr. Ralph Conley, Agricultural Development Officer
Mr. Michael Schwartz, Agricultural Economist
Mr. Charles Oberbeck, Agricultural Economist
Mr. Val de Beausset, Rural Technologies Project Coordinator
Mr. Loren Parks, Contractor - Oklahoma State University
Mr. Luis Zelaya, Agricultural Economist
Mr. J. Nery Chinchilla, Advisor, Agricultural Cooperatives Development
International

MEMBERS OF THE FRANCISCO MORAZAN CATTLEMEN AND FARMERS ASSOCIATION

Sr. Celeo Arias
Lic. Hector Callejas Valentine
Ing. Herman Eyl (hijo)
Ing. Herman Eyl (padre)
Sr. Francisco García Valladares
Sr. Alfonso Gallardo L.
Sr. Roberto Gallardo L.
Dr. Francisco Matamoros Flores
Agr. Fernando Marichal Callejas
Dr. Carlos Villela Vidal
Sr. Jesús Nasry Barjum
Sr. Johnny Walter Connor
Sra. Ascensión Elvir Colindres
Sra. Isabel de Vass
Ing. Fernando D. Lardizábal G.
Ing. Antonio D. Lardizábal
Sr. Heinz Motz
Ing. Julio Suárez L.
Srs. Escuela Agrícola Panamericana
Lic. Ricardo Castillo Callejas
Sr. José Roberto Velasco L.
Cap. Jorge Torres
Sr. Juan Arnoldo Oberholzer
Sra. Deborah Mills de Goldner

MEMBERS OF THE SULA CATTLEMEN AND FARMERS ASSOCIATION

Sr. José Andonie Fernández
Sr. Hugo Andonie
Sr. Guillermo Ayestas
Sr. José Leopoldo Alvarez
Astro Agrícola

Aqua Finca de Camarones

Sr. Constantino Barletta Budde

Sr. Arturo Bendaña Meza

Sr. Guillermo Bendaña Meza

Sr. Segio Bendaña Meza

Sr. René Bendaña Meza

Sr. Abelardo Bobadilla

Sr. Roberto Bográn

Sr. Armando Bonilla Gastel

Sr. Camilo Botto

Sr. Lincoln Babun

Sra. Ma. Isabel C. de Belot

Sr. Félix Bonilla

Sr. Mario Belot

Sr. Maximino Carrasco O.

Sr. Manuel de Jesús Castellanos Ramos

Sr. Rolando Castillo D.

Cadelga

Sr. Pedro Cobos Caminos

Sr. Rodolfo Cordova

Sr. Ernesto Cordova

Sr. Roberto Corrales

Sr. Isido Cruz Martínez

Sr. Arturo Castillo Euceda

Compañía Azucarera Hondureña

Sr. Adalberto Cuellar

Sr. José Carlos Cárdenas

Sr. Jorge Craniotis

Compañía Agrícola Sta. Cruz

Sr. Angel Arturo Cruz

Sra. Ricarda V. de Díaz

Sr. Vicente J. Duarte

Sr. Rafael Dubón Mejía
Empacadora Alus
Empacadora Cortés
Excaho
Sr. Victoriano Echeverry
Sr. Antonio Ellner
Sr. Jorge Fernández
Sr. Cristobal Flores
Sra. Juventina V. de Flores
Sr. Clyde Wayne Foster
Sr. Angel Galdámez Zepeda
Sr. Wlaterio Galdámez Prieto
Sr. Baldomera Galdámez
Sr. Manuel de Jesús Galdámez
Sr. Miguel Angel García
Sr. Julio Gabrie N.
Sr. Fuad Alberto Giacoman
Sr. Ubaldo Gonzalez
Sra. Aida Pineda de Godoy
Sr. Miguel Guifarro
Sr. Segio García
Sr. Hector Guillermo Guillén
Sr. Santos García Benegas
Sr. Oscar Guillén C.
Sr. Hector Raul Guevara
Sr. Roberto Gámez
Sr. Jorge Handal
Sr. Henry Holst
Sr. Mauricio Hernández
Sr. Carlos Inestroza
Inversiones Carmelina

Sr. Fuad Jaruffe
Sr. Oscar Krestchmer
Sr. Constantino Larach
Sr. Nicolás Larach
Sr. Ramón Laríos Contreras
Sra. Gloria Flores de Losada
Sr. José Lardizabal B.
Sra. Juanita V. de Lardizabal
Sr. Roberto Leiva
Sr. Hector Mackay
Sr. German Madrid
Sr. Rafael Martínez
Sr. Hector Mejía
Sr. Marco Antonio Mejía
Srl Alberto Melendez
Sr. Jorge Marinakys
Sr. Roberto Muñoz
Sr. Horacio Milla Galeano
Sr. Bernard Merman
Mr. John Murphy
Sr. Bernando Mejía Nerhing
Sr. Virgilio Muñoz
Sra. Silvia Muñoz de Espinal
Sr. Humberto Naranjo
Sr. Rigoberto Nova
Sr. José Nuñez V.
Sr. Eligio Naun Ordoñez
Sr. Manuel Ordoñez
Sr. Pedro Pacheco
Sr. Roberto Panting
Sr. Rafael Pastor Zelaya
Sr. Rodolfo Pastor Zelaya
Sr. José Antonio Paz

Sr. Jan A. Paz
Sr. Eugenio Pellman
Sr. Edgard Pellman
Sr. Hugó Pellman
Sra. Magdalena V. de Pineda
Sr. Joaquín Prieto Gonzales
Sr. Mario Prieto Gonzales
Sr. Manuel Encarnación Pedroza
Sr. Reginaldo Panting
Sr. Juan Pagán
Planta de Productos Lacteos Sula
Pragua S. de R. L.
Sr. Andrés Paz Leiva
Sr. Jacobo Alberto Paz Mendieta
Sr. Cesar Augusto Quiñonez
Sr. Juan Quiróz
· Sr. René V. Ramos
Sr. Francisco P. Rivera
Sr. Rigoberto Ramírez Delgado
· Sr. Oscar Ramos Guerra
Sr. Esteban Rápalo Pineda
Sra. Consuelo P. de Reynaud
Sr. Plutarco Rivera Aguilar
Sr. Camilo Rivera
Sr. Alfonso Rodríguez
Sr. Nicolás Ruiz Paz
Sr. Antonio Ruiz Paz
Sr. Guillermo Ruiz
Sr. René Alfonso Rodríguez
Sr. Armando Suazo V.
Sr. Juan Leiva Sabillón
Sr. Hector Enrique Sabillón
Sr. Abraham Santos J.

Sr. Benjamín Segura
Sr. José Smyt Bauer
Sr. Robert Stover
Sr. Donaldo Suazo Tomé
Sr. Lucas Suazo
Sr. Enrique Sabillón
Sr. Mariano Tomé Z.
Tela R. R. Company
Sr. Lorenzo Torres
Sr. Anibal Tercero
Sr. Eduardo Talbat
Sr. Roberto Turnbunll
Sr. Amado Troches
Sr. Gustavo Torres
Hermanos Ustariz
Sr. Luis Vaquero Muñoz
Sr. Rafael Verdial Romero
Sr. Peter Veytia
Sr. Marco Antonio Velasquez
Sr. Roberto Velasquez
Sr. Danilo Velasquez
Viveros Industriales
Sra. Petrona Quiñonez de Wills
Sr. Yamal Yacaman Yibrin
Sr. Felipe Zelaya Zelaya
Sr. Jerónimo Zelaya
Sr. Jerónimo Zelaya Táborá
Sr. José Ma. Zepeda
Sr. Antonio Abel Zelaya

March, 1980

AMBASSADOR MARI-LUCI JARAMILLO

(Brief Resumé)

President Carter appointed Dr. Mari-Luci Jaramillo as United States Ambassador to Honduras in 1977; she assumed her duties in Tegucigalpa on October 19.

From 1965 until her appointment as Ambassador, Dr. Jaramillo was Professor of Education at the University of New Mexico, and Assistant Director of the Latin American Educational Programs. The Ambassador has been on the Overseers Committee of the Harvard Graduate School of Education since 1976.

Dr. Jaramillo has long been involved in the field of education, with particular emphasis on methods for teaching English to Spanish speaking children in the United States. She has contributed extensively to academic publications and audio-visual programs on the subject of bilingual and bicultural education. She has also traveled extensively in Latin America, studying educational systems in the region and teaching courses.

As an American with Mexican heritage, Dr. Jaramillo has also been involved actively in Chicano affairs in the United States. She was named "An Outstanding Chicana" by McGraw-Hill Broadcasting Company in 1975.

The Ambassador was born in Las Vegas, New Mexico. She received bachelor's and master's degrees from New Mexico Highlands University, respectively in 1955 and 1959. She earned her doctorate in Curriculum and Instruction from the University of New Mexico in 1970.

She is married to Dr. Heriberto Jaramillo, also a former Professor of Education at the University of New Mexico and now a free-lance educational consultant.

John R. Oleson, USAID Mission Director

Born October 1, 1930 in Wisconsin

Education: - AB Harvard University 1952
- LLB Harvard University 1956

Member of the Bar: Illinois

AID posts of assignment:	Washington	1965-1967	Lawyer
	Colombia	1967-1970	Lawyer/Assistant Director
	Senior Seminar on Foreign Policy	1970-1971	
	Paraguay	1971-1973	Director
	Bolivia	1973-1976	Director
	Egypt	1976-1979	Deputy Director
	Honduras	Aug. 1979	Director

PAZ García, Policarpo (General)

Born: December 7, 1932 in Goascorán, Valle

Education: Entered the Army as a private in 1949; enrolled in the officers training course taught by the U.S. Military Mission in Honduras; graduated in 1952 and was commissioned a second lieutenant in 1954. Rising through the military ranks he obtained his rank of colonel in December 1971.

Does not speak English.

Experience: He was named Commander of the Fuerza de Seguridad Nacional (FSP), the National Police Force in 1972 and held that position until 1975 when he was named Chief of the Armed Forces -- a position he has held since that time.

In August 1978 he and two other officers were named to the Military Junta following the forced resignation of the previous Chief of State; he is President of the Junta.

ZELAYA Rodríguez, Amilcar (Colonel)

Born: June 25, 1940 in La Ceiba, Atlántida

Education: Entered the Army in 1957 rose through the ranks to achieve his present position. Bachelor in Science and Letters (equivalent to high school diploma). He attended law school at the University of Honduras at night to study law.

Understands some English.

Experience: He is a member of the 3-men junta as well as Commander of the National Police (FUSEP).

ALVAREZ Cruz, Domingo Antonio (Colonel)

Born: 1940 in Tela, Atlántida

Education: Entered Air Force in 1958. Studied at numerous military aviation schools in the U.S.

Speaks English.

Experience: He assumed his present position as Commander of the Air Force in 1975 and was named to the three member Military Junta in August 1978 along with General Paz and Col. Zelaya.

CACERES Pineda, Virgilio - Executive Secretary, Super r
Council for Economic Planning
(CONSUPLANE)

Born: October 26, 1935, San Marcos de Ocotepeque, Honduras

Education: Degree in Economics from the National Autonomous
University of Honduras in 1965.

Speaks some English.

Past Experience: Worked for the National Development Bank
(BANAFOM) and taught economics at the Instituto
Central, a large secondary school in Tegucigalpa.
From 1972-1975 worked with SIECA on planning
and budget for programs in Central America.

From 1976-78 was Deputy Executive Secretary of CONSUPLANE.

CALLEJAS R., Rafael Leonardo - Minister of Natural Resources

Born: 1944

Education: Graduate of the American School, Honduras and
Mississippi State (MA Ag. Econ. 1966). Studied
Agricultural Development at the Institute of Social
Sciences, The Hague, and Agriculture Projects with
FAO in Rome.

Speaks fluent English.

Past Experience: Worked as head of the Agriculture Planning
Section of CONSUPLANE. Had some private sector
experience and has maintained those interests.
Is member of the board and owner of Maya Hotel.
Was Vice-Minister prior to becoming Minister of
Natural Resources (1972-73)'

Minister Callejas has been very active in the Rural Technologies
Project since its inception. He met with Chairman Long on his
1978 visit.

COELLO, Augusto C. - Executive Manager, CONADI (National Development Corp.)

Born: May 12, 1942 in Tegucigalpa, Honduras

Education: Received a Bachelor of Humanities in mathematics from the University of Chile in 1961, as well as a degree in Engineering from the Military Polytechnic Academy in Santiago, Chile (1966); a Masters Degree in Business Administration from the Harvard-affiliated Central American Institute of Business Administration in Managua, Nicaragua 1972; he also studied at the General Bernardo O'Higgins Military School (Santiago, Chile), and at the Sorbonne.

Understands English but does not always speak it.

Past Experience: He has been Aide to Commander of Honduran Armed Forces and Military School Instructor (1957-67), Production Manager, INDECO, S.A. (1968), Director General of Industry, Ministry of Economy (1973-74). He was the Deputy Executive Manager of CONADI before taking the top job in 1978.

FIGUEROA, Mario - Director of Cooperative Development (Fomento Cooperativo)

Approximately 50 years old.

Education: Law

Does not speak English.

Past Experience: Worked as Deputy Director of the Honduran Institute of Social Security (Instituto Hondureño del Seguro Social).

MARTINEZ, Praxedes - President of Central Bank

Born: July 21, 1925 in Comayaguela, Honduras

Education: Degree in Economics from Honduras National University (1955) and an M.A. in public administration from Harvard (1961).

Speaks English.

Past Experience: He has held various government positions while also managing his own successful business consulting firm. Was appointed President of Central Bank in July 1979, after having been its Vice-President since February 1979.

During 1962-1963 he lived in Washington working as an advisor to the OAS and IDB. Between 1965 and 1972 Martinez was economic adviser to the Honduran Congress. At one time he also was editor of San Pedro Sula daily "La Prensa".

MENDOZA, Valentín - Minister of Finance

Born: March 1, 1930, Nacaome, Valle Dept., Honduras

Education: Graduated from the Honduras National University in 1958 with a degree in economics.

Speaks very little English.

Past Experience: Between 1955 and 1964 he held various university teaching positions, and was Vice-Minister of Economy 1965-1968. Between 1968-1971 he was Executive Secretary of the Superior Planning Council, which was a Cabinet-level position in charge of drawing up economic policies for the government. From 1971 to approximately 1973 he was general manager of the Central Bank and an adviser to the Ministry of Natural Resources from 1975-78. He was reassigned to the Planning Council in August 1978.

SEVILLA, Guillermo - Vice Minister of Natural Resources

Born: July 13, 1942 in Danlí, El Paraíso, Honduras

Education: High School Diploma as Elementary Teacher - Danlí
High School Diploma - Danlí
Agricultural Engineer - MSU
Master of Science in Agricultural Economics - MSU

Speaks English.

Past Experience: Vice Minister of Natural Resources since 1978.

Vice Minister Sevilla has been involved in the detailed development of the Rural Technologies Project. He, too, met with Chairman Long on his 1978 visit.

VALLADARES Barrientos, Roberto - Acting President of Banco Nacional de Desarrollo Agrícola

Born: 1945

Education: Economist, graduated from University of Honduras. Advanced studies in Italy and Harvard.

Speaks English fluently and also speaks Italian.

Past Experience: Worked several years with the Central Bank. Was loaned to the National Development Bank (BANAFOM), where he served for two years as Vice President. Is presently serving as Acting President of Banco Nacional de Desarrollo Agrícola while it is being organized. (BANAFOM was abolished in April, 1980).

VILLEDA Toledo, Roberto - Director of the Technical Secretariat
of the Agriculture Policy Commission
(Comisión de Política Agraria).

Born: Approximately 47 years old.

Education: An Engineer in Agronomy (Ingeniero Agrónomo)

Fluent in English.

Past Experience: For the last 20 years has worked in the Ministry
of Natural Resources. About two years ago he
was senior advisor to the Minister of Natural
Resources.

ZERON, Carlos Manuel - Minister of Economy

Born: San Pedro Sula, appears to be in his late forties.

Education: Administration and economics.

Speaks English well.

Past Experience: Presently Honduran Minister of Economy; was
named Director of Internal Commerce in the
Ministry of Economy soon after the present
Military Junta took over in August 1978.
Became Vice Minister in months and with
Benjamín Villanueva's resignation in January
1979, was named Minister of Economy.

Visited the United States in 1965 under the auspices of the
National Social Welfare Assembly; was administrator of a San
Pedro Sula Health Center and Chief of Health District No. 3
(Northern Honduras) at that time. Was a delegate to the IDB
annual meeting May 26-30, 1979, in Montego Bay.

POLITICAL SUMMARY

Honduras has been ruled by the Armed Forces since December 1972 who exercise their power through a 30 member Superior Council. The Council replaced then Chief of State General Juan Alberto Melgar in August, 1978 with a three-man junta headed by Armed Forces Commander, General Policarpo Paz and including National Police Commander, Col. Amilcar Zelaya, and Air Force Commander, Col. Domingo Alvarez. While the Superior Defense Council is the final political arbiter, interest groups such as trade unions, peasant federations and business organizations often are able to influence government policy.

The first act of the new government when it took office was to confirm the elections scheduled for April 20, 1980. Three political parties have qualified to present candidates for a Constitutional Assembly which will draft a new constitution. The Assembly will then either provide for further elections of a President or convert itself into a Congress and elect a President. There are precedents in Honduran history for both methods. A fourth party, the Christian Democrats, failed to obtain registration because of a variety of legal objections.

Voter registration was slow during the first eight of twelve scheduled months, but picked up significantly by the closing date of August 30, 1979. Over 1.2 million persons have registered to vote (compared to 900,000 in the 1971 elections). Campaigning began seriously during January, 1980.

Honduras continues to enjoy a generally favorable human rights situation. It does not have a history of political assassination or torture, although charges of police mistreatment are often reported widely in the press. There are no political prisoners or "death squad" murders. Freedom of press, speech, religion and assembly are respected. In spite of Honduras' poverty, it generously received and helped care for over 50,000 Nicaraguan refugees without means of their own during that country's civil war.

Honduran relations with El Salvador have been interrupted since the 1969 war. A mediation process under OAS sponsorship made encouraging progress during 1979 in resolving outstanding issues between the two countries, but has recently been stalled over the last remaining problems (border delineation) and because of the unsettled situation in El Salvador.

While most Hondurans opposed General Somoza and were pleased with his overthrow, relations with Nicaragua have been strained. There are numerous causes of friction, including Nicaraguan aircraft and vessels in Honduras used by escaping Somocistas which the Nicaraguan Government wants returned (many have been but some remain pending legal resolution) and claimed border incursions by the Sandinista army. A meeting of Honduran and Nicaraguan Foreign Ministers in early December has smoothed over some of these problems, but there is still caution on both sides. Honduras' official position during Nicaragua's civil war was one of neutrality, and the government continues to maintain it will not interfere in Nicaraguan internal matters. In mid-April the two countries exchanged Ambassadors and hope this will lead to better relations.

April, 1980

ECONOMIC SITUATION

With a per capita income of \$410.00, Honduras is the least developed of the Central American countries and second poorest in the Western Hemisphere. Unfavorable geography and scarce resources account for this situation. During the past four years, however, the Country has enjoyed a healthy real growth rate averaging about 6 - 7 percent per annum. Export gains resulting from high commodity prices and expanded production were the most dynamic factors spurring the increase. Until recently, inflation has been relatively moderate averaging 6 1/2 - 8 percent per year. However, it has surged in the last six months reaching a rate over 18 percent. Thus far, high commodity prices have offset increased petroleum costs.

Agriculture is the mainstay of the Honduran economy. Historically, bananas dominated the scene and two U.S. fruit companies -- United Brands and Standard Fruit -- were the most important factors in production. In recent years there has been considerable diversification. In 1977, coffee replaced bananas as the principal foreign exchange earner. Coffee production is distributed among 45,000 families, many of which are small landowners. Meat, lumber, cotton, and tobacco are other important agricultural exports. Dependence on agriculture leaves the Honduran economy vulnerable to recurring adverse weather.

Increasing levels of foreign aid have supported stepped-up economic development in recent years. Concessionary terms on financing have minimized debt service costs. Honduras is about to launch two major infrastructure undertakings - the \$600 Million El Cajon Hydroelectric Project and \$150 Million Olancho Pulp and Paper Project - which will vastly increase foreign borrowing. To prepare for this onslaught, the GOH has instituted a number of belt-tightening measures and worked out an Extended Fund Facility Agreement with the IMF.

The El Cajon Hydroelectric Project is scheduled to get underway in 1980. It consists of construction of a 270 megawatt dam with room for later expansion. After its completion in 1985, it will furnish all of Honduras' electricity needs until 1990 eliminating dependence on fossil fuels. El Cajon will also provide a limited amount of excess energy in 1985 - 1988 which will be available for sale to neighboring countries. The Olancho Pulp and Paper Project aims at developing an untapped 6,000 square mile forest reserve in the Department of Olancho. Plans call for construction of a series of sawmills and a pulp and paper mill by 1985. This should give export earnings a substantial boost.

The United States is Honduras' most important trading partner, accounting for more than 50 percent of its exports and 40 percent of its imports.

April, 1980

**FOREIGN ECONOMIC TRENDS
AND THEIR IMPLICATIONS
FOR THE UNITED STATES**

80-

HONDURAS

**April 1980
Frequency: Annual
Supersedes: 79-020**

**Prepared by
American Embassy, Tegucigalpa**

KEY ECONOMIC INDICATORS: HONDURAS

All figures in million US\$
unless otherwise stated.

Exchange rate as of February 1979
US \$1.00 - lempiras 2.00

ITEM	1977 (Final)	1978 (Final)	1979 (Prelim)
<u>ECONOMIC GROWTH</u>			
GNP at Current Prices	1,483	1,741	2,067
GNP at Constant 1966 Prices	829	881	940
Per Capita GNP at 1966 Prices (US\$)	260	281	291
Population (1,000)	3,057	3,140	3,228
<u>MONEY, PRICES AND FINANCE</u>			
CENTRAL GOVERNMENT:			
Current Revenues	234	272	313
Current Expenditures	205	236	275
Capital Expenditures	98	149	162
Deficit	69	113	124
Money Supply	205	237	272
Public Debt Outstanding (CG)	381	498	629
Domestic Debt	139	181	212
External Debt	242	317	417
Public Debt as % of Current GNP	26	29	30
Consumer Price Index as of Dec. 31 *	171.5	180.8	215
<u>BALANCE OF PAYMENTS</u>			
Net International Reserves (Consolidated Banking System)	111	136	118
Net International Reserves (Central Bank)	148	157	180
Current Account Balance	-129	-157	-183
Debt Service Ratio (% Export Goods & Services)	6.1	7.0	9.5
Total Exports (F.O.B.) Goods and Services	594	707	843
Bananas	130	141	200
Coffee	168	211	197
Lumber	47	42	42
Refrigerated Meat	22	39	57
Metals	32	31	45
Total Imports (F.O.B.) Goods & Services	737	881	1,044
Imports of Goods (C.I.F.) from U.S.	249	291	340
Trade with CACM			
Exports (F.O.R.)	43	49	55
Imports (C.I.F.)	71	97	113
Deficit	28	48	58

* The National Planning Council estimates population at 3,564,000 persons.

SOURCE: Central Bank of Honduras

ECONOMIC TRENDS: HONDURAS

April 1980

SUMMARY

Honduras sustained its favorable economic growth rate in 1979, continuing an upward trend that is now entering its fifth consecutive year. Once again agricultural exports resulting from high commodity prices and expanded production represented the most dynamic factor spurring the increase. Bananas, benefiting from higher yields and better prices, returned to its traditional position as the leading export, narrowly edging out coffee. However, coffee earnings experienced only a slight decline. Impressive gains were scored by meat, sugar and metals; the upward trend in these commodities should continue through 1980. Overall GDP growth was 18.7 percent at current prices reaching \$2.067 billion. At constant 1966 prices GDP was \$940 million for a real growth rate of 6.7 percent. Inflation, which had been moderate during the first three quarters, surged during the fourth quarter. The consumer price index on December 31, 1979 was more than 18 percent higher than it had been a year earlier.

Imports of goods and services grew 18.5 percent to \$1.044 billion. Despite export advances, the deficit in the current account balance of payments grew to \$-183 million. Petroleum imports registered a dramatic increase from \$76 million in 1978 to \$112 million in 1979, despite only scanty increases in consumption. Growth in non-oil foreign purchases was a modest 13.5 percent, lower than the 21 percent upsurge during the previous year. Capital inflows continued to offset the current account deficit. While external debt reached \$417 million, its term structure and interest burden is quite favorable and most of the borrowing has been linked to development projects.

Over the next five years public sector investment will surge as Honduras puts into high gear two major infrastructure undertakings - the \$600 million El Cajon hydroelectric project and the \$200 million Olancho pulp and paper complex. These ventures will vastly increase foreign borrowing. To prepare for this onslaught, the Honduran Government has instituted a number of belt-tightening measures. Many of these are associated with an Extended Funding Facility Arrangement with the International Monetary Fund of June 1979. To comply with that accord the Central Bank raised the reserve requirement for commercial banks and adjusted interest rates upwards while the Government revised its tax structure through increases in a variety of domestic and export levies. Utility rates will probably be raised during 1980 in order to achieve rate of return targets suggested by the World Bank.

The real economic growth rate during 1980 is expected to fall off somewhat to a level between 5 to 6 percent. Expansion of exports will continue, particularly in the agricultural sector. Although banana prices and production are leveling off, coffee income will rise as a result of healthy world prices and it is anticipated that meat, sugar and metals will register exceptionally strong gains. On the other hand, private sector investment is seen as slackening. Loan money is in short supply and when available interest rates are high. Also political uncertainties surrounding the transition to civilian rule and unrest in neighboring countries will likely have somewhat of a dampening effect. The high cost of imported petroleum will further strain the balance of payments deficit while also contributing to domestic inflation. Construction, industrial and transportation machinery and equipment imports should continue to be the leader as major projects in the electric power generation, forestry, and highway areas get underway.

CURRENT ECONOMIC SITUATION AND TRENDS

1. National Accounts and Prices

Significant advances were registered in all eleven components of the national accounts for 1979. Overall GDP growth was about 19 percent in current prices adjusted to 6.7 in constant 1966 prices. The agricultural sector, which includes forestry and fishing, contributed nearly \$600 million (one-third of the total) to GDP and grew at a rate over 7 percent in constant prices. Manufacturing increased at a real growth rate of 8.1 percent to \$324 million - 17 percent of GDP. Commercial activity was in third place with \$239 million; it enjoyed a 8.4 percent real growth rate. Transportation and communications accounted for a gain of 7.9 percent to \$158 million. Banking grew 6.7 percent to \$79 million. The value of housing and construction scored respective gains of 4.1 percent and 7.9 percent to approximately \$100 million each. Combined GDP growth in agriculture, manufacturing and commerce advanced 7.9 percent in constant 1966 prices.

Honduras calculates its annual inflation rate by averaging monthly increments in the CPI over the whole year. Using this method the cost of living increase is set at 8.8 percent. However, consumer prices in December 1979 were in fact 18.9 percent higher than in December 1978. Food, which is the largest component in the index, jumped 17 percent during that period. Housing was also at 17 percent; clothing, 32 percent; health care, 19 percent; and beverages and tobacco, 27 percent. During the first eight months of 1979, inflation advanced at a relatively moderate pace, under 10 percent. In the last trimester, however, the rate of price increases nearly doubled, an experience new to Honduras. The need to import foodstuffs to cover a production deficit caused by weather conditions, soaring petroleum prices, higher interest rates, and generally higher prices at the source of imports, are offered as explanations for the surge.

2. Balance of Trade and Payments

The export sector paced by agriculture turned out a record performance during 1979. Banana earnings jumped from \$141 million to \$200 million, a 42 percent gain. As was expected, coffee income declined somewhat from \$211 million to \$197 million in the face of lower international prices. However, the drop was not as great as originally predicted. Refrigerated meat registered a 46 percent increase from \$39 million to \$57 million. Metals (silver, lead and zinc) taking advantage of high prices registered a 45 percent increase in value advancing from \$31 million to \$45 million. The actual quantity of metal shipped decreased slightly. Lumber exports were virtually unchanged in both quantity and value. Finished wood products, on the other hand, increased 43 percent in quantity and 58 percent in value providing \$15 million in foreign exchange. The export diversification program began in the early 70's is obviously beginning to pay off.

Although the growth rate in exports of goods and services in 1979 slightly outpaced the percentage increase in total imports, the deficit in the current account balance of payments was \$-183 million. This compares with \$-157 million in 1978. The merchandise trade gap in 1979 was only \$24 million. Although growing at a much slower rate than in 1978, construction, industrial and transportation machinery and equipment continue to be the largest import category. Manufactured articles and chemicals were the other major items. The 47 percent jump in the value of petroleum imports from \$76 million to \$112 million, despite only negligible increases in consumption, and a 20 percent jump in the value of chemical products stands out in comparison with other products which advanced a modest 13.5 percent. Petroleum products now account for 15 percent of the value of all imports.

In Honduras, as elsewhere in the Caribbean basin, high commodity prices and increased production have provided an offset against soaring fuel costs. In spite of the stupendous increases in oil prices, Honduras' terms of trade have been improving since 1975. Nonetheless, a popular way of expressing the impact of petroleum costs here is pointing out that in 1972 3 pounds of coffee and 57 pounds of bananas bought one barrel of petroleum. In 1980 it takes 24 pounds of coffee and 440 pounds of bananas to get the same barrel. Whether Honduras can continue to hold its own in the face of continuing price increases is unclear.

Net receipts of capital accounts were \$172 million, mostly in the form of long-term loans for use by the public sector. Events in the neighboring countries of Nicaragua and El Salvador had an adverse effect on capital inflows as investors became wary and international commercial banks cut back in their exposure by imposing country loan limits on Honduras. Also, the regional situation contributed to a certain amount of capital flight, particularly during stress periods such as the time of the fall of the Somoza regime in Nicaragua in July and the fall of the Romero government in El Salvador in October. Another factor was the tight money situation worldwide. Nonetheless, net international reserves of the Central Bank rose from \$157 million at the end of 1978 to \$180 million on December 31, 1979, sufficient to cover more than two months of imports of goods and services.

3. Government Finance and Development

Since the early 1970's Government has played an increasing role in the management and development of the economy. It has aggressively pursued a debt led strategy mobilizing domestic and foreign financial reserves to achieve growth and diversification. Outstanding public debt at the end of 1979 was estimated at \$629 million - \$417 million external. However, the term structure and interest burden of the borrowing has been quite favorable and most of it has been linked to development projects. The ratio of debt service payments to exports is less than 10 percent. Government capital expenditures have increased 65 percent over the last three years; current expenditures increased only 34 percent during the same period. Autonomous institutions now absorb more than 40 percent of the government budget, and this share is growing. GOH capital spending will grow even more rapidly as the El Cajon hydroelectric project and the Olancho pulp and paper complex get underway in 1980. These undertakings are expected to raise the debt service ratio to 15-16 percent over the next five years.

To prepare for this upsurge in borrowing the GOH has instituted a number of belt-tightening measures. Many of these are in response to an Extended Funding Facility (EFF) arrangement with the International Monetary Fund in June 1979. The EFF provides Honduras with an additional \$47 million Special Drawing Rights (approximately \$61 million), which it may draw on at scheduled intervals during the next three years. In order to get the EFF the GOH made a commitment to the IMF designed to assure monetary stability while carrying out these major projects.

The increasing role of the Government in stimulating development has drawn complaints from the private sector who say they are being crowded out in the competition for scarce financial resources. A liquidity crunch developed in the fourth quarter of 1979 when, in an effort to tighten monetary policy, the Central Bank raised the reserve requirement for commercial banks from 30 to 35 percent. This action coincided with exogenous factors such as the imposition of country loan limits by foreign commercial banks, higher U.S. interest rates, and stress periods relating to political upheavals in neighboring countries which increased capital flight. Local bankers predict 1980 will be marked periodically by similar occurrences of scarcity of loan money. Seasonal fluctuations related to the financing of harvesting of agricultural crops also weigh in as a factor affecting the availability of funds.

In an effort to address the situation the Central Bank recently announced a program to expand rediscounts for development projects, raise interest rates on deposits and loans, lower the reserve requirement on foreign currency deposits from 40 percent to 35 percent, and ease other rules in order to attract additional domestic and external funding. It remains to be seen whether these actions will capture significant amount of funds in the light of attractive alternatives in international financial markets.

At the heart of the 1979-83 Development Plan are the El Cajon hydroelectric project and the Olancho pulp and paper complex. Financing for El Cajon has been spread among a broad spectrum of multinational and bilateral lenders, led by the World Bank and Inter-American Development Bank, at very concessionary terms. The venture consists of construction of a 270-megawatt dam with room for later expansion. After its completion in five years, it should furnish virtually all of Honduras' electricity needs until 1990, eliminating dependence on fossil fuels. A limited amount of excess power is expected to be available for sale to neighboring countries during the first few years. The Olancho pulp and paper complex aims at developing an untapped 6,000 square-mile forest reserve in the Department of Olancho. Plans call for construction of a series of sawmills and a pulp and paper mill by 1985. New access roads and a greatly expanded port facility in Puerto Castilla are being developed to support the venture. This project should give export earnings a substantial boost starting five years from now. Other major elements of the Five-Year Plan at the smaller El Nispero hydroelectric project, electrification of the Aguan Valley, and increased expenditures on highway construction. Although the emphasis is on infrastructure, the Plan also calls for considerable spending in the health, education, and agricultural sectors.

4. Agriculture

This sector continues to be the main contributor to GDP with a share of approximately 32 percent. In 1979, as in previous years, export crops paced economic growth. Production of basic grains, on the other hand, did not meet expectations and imports were required to satisfy demand.

Banana exports regained their traditional leading position as the top foreign exchange earner. They jumped in value by \$60 million and in quantity by ten million 40-pound boxes, as the industry's recovery from Hurricane Fifi in 1974 proceeded in high gear. Record yields per acre by both United Brands and Standard Fruit, combined with labor and weather problems in other producing countries, are offered as explanations for the spectacular gains. 1980 earnings are expected to be at least at similar levels.

While coffee earnings at \$197 million were off somewhat from 1978's record \$211 million crop, the decline was considerably less than anticipated. It is expected that 1980 revenues may reach \$240 million as additional plantings come into production and prices maintain relatively high levels. Coffee rust has developed in Nicaragua and El Salvador and local observers feel it is probably only a matter of time until an outbreak turns up here.

Meat exports reached an unprecedented \$43 million in 1979 as the cattle herd increased with imports from Nicaragua. 1980 earnings could reach \$60 million. Honduras benefited from a larger allocation under the 1979 U.S. Import Restraint program and this year is benefiting from the absence of restraint levels under the new counter-cyclical U.S. meat legislation.

Sugar is undergoing dramatic changes reaching a high growth pattern at the time of healthy increases in world prices. Earnings more than doubled in 1979 and are expected to at least double again in 1980. Production increased as record acreage levels were planted and new mills went into production.

43

Tobacco exports grew from \$9 million to \$15 million in 1979 and are projected to reach \$17 million in 1980. However, blue leaf mold outbreaks have been reported recently. It is impossible to estimate at this time the exact impact this will have on production.

Cotton exports declined in 1979 but may grow slightly in 1980. The absence of financing and competition for cropland are factors accounting for the stagnant performance.

Unusually heavy rains during 1979 impacted on the production of basic grains. It is estimated that Honduras will have to import 25 percent of its corn and sorghum during 1980 to meet demand. Also as much as one-third to one-half of the total red bean consumption may have to be purchased abroad.

5. Manufacturing

In 1978 an 8.1 percent growth rate in constant prices was registered in the manufacturing sector. However, as is visible from its slight slippage from 10.2 percent a year previous and a decrease in its relative share of GDP from 18 percent in 1978 to 17 percent in 1979, manufacturing is not quite as buoyant as before. Informed observers have noted that manufacturers continue to invest to increase current production and add new lines, or in labor saving mechanization. However, formation of new enterprises appears somewhat slowed. Food processing, pharmaceuticals, beauty aids, woodworking, and textiles are particularly expansive sectors, as are individual enterprises with significant support by or participation with government agencies, of note being CONADI (a state investment/venture capital corporation), FONDEI (industrial development fund), INA (agrarian reform institute), COHDEFOR (state forest products corporation) and CORFINO (state Olancho forest reserve development corporation). However, buffeted by high interest rates, tight credit, and perceived political uncertainty, many businessmen are taking a wait-and-see attitude.

Notable plant expansions underway include Textiles Rio Lindo (\$15 million), Cementos de Honduras (\$22 million), Rosario Resources silver/lead/zinc mine (\$16 million), Industrias Leyde dairy products (\$4 million), and Texhonsa spinning mill (\$4 million). Major new projects, all by state corporations, are the INCEHSA cement plant (\$55 million), the Aguan Valley palm oil mills and plantations (\$26 million), and the CORFINO Bonito Oriental sawmill complex (\$23.7 million). Textiles and woodworking which export the majority of their production remained strong. Textile exports increased 8.9 percent in 1979, and wood manufactures 11.2 percent. Honduras jumped into seventh place in brassieres imported by the U.S. as two new plants went into production. Export oriented cigar production registered an increase of 6.8 percent to \$1,403,733.

Retail merchants reported generally strong sales in the critical third quarter of 1979. Buoyed by this upbeat domestic consumer demand, private firms are known to be involved in new projects to produce candies, pharmaceuticals, perfumes, colognes, cocoa powder, chewing gum, baked goods, canned sausages, clothing, dairy products and footwear.

6. Economic Outlook

It is expected that economic growth will be sustained through 1980, but at a slightly diminished rate - the current estimate is between 5 and 6 percent. Agriculture is forecast to increase by only 5.25 percent in real terms, as compared with 7.25 percent in 1979. Higher world prices for principal export commodities could increase the agricultural share of total exports. Although banana prices and production are leveling off, coffee income should rise substantially and meat and sugar are expected to register exceptionally strong gains. On the other hand, the rhythm of private sector investment is seen as slackening. This is in large part due to a credit squeeze resulting from tight, high cost money in the New York and London financial markets and some reluctance of banks to increase their exposure in Honduras in view of the difficulties in Nicaragua and El Salvador. Also, a certain amount of economic contraction has traditionally taken place during election years; the political uncertainties surrounding the transition to civilian rule is likely to have somewhat of a dampening effect. Worldwide recession and higher petroleum costs are other factors inhibiting growth.

In March 1980 the World Bank approved \$125 million in funding for the El Cajon hydroelectric project. This marks the keystone in a broad-based financing effort on highly concessionary terms which also involves the Inter-American Development Bank, the Central American Bank for Economic Integration and a number of bilateral donors. Supplier credits are being offered for much of the equipment that will be installed. Actual construction is expected to get underway within a few months. Capital inflows for this \$500 million venture in addition to the planned Olancho pulp and paper complex as well as other continuing large public sector investments will be important factors sustaining economic growth through 1980 and the following years. Over the period of 1979-83 Five-Year Plan, the GOH intends to spend about \$1.217 billion for investment, of which \$795 million are to be financed from foreign sources.

Inflation is a relatively new phenomenon in Honduras. The local populace is having to quickly learn to live with it. To a certain extent inflation is beyond Honduran control. Exogenous factors, such as higher costs for imported energy and capital and consumer goods as well as foreign borrowing, impact on local prices. Despite the GOH's tight monetary policy, a substantial immediate slowdown in the inflation rate is not expected.

Hondurans say that their country is differentiated from its neighbors by relative social peace. They explain this situation by pointing out that the country long ago began to address critical social problems. They point out Honduras' strong democratic trade union movement and the agrarian reform program as examples. With strong United States assistance programs underway, they believe their country will resist radical political change. If they are correct, and Honduras is not buffeted by another force majeure such as hurricane or the drought which struck the country in 1974 and 1975, the economic outlook is good and the problems described above appear quite manageable.

IMPLICATIONS FOR U.S. BUSINESS

As contrasted with other countries in the region, the Honduran economy's upward development curve offers a growing domestic market as well as increased investment opportunities. This and its traditional dependence on the U.S. as a trading partner offer attractive possibilities to U.S. firms despite the country's small size. The basic infrastructure in roads, airports, ports, electric power, water supplies, and telecommunications being built offer opportunities for furnishing capital equipment and construction services. Indications are that the GOH is giving renewed emphasis to the large agriculture base of the economy for both agrarian reform and commercial areas. The Honduran agriculture sector has traditionally been a major market for U.S. suppliers, and as it increases in sophistication and variety, it is ever more receptive to a wider range of equipment and materials. Likewise there have been indications that health services will receive a greater priority in the future. The Embassy has done market surveys on both these areas.

The above average growth of commercial activity experienced in 1979 is expected to continue through 1980. Additionally, increasing sophistication is creating a demand for a wider range of goods than heretofore. This is reflected in greater specialization by importers, distributors and retailers.

Despite the market dominance by the U.S., formidable competition in certain market sectors is growing from third countries, most notably Japan. Despite reciprocal trade agreements with other Central American Republics to reduce tariffs on certain items, the greater quality and frequently still favorable landed prices enable U.S. suppliers to be competitive. As locally produced items tend to be lower quality aimed at the mass market, imports are often the preferred choice if considerations such as style, performance, and quality are the deciding factors.

The tight money situation detailed earlier has resulted in some increase in bad debts and delays in payments. Local firms generally operate with a very lean capital base and rely heavily on short-term debt for trade financing and working capital.

As indicated by the following list of major projects, procurement by government agencies, autonomous institutions, and state corporations offers the most significant opportunities to U.S. suppliers and contractors. However, except for the most important projects financed by international financial institutions, successful bidding directly by U.S. firms is often impractical. The short lead time between announcement and closing, plus the tendency to divide bids up into small lots, make it imperative for foreign firms to have a good local agent with strong government contacts to represent them. Additionally, Honduran law requires that government procurement, except in international financial institution funded procurement and certain special cases, be done through Honduran distributors or agents.

In public bids where supplier credits are critical to success, U.S. firms have been largely excluded due to very soft terms offered by third countries which often mix export credit with aid. Recent examples are the Aguan Valley

48

palm oil mills, the INCEHSA cement plant, and the El Cajon hydroelectric dam. Additionally, competitive pricing is important in all public bids, as the Government of Honduras is generally a least-cost buyer. Also third country contractors and suppliers have become much more aggressive in the Honduran market.

GOH policy is to maintain an open door to foreign investment. Four of the five largest corporations in Honduras are U.S. owned. With the exceptions of distribution, construction, and lumber, foreign capital is given the same treatment and protection as domestic capital. There are no restrictions on repatriation of profits, dividends, interest, or capital. In recent years Honduras has attracted new foreign investment in petroleum exploration, mining, pharmaceuticals, wood products, tourism, pineapples, tobacco, shrimp farming, cement, clothing and textiles. This open door policy is at times mitigated by lack of coordination and conflicting goals among relevant government agencies. The underdeveloped state of the Honduran bureaucracy can represent a source of frustration for foreign investors. This is particularly true of foreign investors without a well connected local partner.

The government offers duty free importation of materials and equipment for varying periods of time to firms qualifying under the Industrial Incentive Law. Additionally, the recently established Free Zone offers basic facilities to export oriented manufacturers at local wage rates. Although restricted by law to investing in Honduran majority owned firms, CONADI - the national industrial development corporation - often takes equity and debt positions in firms with minority foreign participation. Indeed CONADI actively seeks out foreign partners for new industries in order to obtain their technical expertise. While generally rather small and undercapitalized by international standards, Honduran manufacturers are typically very aggressive in their desire to affiliate with foreign partners in joint ventures and licensing arrangements.

MAJOR DEVELOPMENT PROJECTS IN HONDURAS

<u>PROJECT</u>	<u>AGENCY</u>	<u>MILLIONS \$ COST</u>	<u>FOREIGN FINANCING</u>
<u>PLANNING STAGE</u>			
New Tegucigalpa Airport	10	130	Japan
Gracias-La Esperanza-Siguatopeque Highway	10	14.7	
Guatemala-Honduras Power Interconnection	7	8	CABEI
Agricultural Credit II	9	38	IBRD
Highways VIII (rural roads)	10	25	IBRD
IHSS Hospital - San Pedro Sula	13	15.6	
Olancho Pulp and Paper Plant	5	190	IDB, VIF, IBRD
Tannery	4	3.5	IFC
Slaked Lime Plant	4	1.5	
Danli - Sta. Maria Rd	10	10	IDB
Pto Cortes Bulk Solids/Liquids Terminal	8	9	IBRD
Regional Hospitals La Ceiba, Juticalpa, Sta Rosa de Copan	12	15	
COCESNA Regional Aeronautical Telecommu- nications Navigational Aids	-	8.4	
<u>NEAR BID STAGE FOR ENGINEERING OR CONSTRUCTION</u>			
Pto Cortes Container Crane	8	3.3	IBRD
Agalteca Iron & Steel Plant	-	85	
Guayape Regional Development	11	4	IBRD
Satellite Earth Station	16	5	
Pto Cortes Thermal Power	7	35	IBRD
Rural Telephones	3	38.4	IDB, CABEI
Telephones-Tegucigalpa North	3	12	
El Porvenir-Sulaco-Yoro-Olanchito Rd	10	60	IBRD
IHMA Grain Silos	-	6	CABEI
San Pedro Sula 500-bed Hospital	12	15	
Total Corfino Sawmills	5	55	IDB, FIV, IFC, IBRD
<u>IMPLEMENTATION STAGE</u>			
Pto Cortes, La Ceiba, El Progreso Water Systems	1	10	IBRD
Aguan Valley Rural Electrification	7	13	AID
Tegucigalpa-Jicaro Galan Hwy Rebuilding	10	22	IDB
Aguan Palm Oil Plants	4,6	10	IDB, CABEI, Holland
El Nispero Hydroelectric	7	58	IBRD, CABEI
INCEHSA Cement Plant	4	60	IDB, VIF, Japan, Spain
Pto Castilla Port	8	19	IBRD
Jutiapa-Escombros Rd	10	12	CABEI
El Progreso-Yoro Hwy Rebuilding	10	20	IDB
Talanga-Jatacamas Highway	10	65	IBRD

<u>IMPLEMENTATION STAGE</u> continued	<u>AGENCY</u>	<u>MILLIONS</u> <u>\$ COST</u>	<u>FOREIGN</u> <u>FINANCING</u>
Emergency Hospitals/Health Centers	1	15	IDB
Lower Aguan Agric. Development II	6	51	IDB
La Ceiba-Jutiapa Highway	10	6.8	CABEI
San Esteban-Castilla Highway	10	50	IDB, IBRD
Pharmo Quimico Omega Pharmaceuticals	4	4.6	
Conpacasa Box Plant	4	12	
Agrarian Reform	6	75	IBRD, IDB
Agriculture Credit	2	40	AID
Pto Cortes Free Zone Facilities	8	14	IBRD
El Cajon Hydroelectric Dam	7	500	IBRD, IDB, CABEI OPEC, Japan

Agency Key

1. SANAA (National Water Authority)
2. BANDESA (National Agricultural Development Bank)
3. HONDUTEL (National Telecommunications Corporation)
4. CONADI (National Industrial Development Corporation)
5. COHDEFOR (Forestry/Wood Products Corporation)
6. INA (Agrarian Reform Institute)
7. ENEE (National Electricity Corporation)
8. ENP (National Port Authority)
9. Central Bank
10. SECOPT (Ministry Communications, Transport, Public Works)
11. Ministry of National Resources
12. Ministry of Health
13. IHSS (Social Security Institute)

Macro-Economic Framework

1. Recent Performance

Overall real GDP growth rates in the last four years have been high: 1976, 7.8%; 1977, 7.0%; 1978, 7.9%; 1979, 7.0% (preliminary); but about half of the growth was offset by population growth (3.5% per year). GDP growth has been fueled by a strong export performance and the GOH's aggressive pursuit of a debt-led growth strategy. Inflation has been moderate, but has accelerated recently. Foreign exchange reserves grew in 1979, but the current account balance of payments shows a large deficit. All sectors are performing reasonably well. An IMF agreement has established reasonable and cautious parameters for macro-economic policies. The future depends on export performance, private sector confidence and continued ability to borrow.

The Honduran economy is built on a primary productive base of tropical and sub-tropical agriculture, forestry and some mining. As in virtually all developing economies, the primary sector's share of total output is slipping while the manufacturing sector's share is rising. Indeed manufacturing has grown substantially in the last decade, with real growth rates in excess of 10% per year being observed in the last four years. However, as a result of the strong agricultural base, the decline in agriculture's share of GDP has been slight --from 37.6% for the 1960's to 32.9% in 1978. Service activities have held virtually constant at 45%, while manufacturing has gained nearly 5%.

Honduras has a very open economy. Over 40% of gross national product is accounted for by foreign trade. Principal export crops are coffee, and bananas (27% each in 1979). Other categories accounting for 5-10% of export value are beef, wood and minerals. The total value of agricultural and forestry exports doubled between 1975 and 1978, and preliminary data for 1979 and Central Bank projections for 1980 indicate a further growth of 39% over these two years. The total value of exports is projected to reach \$870 million in 1980. The major limitation to growth of bananas and beef exports seems to be external demand. Beef exports will grow substantially this year, but future growth probably will depend on U.S. beef import policies. The supply response of coffee lags due to the gestation period of the new coffee bush, but the long run elasticity of supply is believed to be very high. Corn and beans are grown principally for domestic consumption, but some quantities are exported unofficially in response to higher prices in neighboring countries.

The rate of growth of imports has averaged 18.5% in the last several years. Total dollar value of imports is expected to reach \$1 billion dollars in 1980. The capacity to import is a major determinant of Honduras' overall growth, as imports of machinery and raw materials are crucial to increased manufacturing, and imports of other manufactures are essential to complement domestic production. In addition, Honduras imports all its oil, and its transportation sector is completely dependent on fuel or animals. The quantity of fuels and lubricants imported has remained essentially constant over the last several years, but the cost has jumped from \$71 million in 1977 to a projected \$176 million in 1980 (some 17% of total projected imports). Imports of foods

and edible oils rose from \$49 to \$80 million in the same period reflecting growing demand for wheat and edible oils as well as the need to cover shortfalls in domestic production of corn, beans and rice due to recent flooding at harvest time.

In spite of the stupendous increase in petroleum prices, the terms of trade facing Honduras improved 63% from 1974 to 1978. Whether they will continue to improve is unclear. Coffee prices have declined recently although they remain high; sugar prices are rising; meat demand is strong; and minerals prices have shot up (at least temporarily); and bananas, wood and other commodities appear to be holding their own.

Net external debt has risen from \$230 million in 1974 to \$ 820 million in 1979 (est.). Debt service payments remained relatively constant at around 14% of the total public sector budget in 1977, 1978 and 1979 (see Annex C., Table 1). However the ratio of debt service to exports of goods and services has risen from 5% in 1974 to 9% in 1978. Recent IMF projections suggest that it will climb to over 11% by 1981, and could reach 15-16% in the mid-1980's when grace periods run out on large development loans (see Annex C., Table 3). The debt has financed a large and growing balance of payments deficit on current account which in 1978 was equal to 9.8% of GDP. However, the term structure and interest burden of the debt is quite favorable, and most of the borrowing has been linked to development projects. Nevertheless, the effect has been to fuel a large increase in the supply of money and demand for goods and services. The response of domestic production has been excellent, with scarcity of cement at the official price having been the principal drag on to the growth of the economy in the last year. All in all foreign exchange reserves rose some \$25 million during 1979 to close at approximately \$180 million (equivalent to 2.6 months of imports). This respectable but not overcautious outcome is in part the result of the discipline imposed by the Extended Funding Facility (EFF) arrangement plus the export/debt performance, and occurred in spite of whatever capital flight resulted from the unsettling political conditions in neighboring countries and/or the uncertainties about the future of Honduras following the elections of April 1980.

The consolidated government deficit grew from about 4% of GDP in 1974 to 7.5% in 1978, where it is expected to remain throughout the IMF-EFF arrangement. The current account surplus of the consolidated government grew in this same period from 3.3% to 5.4% of GDP, while government capital expenditures grew from 7.9% to 11.3% of GDP. To moderate the growth in money supply domestic credit creation has been restricted to compensate for the effect of increased international borrowing. The inflation rate has been moderate (7.1% in 1976-78); but it accelerated in the latter part of 1979 so that the cost of living index in December 1979 stood 17% higher than a year earlier. A rising average propensity to save (from 0.6 in 73-75 to 10.1 in 1978) and a decline in the income velocity of money (from 4.02 in 70-75 to 3.21 in 1978) indicate inflation probably has been imported, both in the form of rising petroleum prices and the demand effect from increased export prices. During the last several months, the GOH has adjusted internal interest rates upward and increased a variety of domestic and export taxes to generate new revenues of \$40 million. These measures were intended to satisfy the commitment which the GOH made to the IMF in securing the EFF which is to give reassurances regarding monetary stability while carrying out the El Cajon Hydroelectric and the Olancho Pulp and Paper Mill projects.

A Central Bank analysis indicates that real wages have declined slightly in recent years since food price increases have generally led the Consumer Price Index and wages have lagged. Yet wages paid are above the minimum wage required by law in a variety of occupations. Labor problems have been relatively minor though industry and even agriculture is union-organized. Several recent strikes in the banana industry and oil refinery were settled with generous wage increases. Incomes of rural folk, especially those owning coffee and other export crops, rose faster than the average.

There do not seem to be serious economic dislocations at present. Most interest rates follow London and New York trends, although some specially targeted funds are available at concessional rates. While there are some tariff and non-tariff barriers to importation, in general the tariff structure can be considered primarily a revenue instrument with higher rates on non-essential and luxury goods serving as an effective supplement for the much-evaded income tax. There are no taxes or subsidies on purchases or sales of foreign exchange, and no restrictions on foreign payments. Although it may be too much to conclude that the capital/labor relationship is in order --if strict economic efficiency criteria were to be applied the economy would surely look different-- in a non-repressive political economy such as we now see in Honduras, the macro-economic relationships seem basically sound and flexible. A major deterioration in the external sector would, however, have to cause serious readjustments throughout the macro-economic fabric.

2. Prospects

The GOH's overall economic strategy and performance must be considered a relative success to date. It should continue to give positive results inasmuch as the debt service ratio is still under 10 % of exports. Projections by the IMF show this ratio rising steeply in the next several years, but the projections of the real export performance of the economy made in conjunction with them are very conservative. While the overall foreign exchange reserve situation is presently satisfactory, the susceptibility to deterioration of the balance of payments is large, should export prices or borrowings fall. The ripple effect of political developments in neighboring countries, and the uncertainties related to the upcoming elections, could undermine the confidence of the Honduran private sector and foreign lenders and lead to serious capital flight with its attendant contraction in monetary availabilities. Should this occur, it would seriously effect the balance of payments picture to the point where cutbacks in the GOH's plans and tightening of credit policies further restricting the private sector would be required. Certainly, in the longer run, it is essential that the GOH strategy put increasing emphasis on generating exports (or saving imports, especially of petroleum).

Despite the progress of the last four years the economy remains underdeveloped and concerted efforts continue to be needed to mobilize domestic and foreign resources and to diversify the economy. While the investment program contained in the 1979-83 Plan is expected to strengthen Honduras' productive base and increase exports, thus resulting in a strengthening of the current account of the balance of payments by the mid-1980's, in the interim, heavy import requirements will place the balance of payments under considerable strain.

The IMF-EFF arrangement covering the three year period beginning June 28, 1979 provides SDR 47.6 million (over \$60 million U.S.) to protect the Honduran macro-economic position in this period of gestation of the public sector investment program. Honduras is firmly committed to the free convertability of the Lempira at the two to the dollar rate. The recent GOH tax measures were taken in part to reduce internal demand so that the balance of payments current account deficit would not grow beyond the present 12.5% of GDP. These taxes should have the effect of raising public sector saving by two percentage points. According to the EFF arrangement the GOH will limit the growth of public sector borrowing from the Central Bank to less than 1% of GDP, and will rely on external financing for the remaining public sector deficit of nearly 6% of GDP. Moreover, the GOH intends to continue borrowing on favorable terms (new credits in 1977-78 carried an average maturity of over 30 years and an average interest rate of less than 4% per year), and will limit use of supplier credits to about 7% of total public debt. Total investment is expected to continue at about 24% of GDP, with the public sector's share being about 42%. The investment will be financed about equally by external and national savings. Finally the EFF provides that Honduras will not adopt restrictive import policies, multiple currency practices or restrictive payment policies.

A dark cloud has appeared on the horizon in the form of spreading coffee rust (the roya). The existence of roya in the area of Magdalena in Honduras has recently been reported but not yet officially confirmed by the GOH. The effect on the balance of payments (coffee accounts for 27% of export earnings) and on the income and wealth of some 30,000 small farm families, many of which are now above the poverty line, could be devastating. A major regional research program to discover effective anti-roya measures and/or develop resistant coffee varieties would seem to be a high priority, as every country in the region will be negatively affected.

In short, the prospects for the Honduran economy are generally positive; but, as indicated above, the economy is highly dependent on a number of factors whose deterioration would drag the balance of payments and the economy with it. To provide a measure of insurance against the consequences of such an eventuality the Mission soon will be proposing a sizable increase in PL 480 Title I/III program for the CDSS time frame. We also must note that the vagaries of weather have set Honduras back repeatedly in the past and her vulnerability to weather damage increases as the level of investment and sophistication of the economy increase.

3. Honduras and the Regional Economy

In 1979 only 6.5% of Honduran exports and 10.8% of its imports were with the other Central American countries. Its deficit on current account with them was \$58 million. This is not an atypical year.

Thus the Central American market has not been of great importance to Honduras, and Honduras currently has low expectations for the future of Central American integration. The new Honduran five year plan makes no mention of regional economic integration, and Honduran government spokesmen seem to pay only lip-service to the idea. Recent political developments in Nicaragua have further dulled diplomatic and commercial relations. Honduran relations with El Salvador have been interrupted

since the 1969 war. While OAS sponsored mediation with El Salvador made encouraging progress during 1979, solution to the remaining problem of border delimitation seems harder to find as a result of the unsettled situation there.

Some Honduran observers believe that this country's entry into the CACM in 1962 was premature, in that the less developed local industrial sector was set back by aggressive importing from the other regional partners. They assert that a return to the Common Market should come only when Honduras has nearly caught up with the others or if stronger preferential treatment is granted to Honduras. All in all, we are not optimistic that Honduras will go further than its present set of bilateral trade agreements with the four CACM countries.

Longer Term Issues

Honduras must seek ways to expand its exports without causing undue inefficiencies in its economic structure. Intensification and diversification of agricultural exports and development of exports based on native raw materials (e.g., wood) are the most probable sources of growth. Honduras' good ports and free zone on the north coast give it an advantage in access to the U.S. east coast and to Western Europe. However, to remain competitive will require keeping production costs down while developing better infrastructure. Thus the development budget and strategy must continue to strike a balance between long-run infrastructure requirement and productive projects.

Another long term issue is how to get more elasticity into the tax structure. The recent tax package consisted primarily of increases in specific rates on consumption goods (beer, liquor, cigarettes) plus an acceleration of income tax payments. Many import duties are assessed on the net weight of the commodities rather than their value. Government savings and equity in general would be well served by greater reliance on economically more neutral taxes such as the income, value-added and inheritance taxes and by a combination of less direct taxation of labor and more (effective) taxation of land value.

Public versus Private Sector. The ambitious GOH development program is putting the squeeze on the private sector in the form of increased taxes, reduced credit availabilities, and competition with or preemption of traditionally private sector functions. There is no obvious "correct" position on the optimal split between these two sectors. There is great need for the infrastructure and social services being financed, and there are usually good reasons for the state to enter into the productive sectors, such as forestry. State enterprises often seem to be less efficient than private, profit oriented ones of State entry or regulations sometimes results in unintended effects, as for example the land reform legislation may have frightened off investment in larger non-affected properties.

If private sector confidence should fall for reasons external to Honduras, the GOH may feel compelled to try, at least, to pick up the slack. The problem facing the Government, then, is how to draw the line and define responsibilities for the two sectors that satisfies growth, equity, and efficiency objectives.

A M B I G I A L P A

DIR	AD	ASIA	
EUR	FI	NEA	CU
INT	E	P	IS
L	EPD	AID	
AGR	CCM	IND	INT
LAB	IAN	TR	AMP
AIR	AMF	NAVY	OSD
USIA	NSA	CIA	

Original to be Filed in _____ Decentralized Files.

FILE DESIGNATION

UNCLASSIFIED

A-24

TO : Department of State

E.O. 12065: N/A

TAGS : BEXP, HO

FROM : AmEmbassy TEGUCIGALPA

DATE: May 11, 1979

SUBJECT : Post Initiated Market Survey - Agricultural Equipment, Supplies and Machinery

REF :

SUGGESTED DISTRIBUTION

- AMB/DCI
- POL
- ECON
- AID
- PC
- CHRON

Enclosed is Tegucigalpa's Post Initiated Market Survey on Agricultural Equipment, Supplies, and Machinery.

Recommend inclusion in Commerce FIR Service.

TO:	Action	Info.	Initials
AMB			
DCI			
POL			
ECON			
NSA			
ADMI			
AFS			
ASIS			
INT			

intj
JARAMILLO

Action taken:

UNCLASSIFIED

For Department Use Only

Unit: JJO or Luño: psc

Classification Date: 5/2/79

Phone No.:

Contents and Classifications Approved by: DCI: FERondon *JK*

DCI: DCPugh *D*

ECON: JWS *W* with Brian

SUMMARY: The economy in Honduras is basically agricultural - 64% of exports and 40% of the GNP are produced by the land. Bananas and coffee are the most important products, followed by basic grains, sugar cane and cotton. African palm, cacao, melons, tomatoes, peppers and pineapples are new products that are expected to increase in importance. Honduras has, for some years, been following a policy of diversification away from dependence from banana monoculture.

Tela Railroad Company (United Brands) and Standard Fruit Company (Castle & Cook), two large American companies engaged primarily in banana cultivation and export, employ 40% of the farm labor in the country. Of the remaining 60% of the agricultural work force, roughly half are employed by the cooperatives and "settlements" sponsored by *INRA*, the national agrarian reform agency. The remainder are engaged in either their own farms or as wage earners in other crops, primarily sugar, cotton, coffee, plantains and African palm plantations, etc. About half of Honduras' agriculture is mechanized. The Central Bank expects that the private sector investment in agriculture in the 1979-83 period will amount to approximately \$300 million.

The government role in agriculture has been increasing during the last decade. At present, the development plan for the 1979-83 period proposes public investment in agriculture of U.S. \$181 million with U.S. \$81.6 million to come from external sources. Public investment by the Ministry of Natural Resources, COIBANA (the national banana company), IHCAFE (Honduran coffee institute), BANAFOM (national agricultural development bank), IIRA (national agrarian reform institute), IHMA (Honduran grain marketing institute) will offer substantial opportunities for sales of equipment, tools, and agricultural chemicals and supplies of all types.

DESCRIPTION OF THE MARKET: Total area of Honduras is about 28 million acres. More than half of this area is forested: 1/3 is considered suitable only for pastures and the rest (6.5 million acres) is potentially suitable for cultivation. 1,372,744 acres are cultivated employing modern methods, while the remainder is under traditional cultivation (wooden plows, animals, etc.). The Honduran Government expects that a large part of the forested area will eventually be converted to cultivated area in the future, especially in the undeveloped eastern part of the country.

Land tenancy in Honduras is characterized by minifundios (mini-holdings) as follows:

<u>Farm Size - Acres</u>	<u>No. Farms</u>
Less than 2	33,771
2 to 5	38,650
6 to 8	28,703
9 to 10	11,659
11 to 12	11,998
13 to 25	28,264
26 to 50	19,220
51 to 125	15,170
126 to 250	4,433
251 to 500	1,971
501 to 1200	1,057
1201 to 2500	276
2501 to 6200	129
More than 6200	40

Total 195,341 farms with an area of approx. 6.5 acres

Source: Dirección General de Estadísticas y Censos

178,159 acres were under irrigation in 1978 and 115,000 additional acres are under irrigation construction at present. 215,000 acres more are planned to be under irrigation in 1980.

Technical training for farmers is provided by UNAH, CURIA, Pan American School of Agriculture (Zamorano), and two other agri-schools in Catacamas and Siguatepeque (Comayagua).

AGRARIAN REFORM LAW: This law passed in 1962, and amended in 1970, limits, depending on the use, characteristics and district, the amount of land which may be owned by one person. INA is the agency responsible for carrying out the agrarian reform. INA establishes settlements, either cooperatives or by individual plots, on national lands as well as expropriated private land.

One of the INA's largest settlement projects, the Bajo Aguan in Yoro and Colon Departments in the northeastern area of the country has an area of 173,000 acres for intended distribution to 6,000 peasant farmers. More than 100,000 acres of private land have been expropriated by INA to date and distributed to 3,000 peasant farmers, in addition to 250,000 acres of national land distributed to 7,000 peasant farmers prior to January 1979

MAJOR MARKET TRENDS: Continued crop diversification and increasing sophistication by farmers augers well for agribusiness suppliers. For the immediate future, the best sales opportunities are in the public sector as indicated by the following projects:

	<u>US\$ million</u>
<u>I. 1979</u>	
<u>Ministry of Natural Resources</u>	
A) Studies: Drainage and wells in Choluteca	0.7
B) Construction: Small Irrigation Projects	3.8
C) Modernization and Agricultural Machinery Program	2.5
<u>Instituto Nacional Agrario (INA)</u>	
Construction: Aguan Valley - corn, banana, African palm	26.0
Masica Project - corn and cocoa	3.5
Guaymas Project - corn, cocoa, plantains, etc.	13.2
San Bernardo (Choluteca) - marañon, sesame, etc.	6.0
San Manuel Cortes - sugar cane	1.6
<u>Instituto Hondureño del Café (IHCAFE)</u>	
Machinery and Equipment	1.2
<u>Dirección Fomento Cooperativo</u> - silos	0.2
<u>II. 1980-82</u>	
<u>Ministry of Natural Resources</u>	
A) Studies: Development of Guayape Valley	4.1
Integrated Development of Aguan Valley	2.7
B) Construction: Irrigation Project Jicaro Galán	0.2
Irrigation Project Sta. Ana F.M.	0.1
Development Aguan Valley	6.1
<u>III. 1983 and after</u>	
<u>Ministry of Natural Resources</u>	
A) Studies: Nacaome and Choluteca	7.0
B) Construction: Development Comayagua Valley	8.3
Irrigation Choluteca and Nacaome	7.5
Integral Development Marcala Goascoran	12.0

Other GOH projects are on the drawing boards but are as yet unfunded.

Within the private sector sales opportunities should develop from the following projects:

		<u>US\$ million</u>
Asociacion de Bananeros Independientes El Progreso Cooperatives	Banana Betterments	0.7
	Plantain "	0.5
La Ceiba (Asoc. de Agric. y Ganaderos) Tegucigalpa: Co-op Agric. y Algodoneros AGAS (Sula farmers and ranchers assoc.)	Fungicides	0.7
	Sugar cane "	0.4
	Cocoa "	0.7
	Cotton "	0.8
FEHAGH (National Federation of Farmers and Ranchers)	Fertilizers and agrichemicals	1.8
	Fertilizers and agrichemicals	2.5

COMPETITIVE ENVIRONMENT: Almost all agricultural inputs are imported, predominantly from the United States. Honduras looks to the U.S. as its source of agricultural technology, and primary supplier for historical reasons as well as convenience. The strongest competition comes from the following countries:

Tractors	W. Germany, Brazil, U.K. and Japan	US 80%	Market share
Plows	Brazil, Spain, U.K. and Panama	" 50%	" "
Harrowes	Brazil, Mexico and Colombia	" 75%	" "
Other culti- vators	Mexico, Brazil, Colombia and W. Germany	" 70%	" "

Japan and Brazil will probably be the strongest competitor countries in the near future, although the depreciation of the dollar versus the yen should continue to give U.S. manufacturers a strong edge against Japan.

END USERS ANALYSIS: Honduran Government agencies, and its autonomous institutions, form the biggest market. It employs invitations to public bids, and payments are in cash (with some delay due the bureaucratic methods). The private sector includes both individual commercial farmers and cooperative farms as well as the minifundios. These pay by letter of credit and also are aided by the industrial development law which allows firms to avoid paying import duties during the first five or ten years of operation.

In addition to the above end users there is a third class: the medium and small size agricultural cooperatives which although private depend for financial and technical assistance on INA, the Ministry of Natural Resources or other similar government agencies or institutions. These cooperatives use public bids for most of their purchases. Table V lists principal end users.

MARKET ACCESS: The Honduran government, its agencies and autonomous institutions, employ invitations to public bids for purchasing. Usually, these invitations, published in the local newspapers, establish as a basic condition that all the foreign firms participating in the bid have to have local representatives in Honduras, except when the projects are financed by BID, World Bank, and CABEI. For that reason it is suggested that local representatives should be well informed, aggressive, and possess excellent contacts in the public sector. A lack of information and lead time are the principal adverse factors affecting foreign firms participating in public bids without local agents.

Trade fairs in El Salvador and Guatemala every other year as well as expositions in the U.S. Trade Center in Mexico have proven useful for U.S. manufacturers and exporters.

Inferior terms of payment is the most significant problem for U.S. products in this market. Competitor countries in some cases are giving 60 months and lower interest rates, especially in tractors and cultivating machinery.

EMBASSY SERVICES: The Commercial Section of the United States Embassy in Tegucigalpa is always at the service of visiting American businessmen. The Embassy is located at the following address:

Embassy of the United States of America
Avenida La Paz
Tegucigalpa, D.C. Telephones: 32-3121/29.
Honduras, C.A.

The Commercial Section is open Monday through Friday, except holidays, from 8:00 a.m. - 4:30 p.m.

In the United States, businessmen should contact the nearest District Office of the U.S. Department of Commerce. Foreign Trade experts are at your service in 42 offices located throughout the U.S.

TABLE I

1978 PRINCIPAL AGRICULTURAL PRODUCTS (EXTENSION)

	<u>ACRES</u>
Corn	708,030
Coffee	251,440
Sorghum	146,080
Sugar cane	64,305
Bananas	46,839
Rice	36,508
African Palm	38,142
Plantains	18,832
Cotton	15,549
Coconuts	9,546
Yuca	8,880
Citrics	6,440
Pineapples	3,326
Tomatoes	3,948
Sesame	3,782
Tobacco	7,385

Source: Dirección General de Estadísticas y Censos

TABLE II

1978 PRINCIPAL AGRICULTURAL PRODUCTS BY PRODUCTION

	<u>METRIC TONS</u>
Sugar cane	875,630
Bananas	821,843
Corn	309,773
African Palm	111,320
Plantains	51,599
Coffee	41,872
Sorghum	41,017
Rice	19,598
Coconuts	16,608
Pineapples	13,011
Cotton	11,874
Yuca	11,284
Watermelons	7,741
Tomatoes	7,097
Citrics	6,838

TABLE III

COMPARATIVE INVENTORY OF AGRICULTURAL MACHINERY AND EQUIPMENT IN HONDURAS

	<u>1974</u>	<u>1978</u>
Diesel trucks	1,003	2,102
Gasoline trucks	647	1,411
Pick ups	2,722	4,926
Jeeps	868	2,014
Other similar vehicles	770	2,936
Threshers	182	401
Dryers (hay)	154	320
Trailers (wheel)	883	2,192
Trucks	804	2,315
Fumigators (mobil)	4,802	10,015
Carts (wagons)	9,154	20,311
Iron sugar mills	4,271	9,320
Water pumps (irrigation)	2,548	5,002
Hammer mills	764	1,528
Mixers	74	130
Electric plants (generators)	381	1,002
Electric motors	681	1,714
Diesel engines	964	2,025
Gasoline engines	1,214	3,014
Ensillage cutter	776	1,822
Pulper (huller)	10,619	20,113
Shellers and cleaners	730	1,577
Grain dryers	175	320
Wheel tractor (diesel)	2,593	5,050
Wheel tractor (gasoline)	153	701
Seeding or sowing machines	379	622
Cultivators	610	1,329

64

TABLE III contd

	<u>1974</u>	<u>1978</u>
Harrows	1,807	4,227
Wooden plows	30,287	40,115
Iron plows	1,834	3,111

Sources: Dirección General de Estadística y Censos
 Banco Central de Honduras
 Ministerio de Recursos Naturales

65

TABLE IV

PRINCIPAL DEALERS FOR AGRICULTURAL MACHINERY AND EQUIPMENT IN HONDURAS

EMPRESA DE EQUIPOS AGRICOLAS (ESA)
7a. Ave S.O. #42
San Pedro Sula, Honduras, C.A.
Tel : 520025
Mr. Euad Canahuati, Mgr.

FEFASA
3a. Ave. S.O. 25
San Pedro Sula, Honduras, C.A.
Tel : 520026
Mr. Fouad Faraj, Mgr.

CASA MATHEWS S.A.
3a. Ave NO #57
San Pedro Sula, Honduras, C.A.
Tel : 522059
Mr. Amadeo Levi, Coordinator

DISTRIBUIDORA BARRETT SA
2a. Ave SO #7
San Pedro Sula, Honduras, C.A.
Tel : 521750
Mr. Edwin Rosenthal, Mgr.

SOGEMA
3a. Ave NO #25
San Pedro Sula, Honduras, C.A.
Tel : 521310
Mr. Juvenal Rodríguez

JUDE CANAHUATI SUCS.
3a. Ave SO #50
San Pedro Sula, Honduras, C.A.
Tel : 520705
Blanca Canahuati, Mgr.

FECOSA
Ave. del Comercio
Puerto Cortes, Honduras, C.A.
Tel : 550295
Mr. Alfredo Faraj, Mgr.

ASTROAGRICOLA S.A.
5a. Calle y 6a. Ave
Comayagueta, D.C. Honduras, C.A.
Tel : 226582
Mr. Miguel Facusse, President

SEMPE
Carretera a Toncontin
Comayagueta D.C. Honduras, C.A.
Tel : 225101
Mr. Walter Camoriano, Mgr.

Comercial Laeisz
Carretera a Toncontin
Comayagueta D.C. Honduras, C.A.
Tel : 223570
Mr. Bernard Hirsch, Mgr.

AGROCOMERCIAL SEGOVIA SA
5a. Calle y 5a. Ave
Comayagueta, D.C. Honduras, C.A.
Tel : 221539
Mr. Jose Segovia Inestroza, Mgr.

CANOSA
Blvd. Toncontin
Comayagueta, D.C. Honduras, C.A.
Tel : 225354
Mr. Pedro Atala, President

HIASA
2a. Avenida y 9a. Calle
Comayagueta, D.C. Honduras, C.A.
Tel : 227641
Mr. Mauricio Marchetti, Mgr.

EQUIPOS Y REPUESTOS S.A.
Ave. Los Proceres
Tegucigalpa, D.C. Honduras, C.A.
Tel : 326288
Mr. Jaime Letelier, Mgr.

TABLE V
AGRICULTURAL EQUIPMENT AND MACHINERY PRINCIPAL END USERS

AGAS
Salida a Chamelecón
San Pedro Sula
Attn: Mario Belot

FENAGH
2a. Calle Col Palmira
Tegucigalpa, D.C.
Attn: Ing. Fernando Lardizabal

COOPERATIVA DE ALGODONEROS
Y AGRICULTORES DEL SUR LTDA.
Col. Lara, Tegucigalpa, D.C.
Attn. Lic Wilfredo Galo

CADECA
Km. 3 Carretera Olancha
Tegucigalpa, D.C.
Attn: Gunter Stache

STANDARD FRUIT CO.
Edificio Aseguradora Hondureña
Tegucigalpa, D.C.
Attn: Jorge Coello

TELA R.R. Co.
2a. Ave y 8a. Calle
Comayagua D.C.
Luis Alvarado

ASOCIACION DE BANANEROS INDEPENDIENTES
14 Calle NO entre 7 y 8 Ave
San Pedro Sula
Attn: Camilo Rivera Girón

COMBANA
Barrio La Granja
Comayagua D.C.
Attn: Vicente Diaz

AZUCARERA CANTARRANAS
5a. Ave y 14 Calle
Comayagua D.C.
Attn : Felipe Peraza

AZUCARERA DEL NORTE
5a. Ave Edificio Sula
San Pedro Sula
Attn: José Andonie F.

DESARROLLO BAJO AGUAN
Tocoa, Colon

INSTITUTO NACIONAL AGRARIO (INA)
Colonia Alameda
Tegucigalpa, D.C.
Attn: Ing. Fabio Salgado

TABACALERA NACIONAL S.A.
Bvd. Los Proceres
Tegucigalpa, D.C.
Attn: Louis Martin

TABACOS DE HONDURAS SA
Danlí El Paraíso
Honduras, C.A.
Attn: Generoso Eiroa

CASA BUESO
Sta. Rosa de Copán
Honduras, C.A.
Attn: Jorge Bueso Arias

COMPANIA AZUCARERA HONDUREÑA S.A.
Bufalo, Cortes
San Pedro Sula
Attn: Donald Suazo Tomé

COMPANIA AZUCARERA CIUMBAGUA
3a Ave NE y 11a Calle
San Pedro Sula
Agt: Jose Brandel

ACENSA
Bvd. Morazón
Tegucigalpa, D.C.
Attn: Gilberto Goldstein

ASUCARERA YOJOA
Bufalo Cortes
San Pedro Sula
Pedro Rendon P.

INCAHFE
Edificio Farach
Tegucigalpa, D.C.
Attn: Fernando Montes

TABLE VI

HONDURAS : IMPORTS OF AGRICULTURAL MACHINERY AND EQUIPMENT

<u>HAUCA</u>	<u>DESCRIPTION</u>	<u>US\$ MILLION</u>		
		<u>1975</u>	<u>1976</u>	<u>1977</u>
712-01-01-00	Plows	.487	.398	.440
712-01-03-00	Harrows	.366	.161	.600
712-01-04-00	Seeding, cultiv, etc.	.232	.182	.444
712-01-05-00	Other cultiv and simil.	.378	.294	.309
712-02-01-00	Harvesters	.602	.540	.632
712-02-02-00	Threshers, Shellers	.558	.594	.616
712-02-03-00	Separators	.274	.074	.028
712-09-09-00	Other agric machinery	.192	.280	.183
713-01-00-00	Tractors	5.788	4.562	11.400
713-01-00-02	Tractors parts	3.590	4.640	5.051

TABLE VII

IMPORT DUTIES IN HONDURAS FOR AGRICULTURAL MACHINERY AND EQUIPMENT

All agricultural machinery and equipment has a standard import duty of 5% ad valorem, except when the importer applies for the protection of the industrial development law. In this case, imports are duty free for the first five to ten years thereafter depending on the kind of cultivation.

68

ATTACHE REPORT

NOT OFFICIAL USDA DATA

REF: 10 FASH 1

From: (Post)	Report Number	Code Number
Guatemala	HD-0002	24A
To:	Date Signed	Date Received in FAS
FOREIGN AGRICULTURAL SERVICE U.S. DEPARTMENT OF AGRICULTURE	11 March 1980	
Subject		
HONDURAS - Agricultural Situation		

A. Summary.

Honduras leads in the area's economic growth with an estimated 1979 GNP real growth of 6.75 percent, reaching a new high of \$4,134 million at current prices. Agricultural contribution to the GNP is estimated at 32 percent. Total exports reached \$814 million in 1979 (\$530 million in agricultural products) while total imports climbed to \$918.5 million.

A slowdown in economic growth is apparent, and in 1980 the rate may drop to 5.3 - 5.8 percent. Agriculture is forecast to increase only by 5.25 percent, as compared with 7.25 percent in 1979. Higher world prices for main agricultural export commodities in 1980 may increase agricultural share in total exports. Coffee, the main foreign exchange earner, may total \$240 million, being followed by bananas, \$200 million; beef, \$60 million; lumber, \$50 million; and sugar, \$35 million.

. Current Situation and Outlook.1. Situation and Outlook for the Economic Sector.

Honduras' economic growth rate continues to lead the Central American area for the third year in a row. The GNP real growth in 1979, as estimated by the Central Bank of Honduras at 6.75 percent, is the highest in the region, and shows an increase over the 6.3 percent registered in 1978. Translated into figures, the 1979 GNP is now estimated at \$940 million, in constant prices (1966 = 100), for a yearly per capita income of \$293, as compared with the 1978 per capita income of \$285. These income figures are based on a total population of 3.2 million for 1979, and 3.1 million for 1978.

According to the Central Bank estimates, the 1979 total exports of goods and services netted \$814 million in current prices (\$292 million in 1966 prices), substantially increasing over the \$681.5 million (\$292 million) and \$574.5 million (252.5 million) for 1978 and 1977, respectively. The same agency estimates imports at \$918.5 million during 1979, \$777.5 million in 1978, and \$655.5 million in 1977.

The conservative monetary policies observed by Honduras have maintained a ratio of Lp 2 to \$1 over the last 40 years. As of January 25, 1980, the net international reserves held by Honduras totaled \$336.9 million. On January 26, 1979, those reserves amounted to \$306.2 million, and to \$311.2 million on January 27, 1978. At the end of years 1978 and 1979, savings at all banks were estimated at \$189 million and \$133 million, respectively.

The year 1980 may be difficult for Honduras. Its economy is starting to show signs of slowing down, while oil prices continue to soar, aggravating the country's trade and payment deficit. The situation is still termed manageable, and definitely much better than that of other Central American countries where political unrest and violent changes are undermining productivity and inhibiting new investments.

69

m (Post)	Report Number	Code Number
Guatemala	HD-0002	24A

Best forecasters are placing Honduras' economic perspectives for 1980 with a GNP real growth of 5.3 to 5.8 percent. The largest growth decline (from 7.25 percent in 1979 to 5.25 percent in 1980), will come in the agricultural sector, which supplies 32 percent of the GNP and generates 65 percent of total exports. The industrial sector accounts for approximately 17 percent of the GNP and its forecast growth is in the order of 6 to 6.5 percent. This growth will be supported by strong public investments, such as El Cajón hydroelectric plant and the Olancho Forest Development project. However, private industry is reducing its investment rate due to world recession, a growing liquidity squeeze and an inflation rate that soared to an estimated 15 percent in 1979, with no slackening in sight. The worst damper is considered the political and social instability which occurred in neighboring countries in 1979.

2. Situation and Outlook for the Agricultural Sector.

The agricultural sector continues to be the main contributor to the GNP, with a share of approximately 32 percent. The banana industry's spectacular recovery from the ravages of Hurricane Fifi in 1974, yielded some \$195 million of exports in 1979, and it is expected to climb to \$200 million as it reaches full production in 1980. In 1977, coffee displaced bananas as the main earner of foreign exchange. In 1979, earnings from coffee exports reached some \$196 million. It is expected that in 1980 the earnings may total \$240 million. Sugar is undergoing dramatic changes reaching a high growth pattern. Production in 1980 may double 1979 production when two new mills reach full capacity. The increased production, coupled with very favorable world prices, may push sugar revenues from \$14 million in 1979 to \$35 million in 1980.

Meat exports in 1979 reached an unprecedented \$43 million in 1979; the revenue from this activity may reach \$60 million during CY 1980. Lumber production is slated to increase some 15 percent in 1980 generating over \$50 million, compared to \$43 million estimated in 1979.

Livestock and Meat

The Honduras cattle herd, estimated at 1.98 million at the beginning of 1979, increased substantially with the importation of some 300,000 head from Nicaragua. Exports to neighboring Guatemala are estimated at 100,000 during the same period.

Cattle slaughter during 1979 is now estimated at 432,000 head, for a production of 61,295 metric tons (CWE). Exports to CONUS/PR were estimated at 39,943 metric tons. Of this amount, some 7,300 metric tons were placed in bond pending entry in 1980.

The 1980 bovine meat production is forecast at 59,888 metric tons, out of the slaughter of 422,000 head. Exports to CONUS/PR are forecast at 37,810 metric tons (CWE), over and above the beef placed in bond in 1979.

Cotton

The cotton industry in Honduras is lacking a national cotton policy, resulting in a shortage in financing by both private banks and GOH banks to the cotton producers. Grain and sugarcane, with better financing, competes with cotton for cropland. The area planted in cotton in 1979/80 is now estimated at 12,670 hectares, up 5 percent over the previous

ATTACHE REPORT
Continuation Sheet

NOT OFFICIAL USDA DATA

PAGE NO: 3

From (Post)	Report Number	Code Number
Guatemala	HD-0002	24A

season. Forecast production stand now at 33,350 bales (221 kgs. each), all earmarked for exports. All cotton for domestic use is imported. In 1979/80 this may amount to 12,670 bales.

Tobacco

Tobacco production is estimated to have totaled 7,383 metric tons (farm sales weight) from 5,530 hectares during 1979. About 89 percent of the production was cigarette types of tobacco, the balance on cigar wrapper and filler. Exports in 1977 (latest official data available) totaled 4,664 metric tons, of which 96 percent was unmanufactured tobacco. Imports in the same year totaled 708 metric tons. The U.S. imported that year from Honduras, 15,789 million cigar pieces.

Recently (February 1980), blue mold outbreaks covering roughly some 400 hectares were reported in the major tobacco growing areas, with some areas reporting losses up to 20 percent in shade tobacco and 5 percent in sun tobacco. Unless this outbreak can be controlled, much greater losses will occur. At this moment, data on systems and materials to combat the leaf mold is being sought.

Coffee

Total 1979/80 coffee production is estimated at 1,250,000 bags (60 kilos) with about 1,150,000 bags expected to be exported. Exports for the first three months of the 1979/80 season amounted to 154,036 bags.

Calendar year 1979 coffee exports reached 1,100,975 bags, valued at \$196,834,112. The government received over \$30 million in coffee export taxes.

The Instituto Hondureño del Café is expecting a continued increase in coffee production as new plantings come into full production. Coffee rust has not been reported in Honduras. With outbreaks in Nicaragua and El Salvador, probably it is only a matter of time until rust is found in Honduras.

Sugar

Recent spectacular increases in world sugar prices confirm that Honduras sugar industry's gamble on expanding its production capacity will pay off. Sugar cane plantings in 1978-79 totaled a record 30,800 hectares, or about 2,800 hectares more than the area planted in 1977-78. The 1978-79 cane harvest covered 21,961 hectares which produced 1,782,000 metric tons, as compared with 17,000 hectares and 1,325,000 metric tons, respectively, from the 1977-78 crop.

In 1978-79 raw sugar production totaled 158,000 metric tons, allowing the exportation of 51,650 metric tons, a 20.7 percent increase over the preceeding year, while retaining 106,950 metric tons for local consumption.

The 1979-80 sugar cane crop is forecast at 2,245,300 metric tons from the harvest of 30,000 hectares, for a new record sugar production (raw value) of 205,500 metric tons. Consumption is now forecast at 113,000 metric tons, while exports may reach 92,100 metric tons.

11

Country (Post) Guatemala	Report Number HD-0002	Code Number 24A
-----------------------------	--------------------------	--------------------

Grains and Feed

Wheat. Production of wheat in Honduras is considered negligible, and imports must be made to meet consumption. Total imports in CY 1979 totaled 77,800 metric tons, of which 14,800 metric tons arrived under PL 480, Title I, Program, and 7,000 metric tons as an EEC donation. The CY 1980 wheat imports are forecast to total 79,800 metric tons, which will include some 15,000 metric tons imported under PL 480, but this quantity may be increased. No EEC donations are forecast for this year.

Corn. The 1978-79 area planted in corn is estimated at 305,000 hectares, down 15 percent from the year before. Weather favored corn plantings most of the year favoring yields of 1.3 metric tons per hectare. Total production is estimated at 402,000 metric tons. The 1979-80 crop had its share of bad weather early in the season thus reducing the planted area to 263,000 hectares. Yields are expected to drop to a little over 1 metric ton per hectare for a total production of 282,000 metric tons. Consumption in Honduras is forecast at 374,000 metric tons thus importation of corn will occur during the year.

Sorghum. Total sorghum production for 1978-79 is now estimated at 45,100 metric tons having been harvested in a total area of 62,400 hectares. The 1979-80 crop was also affected by heavy rains at the first planting and the production is not expected to be over 36,400 metric tons from 53,700 hectares. The forecast consumption of 50,000 metric tons will have to be met with imported grain sorghum if its price relation to corn remains favorable.

Rice. The 1979 rice production of 26,300 metric tons did not reach earlier estimates but with the aid of large beginning stocks and early imports of 5,500 metric tons, it sufficed to cover that year's demand of 32,000 metric tons. Forecast production for 1980 stands now at 36,300 metric tons from 53,700 hectares. It is expected that this production will be enough to cover the year's demand of about 36,000 metric tons.

Pulses. The principal bean produced and consumed in Honduras is the red kidney bean. The 1978-79 bean production totaled 24,300 metric tons harvested in 57,000 hectares. This low production, averaging yield of only 426 kilograms per hectare, resulted from crop damage in September due to fields literally being washed away by heavy rains and not being replanted. The 1979-80 crop received the tail-end of the bad weather and only 40,400 hectares were planted. Production is forecast at 20,500 metric tons, so imports in the order of 15-20,000 metric tons will be needed to meet the consumption demand.

C. Changes in Policy.

1. The Agricultural Marketing Institute, the GOH agency that controls grain prices, confirmed in 1979 the support prices are still in effect. These are as follows:

<u>Commodity</u>	<u>Price</u> (US\$/metric ton)
Corn	149.46
Rice (paddy)	250.00
Red beans	413.05
Black beans	325.09
Grain sorghum	130.43

Country (Post)	Report Number	Code Number
Guatemala	HD-0002	24A

Prices are for Grade A (optimum) for Tegucigalpa and San Pedro Sula, \$0.50 less for other locations.

Honduras maintains bilateral agreements with Guatemala, Nicaragua and Costa Rica in lieu of the Central American Common Market agreements. Honduras withdrew from the CACM following its "foot-ball war" with El Salvador in 1969.

During 1979 GOH passed a law taxing beef exports at the rate of \$0.0175 per pound of fresh, chilled or frozen beef. Live male cattle exports are taxed at the rate of \$0.03875 per pound, plus \$10.00 per head. Female cattle exports are prohibited.

2. During 1979, Honduras received 7,000 metric tons of wheat as donations from the EEC, half of which belonged to a delayed 1978 donation. There are no indications that the EEC will donate Honduras any wheat during 1980.

In 1979, Honduras was allocated two million dollars under PL 480, Title I, Program for the purchase of U.S. wheat. The continuation of the program in 1980 is under study by the U.S.

3. The GOH program for developing the Aguan Valley has run into unexpected flooding and pest problems. Nevertheless, some positive results have been obtained from the African Palm plantings.

GOH commitments to the Olancho Forest Development Project continue at high priority. The project is scheduled to go into operation in 1984 at an estimated overall cost of more than \$1,000 million.

The Agrarian Reform program continues to be enforced, with mixed success.

4. Although not a member of the CACM, Honduras abides by the Central American Unitary Tariff Schedule.

5. As a consequence of special protection to certain crops under the Agrarian Reform Law, production of grains, which were not under such protection, has not increased proportionally with the demand, thus creating a mild shortage of grains in the Honduras market.

6. Nutritional status of the low-income strata continues to be deficient in spite of GOH efforts. Inflation, which in 1979 reached an unprecedented 15 percent, have defeated somewhat the GOH programs to encourage cheaper food.

7. There are but few limitations on foreign investments in agriculture. However, the area's political and social unrest, and an uncertain future, are not encouraging significant foreign agricultural investments in Honduras.

8. No announcements have been made by the GOH as conducting any program leading toward the use of agricultural commodities to produce energy. A few private concerns have looked into methane production from animal wastes, without great success.

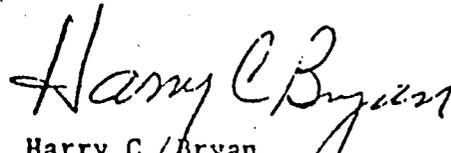
ATTACHE REPORT
Continuation Sheet

NOT OFFICIAL USDA DATA

PAGE NO: 6

From (Post) Guatemala	Report Number HD-0002	Code Number 24A
--------------------------	--------------------------	--------------------

- D. U.S. cattle associations representatives participated in the National Cattle Show early in January, 1980. The 1980 Central American Cattle Show is scheduled to be held in Honduras on May 11 through 18, 1980. The U.S. cattle associations will participate with judges, trophies, and reception in this Show.


Harry C. Bryan
Agricultural Attaché

om (Post)	Report Number	Code Number
Guatemala	HD-0002	24A

TABLE I - HONDURAS: Gross National Product by Sectors (Current Prices)
(In million lempiras 1/)

Sectors	1975	1976	1977	1978
Agriculture <u>2/</u>	562	698	867	1,002
Mining	54	50	55	60
Manufacturing	314	361	435	540
Construction	114	118	140	169
Utilities	36	39	45	51
Transportation, warehousing and communication	138	166	190	229
Merchandizing	242	280	300	398
Banking, insurance and real estate	70	90	116	139
Housing	148	148	160	177
Public Administration and Defense	72	84	100	112
Services	190	231	234	280
Gross Domestic Product (factor cost)	1,940	2,265	2,642	3,157
Indirect taxes (net)	220	286	408	416
Gross Domestic Product (market price)	2,160	2,551	3,050	3,573

1/ One U.S.\$1.00 equals 2Lp

2/ Includes forestry, hunting and fisheries.

Source: Central Bank of Honduras

15

TABLE II - HONDURAS: Exports (FOB) by principal products
CY 1978 and Jan-May 1978, 1979

Unit	1 9 7 8		Jan-May, 1978		Jan-May, 1979		
	Vol <u>b/</u>	Value <u>c/</u>	Vol <u>b/</u>	Value <u>c/</u>	Vol <u>b/</u>	Value <u>c/</u>	
Bananas	40 lb. boxes	39,224	282.4	16,844	121.3	23,788	171.3
Coffee	60 kg. bags	958	422.0	634	298.5	740	236.2
Timber	M ³	358	84.4	142	32.6	157	38.4
Beef, frozen	Kilos	22,637	77.6	8,415	26.7	12,426	51.3
Silver	Troy ounce	2,128	21.8	595	6.1	957	9.8
Lead	Pound	31,568	12.8	8,775	3.6	16,401	6.7
Zinc	Pound	51,491	27.1	19,515	10.3	15,893	8.4
Shrimp & lobster	Kilos	2,505	31.2	757	9.8	608	12.1
Cotton, lint	Kilos	13,040	31.1	9,170	20.8	3,809	11.1
Sugar, raw	Kilos	22,588	11.0	15,974	7.9	36,348	17.7
Soap, washing	Kilos	23,863	27.2	9,842	10.8	10,229	12.6
Fruits, canned	Kilos	9,674	5.6	3,921	2.3	4,476	2.8
Tobacco	Kilos	4,358	17.9	2,621	10.6	2,305	11.4
Organic compounds nes	Kilos	1,149	1.8	295	0.5	490	1.1
Cement	Kilos	5,060	0.5	-----	-----	-----	-----
Beans	Kilos	80	-----	-----	-----	-----	-----
Corn	Kilos	1	-----	-----	-----	-----	-----
Resins	Kilos	5,185	4.6	2,726	2.2	2,326	2.2
Wood articles nes	Kilos	31,853	18.7	11,912	6.2	15,492	12.1
Barbwire	Kilos	1,495	2.9	647	1.2	805	1.6
Plantains	Kilos	1,337	0.3	520	0.2	485	0.2
Cigars & cigarettes	Kilos	124	2.8	29	0.8	61	1.1
Pineapple	Kilos	27,662	13.7	8,587	4.3	10,547	5.2
Other products			114.4	-----	45.8	-----	56.4
TOTALS			1,212.2		622.4		669.5

a/ Preliminary

b/ Thousands of unit

c/ Millions of Lempiras

(U.S.\$1.00 equals L2.00)

Totals may not add up due to rounding.

Source: Banco Central de Honduras

76

From (Post)	Report Number	Code Number
Guatemala	HD-0002	24A

TABLE III - HONDURAS: Leading agricultural exports, principal countries of destination and percentages Jan-June 1978
 (FOB value in 000's lempiras) 1/

	Total FOB Value	Principal Destination	Percentages of takings
Coffee, green	334,054	United States	61.0
Bananas and plantains	136,653	United States	76.7
Rubber	34,473	Italy	13.5
Beef	32,795	United States	99.5
Crustaceous & molluscs	12,448	United States	97.4
Tobacco leaf and products	14,506	United States	93.0
Cotton lint	22,222	France	77.5
Fruit products	3,758	United States	47.3
Sugar	8,593	United States	100.0
Vegetables and products	4,182	Guatemala	48.8
Fruits	139,038	United States	75.2
Seeds, bulbs (plantings)	1,820	United States	94.2
Cocoa (beans and products)	1,001	United States	75.4
Cut flowers	2,823	Holland	78.9
Molasses	711	United States	100.0
Other	5,438	United States	40.2
Total	754,415	United States	63.7

1/ One U.S.\$ = 2 Lp.

ATTACHE REPORT
Continuation Sheet

NOT OFFICIAL USDA DATA

PAGE NO: 10

om (Post)	Report Number	Code Number
Guatemala	HD-0002	24A

TABLE IV - HONDURAS: Imports (CIF) by Custom Groups
CY 1978 and Jan-May 1978, 1979

	1 9 7 8		Jan-May, 1978		Jan-May 1979 a/	
	Volume <u>b/</u>	Value <u>c/</u>	Volume <u>b/</u>	Value <u>c/</u>	Volume <u>b/</u>	Value <u>c/</u>
0. Food Products	156,212	102.1	64,276	42.9	58,053	48.5
1. Spirits and Tobacco	2,489	9.6	1,113	3.9	950	3.6
2. Raw material (non consumables)	29,386	21.0	8,722	8.4	23,658	9.2
3. Fuels and lubricants	585,180	152.7	245,149	64.1	221,171	66.5
4. Edible fats and oils (Vegetable or animal origin)	13,775	14.6	7,441	7.3	4,853	6.2
5. Chemical Products	127,084	213.0	37,611	69.4	51,808	96.0
6. Manufactured articles	242,385	313.1	109,816	128.5	92,259	138.7
7. Transportation equip- ment and materials	57,906	460.3	27,017	207.2	21,998	198.5
8. Manufactured articles, others	9,774	98.6	3,739	35.8	3,970	42.1
9. Live animals NES and other merchandise	4,229	6.8	215	0.6	564	1.0
T O T A L	1,228,420	1,391.8	505,099	568.2	479,284	610.2

a/ preliminar

b/ Thousands of kilograms

c/ Millions of Lempiras
(U.S.\$1.00 equals L2.00)

Totals may not add up due to rounding

Source: Central Bank of Honduras

78

om (Post)	Report Number	Code Number
Guatemala	HD-0002	24A

TABLE V - HONDURAS: General Index of Prices by Group
Average January-August for each year
(1966 = 100)

Group	1977	1978	1979	Relative Increases	
				1978/77	1979/78
Food	184.6	196.9	207.2	6.7	5.2
Housing	159.0	167.1	179.6	5.1	7.5
Clothing	157.5	164.9	174.2	4.7	5.6
Health care	142.1	153.1	164.7	7.7	7.6
Personal care	169.2	175.1	188.3	3.5	7.5
Liquor and Tobacco	146.2	161.7	169.7	10.6	4.9
Miscellaneous	139.8	146.5	153.2	4.8	4.6
GENERAL INDEX	166.8	176.8	187.1	6.0	5.8

Source: Central Bank of Honduras

Country (Post)	Report Number	Code Number
Guatemala	HD-0002	24A

TABLE VI - HONDURAS: General Index of Prices by Area
Average January-August for each year
(1966 = 100)

Areas	1977	1978	1979	Relative Increases	
				1978/77	1979/78
Tegucigalpa	166.4	176.7	187.7	6.2	6.2
San Pedro Sula	167.9	177.4	186.5	5.7	5.1
La Ceiba	161.8	172.2	180.0	6.4	4.5
Choluteca	169.2	181.8	204.5	7.4	12.5
Other urban centers ^{1/}	166.6	176.1	186.3	5.7	5.8
GENERAL INDEX	166.8	176.8	187.1	6.0	5.8

^{1/} Includes: Danlí, Comayagua, Juticalpa, La Esperanza,
Trujillo and Santa Rosa de Copán.

Source: Central Bank of Honduras

CARD NO. 1

COUNTRY HONDURAS

DIVISION IED

AGR. NO. _____

COUNTRY CODE _____

COMMODITIES	COM-MODITY CODE	AREA (CALENDAR YEAR)					PRODUCTION (CALENDAR YEAR)				
		UNIT 1,000 Ha	1976	1977	1978	Prel 1979	UNIT 1,000MT	1976	1977	1978	Prel. 1979
Rice, paddy			21	19	15	19		57	41	26	29
Corn			292	352	305	263		308	332	402	282
Sorghum			53	62	62	54		42	35	45	36
Beans, dry			90	80	57	40		45	35	24	20
Tobacco (Farm wt)			6	7	7	8		7	7	7	7
Cotton			10	17	12	13		7	11	7	7
Cottonseed								11	18	11	11
Bananas			25	28	28.5	29.8		1,180	1,227	1,300	1,300
Coffee			120	122	128	130		46	62	68	75
Sugar, raw			21	28	31	35		91	132	158	205
Cattle exports								50	50	60	75
Beef and veal								47	44	50	61
Pork								10	10	10	11
Milk								190	192	202	202

SOURCE OF DATA:

A.I.D.'s Overall Objective and Strategy

1. Objective

A.I.D.'s aims are to help Honduras sustain a high rate of economic growth with justice and greater equity in order to support the transition to and consolidation of constitutional government and to help this second poorest country in Latin America catch up with the rest of Central America so that the countries of the region as a whole can advance and work together better. This means pursuing an especially intensive development program here, in conjunction with the other donors, for the next decade. If successful, the GDP per capita should reach \$650 by 1990 (in 1977 dollars).

2. Current Situation

The nature of the poverty problem and of the GOH's development efforts were discussed in the previous sections. However, it might be useful to list here the main factors -- favorable and unfavorable -- which affect the achievement of our objective.

a. Favorable Factors

i. The current GOH appears to have genuine support for its efforts from the population and the nation's private enterprise leaders.

ii. The GOH is preparing seriously for a return to constitutional government later this year.

iii. There is a relatively greater equity in the conditions of life in Honduras due to past GOH efforts at land reform and at the provision of social services.

iv. There are no deep cultural or class differences among the population.

v. The attention to rationality in planning and administration is increasing. (This has been true particularly in the agriculture sector.)

vi. There is acceptance of the utility of external assistance and investment.

vii. There is a relatively well developed labor union movement.

viii. The prices of Honduran principal exports (coffee, bananas, sugar, meat, and lumber) are likely to remain relatively high; and their volume is increasing.

b. Unfavorable Factors

i. The number of well trained people in Honduras is still quite small.

ii. The ability to conduct analyses and to make decisions on how best to use scarce resources is still weak.

iii. The public sector is still not well organized, and is unable to hold well trained persons in its service.

iv. Large public investments in infrastructure and social services are still required while the capacity of the GOH to tax and borrow is limited.

v. The political situation of the region is such that the private enterprise sector is still not confident that the future of Honduras is certain enough to justify large investments, and the GOH will have to devote much of its attention to security and political matters during the next few years.

vi. Over 80% of the population has incomes under the poverty line, and health, education and housing are still very deficient. There are still large differences in living conditions between the urban and rural areas.

vii. The population is increasing at the rapid rate of 3.5% per year, and the GOH has not developed an effective strategy for dealing with the problems that such growth causes or for reducing the rate of growth.

viii. Forestry and other natural resources are being utilized in wasteful ways.

ix. The country is subject to fairly frequent natural disasters, such as hurricanes, which can undo years of progress.

x. Honduras is dependent on imports for all of its oil.

3. Strategy of the Program Prior to the CDSS Planning Period

In the last several years A.I.D. has placed its emphasis on working with the GOH in preparing a comprehensive, sectoral approach to broad development problems and a systems approach to particular innovations. A.I.D. saw its role as a partner in the analytical and policy formulation process necessary for the development effort, rather than as a supplier of major financial resources to carry out those efforts, and when providing resources to carry out those efforts they were to be concentrated on human resource training, institutional reforms and relatively modest amounts of seed capital. Considerable success was obtained in that effort with the formulation of the Agriculture Sector II and the Rural Technologies programs. However, as the complexities of the sector and systems approaches were addressed, it became apparent that the impact of the programs on the ultimate beneficiaries would be somewhat delayed. Since the needs of those ultimate beneficiaries were so great, and since the political situation of the region made even more important the early meeting of those needs, it was decided that the sectoral/system approach should be complemented with activities aimed at the earliest possible impact on the life of the ultimate beneficiaries. Thus the A.I.D. assistance strategy currently is a mix of several types of activities.

a. Following the sector approach, the delivery of public services in key sectors will be rationalized and increased in effectiveness

through analytic, carefully focused programs concentrating on problems of the poor. The Agriculture Sector II program now getting under way will improve the institutional structure and systems for delivery of public agricultural services to the rural poor. The health sector is now being analyzed in a joint GOH-A.I.D. sector planning project. The program which is expected to result will place high priority on: (i) vaccination to prevent immuno-preventable disease, (ii) information, education and infrastructure improvements to prevent environmental causes of disease, and (iii) simple cost-effective treatment, especially in an out-patient setting, of illnesses as they occur. Urbanization which is likely to put increasing strains on Honduran society over the next several years is the subject of another joint analytical effort just getting started. It is too early to outline the program which may emerge.

b. In order to accelerate the improvement of the lives of the poor in the rural areas and smaller towns of Honduras, A.I.D. is supporting GOH programs: to provide safe water to 375,000 additional rural people and rural sanitation systems to half that number, to increase the rural primary school enrollment ratio from 70% to 80% of the school-age children (i.e. adding 70,000 students to the system), and to provide rural trails and access roads into isolated communities so that their people (some 300,000 in all) can become socially and economically integrated into the national market and public service systems. Further support of rural development will come from a project to help some 125 small municipalities with populations totalling 250,000 undertake essential infrastructure improvements. These efforts are building on our experience with previous efforts of this nature. In addition, resources from the Housing Investment Guaranty program will be used to supply lower income urban families with housing and provide or upgrade water, sewer and other public services in their neighborhoods.

As part of this effort, A.I.D. is making increased use of Private Voluntary Organizations to carry out specialized projects. In FY 1979, three new grants (OPG's) were approved for projects by the San Jose Obrero organization (vocational training at Choluteca), Hermanidad (leadership training in the remote San Marcos area) and the International Eye Foundation (to add an eye care dimension to auxiliary nurse training). In addition, CARE and CRS operate school, maternal and child health, and food-for-work feeding programs using PL 480 Title II commodities. Several OPG's funded in previous years continue functioning, including projects by Save the Children Federation (integrated rural development in the Pespire Valley) and by the Foundation for Cooperative Housing (low cost core housing in Tegucigalpa). We expect to fund several new PVO projects in 1980 and 1981, including probably, a CARE proposal to add practical agricultural activities to pilot schools recently constructed in the North Coast region, a rural housing improvement project, a FEHCOVII project for low cost concrete block construction, and an experimental hillside water retention project of Save the Children Federation.

c. A.I.D. will assist the Hondurans in developing innovations to solve key problems affecting the lives of the poor. The recently initiated Rural Technologies project is designed to foster the development, adaptation and widespread dissemination of inexpensive, capital saving technologies to increase output and reduce drudgery on

small farms. To do so it will stimulate the development of rural small scale enterprises and industries. Taken together with programs to increase the impact and coverage of government services in education, health, roads and trails, and water and sanitation, it should change the daily life and improve the outlook of rural Honduras without radically changing the landscape.

A second innovative development effort is to be in natural resources conservation. Expansion of the population and exploitation of the forests are resulting in serious degradation of the country's watersheds. A.I.D. (as well as other donors) has expressed its concern, and the GOH has indicated that it would welcome cooperation from A.I.D. to implement a strong national land use planning program. Such an activity would include three interrelated activities: small natural resources conservation and reforestation projects which can eventually be replicated on a broader scale; expansion and improvement of the Government's capability to collect and analyze basic data essential to water and land use planning; and strengthening of, and improved coordination among, the public sector agencies involved in water and land use planning.

d. The population growth rate in Honduras is estimated to be 3.5% per annum. This very high rate diminishes considerably the ability of the country to achieve a rate of per capita GNP growth that would allow it to catch up with the rest of Central America. Because of religious beliefs as well as political perceptions, the Government of Honduras has been reluctant to enunciate a population control policy. However, there is an increasing awareness in both governmental and private circles that high fertility has serious deleterious effects on maternal and child health. As a result there is a growing acceptance of fertility control as a health measure. A.I.D. is quietly building on this health rationale by supporting the Honduran private voluntary family planning group's efforts to deliver contraceptive technologies throughout the country. In addition, we are giving limited support to demographic studies and to training of government personnel in fields immediately related to family planning.

4. Strategy for CDSS Planning Period

A.I.D.'s strategy in the 1982-86 period largely will be a continuation and filling out of the 1980-81 strategy as it recently has evolved. Specific sectoral discussions follow. Here we shall deal with a few multisectoral themes.

a. Economic Policies

Because Honduras' open, liberal economy is highly dependent on being able to maintain confidence and simultaneously finance a large balance of payments current account deficit, both the GOH and we need to pay close attention to the overall performance of the economy if the development efforts in favor of the target group are to succeed. The IMF and the IBRD are, and will remain, the main channels for discussions with the GOH on its overall economic policies. The role we see for the USG is one of interested support in such discussions. In addition, PL 480 Title 1/III would be used to give limited balance of payments support and to provide

budgetary resources in support of rural development programs which would otherwise lag if the external sector slips. Furthermore, we propose that substantially higher meat quotas for Honduras under the new compensatory import policy be advocated by IDCA, and that the IDCA at the appropriate time take a forceful stand in favor of consultative group type of arrangement for Honduras. Given the important role of exports here, we will follow the same sort of strategy regarding export promotion.

b. Role of Private Sector

Another aspect of the development picture which transcends the sectoral strategies is the role of the private sector. There are indications that the private sector is not playing as important role in the Honduran development effort as would be desirable. Its spokesmen assert that it has become increasingly difficult for the private sector to get credit resources from external sources because of the unsettled condition of the region (not of Honduras per se); that even partially concessional credit from assistance agencies is now denied it; that the provisions and administration of the agrarian reform law discourage investment in agriculture production and its auxiliary processing; and that the rapid growth in the GOH's activities has had the effect of denying credit resources and profit opportunities to the private sector. These same spokesmen assert that the private sector is prepared to cooperate with the GOH in both fostering production and being more attentive to improving social conditions; and, indeed, the main private sector organizations now are working with the GOH to prepare a program to improve rural housing thereby hoping to contribute to social peace and to provide additional remunerative employment in rural areas.

During the coming year the Mission proposes to analyze in some depth the constraints on the role of the private sector in development in Honduras and particularly to address such questions as:

- To what extent and where is there potential for greater participation by the private sector in development programs? Are there disincentives to such increased involvement?
- Are protectionist or import substitution policies limiting employment and economic growth?
- Is the commercial banking system playing as large a role in development as is feasible?
- Are S & L associations and Credit Unions at their full potential in providing agricultural, industrial and housing credit? Can more agro-industry be developed by the private sector to increase rural employment?
- Can the construction and credit institutions be provided incentives to produce low-cost and rural housing?
- Can incentives be developed for medium sized farmers and industries to invest in expanded production?

86

We intend to conduct this analysis through contracts with US organizations to work in collaboration with the main Honduran private sector groups and the GOH. We shall explore with OPIC its possible participation in this effort. If the GOH were to agree, the analyses would indicate an evaluation of the policies and the operation of selected semi-autonomous public agencies. The conclusions of the analyses could lead to modifications in our program strategy early in the CDSS period since no other assistance agency is addressing this aspect of development here.

c. Human Rights

The recent Department of State human rights report gave Honduras a generally favorable rating. Honduras does not have a history of political assassination or torture, and the press reports widely any charges of police mistreatment. There are no political prisoners or death squad murders. Freedom of press, speech, religion and assembly are respected. The late 1979 deportation of a controversial "Third World" American priest who had acquired Honduran nationality caused a bit of a stir, and the order is reportedly being challenged on legal grounds. Honduras has about a 100,000 member black Carib, or Garifuna, community which has long been isolated from the mainstream of Honduran society, and there remains on the books certain legal prohibitions on entry into Honduras by blacks, Chinese, and other specified racial or ethnic groups, but these laws are ignored in practice. The legal rights of women in marriage, family relations and divorce are inferior to those of men.

Finally, we should note that the poor find legal remedies nearly prohibitively expensive to pursue.

AID/W funded projects are currently setting the base for possible future Mission programs dealing with women's legal rights and legal services to the poor. In addition, AIFLD supported programs also will continue to provide legal services. The Mission and the National Council of Negro Women have been in touch with Garifuna groups regarding a possible OPG. Our objectives in such a project would be an improvement in the conditions of life in the remote bypassed communities, and the development of a bilingual-bicultural education system that would enable the Garifuna children to better deal with the Spanish world while preserving their singular black Carib culture.

d. Public Sector Management

All of our projects in this period will address to some degree the management and analytical constraints which we, as well as the other donors, have identified as limiting the effectiveness of the GOH's development efforts. Furthermore, in collaboration with the GOH, we shall continue the comprehensive, analytic methodology in A.I.D.'s sectors of focus. However, there also is a need to upgrade the GOH's ability to meet the large burdens imposed on it by the ambitious Plan it has undertaken (e.g. through better personnel policies, credit management and tax administration). Although other assistance agencies are helping to meet these needs there are a number of places where A.I.D. also could provide relatively small-scale technical assistance interventions in support of overall development administration, and we have proposed to AID/W that we be given authority to supply such interventions even if they are not directly linked to one of our projects. We hope to be permitted to develop a project of this nature in the near future.

FISCAL YEAR 1980 PROGRAM PLAN

The economic cooperation program for the USG's FY 1980 (October 79-September 80) for which USAID/Honduras is responsible should total approximately \$59 million on an obligation basis.* This figure is tentative in that A.I.D.'s budget legislation for FY 80 still has not received final approval of our Congress and in that a number of the specific projects in the program set forth below must be submitted to Washington for approval. Each of the new activities described below has been the subject of conversations with the prospective cooperating Honduran entities.

<u>I. Ongoing Programs</u>	<u>FY80 Obligations</u> U.S.\$
A. Nutrition Program	
Life of Project AID funding: \$4,500,000	250,000
Implementation Period : 1976-1980	

This Grant (along with a complementary FY76 Loan) is being implemented by SAPLAN. It includes activities in nutrition education; nutrition surveillance systems; income, expenditure, and food consumption surveys; and the evaluation of food donation programs. The building of rural water supply and environmental sanitation systems; pilot project activities in soybean production and consumption, the introduction of improved varieties of sorghum, freshwater fish pond management, and small community projects all are incorporated into this multi-sector activity. This project also supports the GOH's effort to increase its capability to analyze, plan, execute and evaluate nutrition programs. Approximately 91,700 rural families (550,000 persons) will benefit directly during the life of the project (FY76-FY80) and many more will benefit as SAPLAN's capacity to support nutrition interventions increases. This is the final contribution to this activity.

* We estimate that approximately \$26 million will be disbursed in the same time period pursuant to previously obligated projects and activities.

88

FY80 Obligations
U.S.\$

B. Agricultural Research 205,000
Life of Project AID funding: \$1,914,000
Implementation Period : 1978-1981

This project is assisting the MNR to expand its agriculture research service, and to be more responsive to the technological needs of the small traditional and agrarian reform farmers. It finances the establishment of a central unit of research technicians to assist the MNR organize multidisciplinary research teams in seven locations. Research results will be disseminated: (i) to small farmers through on-farm trials, (ii) to extension agents through in-service training, (iii) to the international research community through short term consultation and publications.

C. Agricultural Sector Program II 600,000
Life of project AID funding: \$25,000,000
Implementation Period : 1979-1983

This loan/grant combination Project supports the GOH's effort in improving its institutional structure and delivery systems to serve the needs of small farmers. Honduran agencies cooperating in this program include the MNR, BNF, CURLA, etc. The program consists of eleven sub-projects or activities which, over the next four years will strengthen three major systems within the sector: (i) Human Resources Development which includes participant training, in-service training, and the further development of the Agricultural University Center (CURLA); (ii) Institutional Development which includes development of agriculture planning, information, and marketing analysis system; and (iii) Delivery of Services and Related Inputs, which includes extension improvement, sub-regional cooperative service centers, credit administration, zonal infrastructure packages, and small farmer consumption improvement activities. A.I.D.'s first contributions, totalling \$17 million, were made in FY79. Additional A.I.D. inputs of \$5 million in loan and \$2.4 million in grant will be made in coming years.

FY80 Obligations
U.S.\$

D. Rural Technologies 2,000,000
Life of Project AID funding: \$5,000,000
Implementation Period : 1979-1981

In cooperation with the Ministries of Economy and Natural Resources, this Grant project provides funding for the GOH to strengthen its capabilities in the development and adaptation and large scale dissemination of light capital technologies for on-farm use. The project will stimulate the development of small scale rural enterprise and industries. An A.I.D.-financed Rural Enterprise Development Fund will be established to provide capital for expanding existing and developing new rural enterprises. The Rural Enterprise element of this Project will directly benefit 1,000 rural families. In addition, a number of existing small enterprises will be strengthened and/or diversified. Technologies designed to improve the well-being of rural families will be developed and disseminated through a network of national institutions and Private Voluntary Organizations. A major implementing agency for the project will be the Industrial Development Center (CDI).

E. Integrated Rural Health 400,
Life of Project AID funding: \$1,296,000
Implementation Period : 1976-1980

This project seeks to increase the Ministry of Health's institutional capability to train a large cadre of paramedical personnel to deliver basic health services in rural areas. Stipends are provided to train auxiliary nurses in 10 month courses, and to upgrade empirical midwives and community health workers in courses of six days duration. Three training centers have been built or rehabilitated to train auxiliary nurses. Training material, equipment for training and reference books have been provided. Paramedical personnel provide maternal and child health care (prenatal, birth care, postnatal infant care) immunization, first aid, treatment of colds and diarrhea, community development activities such as well and latrine building, nutrition education and make family planning referrals. By the end of the Project paramedical personnel will be providing improved services

FY80 Obligations
U.S.\$.

to the rural population who previously had ineffective access to medical services. This is the last A.I.D. contribution to this Project.

F. Rural Education 150,000
Life of Project AID funding: \$750,000
Implementation Period : 1978 -1980

This project is to improve the Ministry of Education's capacity to design, develop, test, and deliver curricula and instructional materials appropriate to the rural areas and to train rural primary teachers in their use. The Project components include assistance in the administrative, information/evaluation, curriculum and materials development and production, educational technology, and teacher training. This Project complements an ongoing A.I.D. Loan for construction of Central and Satellite Schools in the North Coast area affected by Hurricane Fifi. This is the final A.I.D. contribution to the project.

G. Agro-Industrial Export Development 100,000
Life of the Project AID funding: \$1,320,000
Implementation Period : 1976 -1980

In cooperation with the Ministry of Natural Resources, this Grant is financing two demonstration agribusiness sub-projects which represent the major agribusiness prototype: fresh fruit and vegetables, and processed vegetables. This project will assist in developing a capacity in the MNR to set in motion agribusiness export projects which will integrate small farmers into the development process. This is the final A.I.D. contribution to this Project.

FY80 Obligations
U.S.\$

H. PL 480 Title III
Life of Project A.I.D. Funding: \$4,000,000
Implementation Period : 1979-1980

2,000,000

The 1979 - 1980 Title I/III Agreement with a loan forgiveness provision, supports the basic grain price stabilization program of the Honduran Agricultural Marketing Institute (IHMA) by financing grain buying, technical assistance, training, new equipment and facilities repair. The 1980 financing is contingent upon satisfactory progress to date of the basic grain price stabilization program of IHMA.

II New Projects Proposed

A. Rural Trails and Access Roads
Total AID Financing \$11,200,000

8,250,000
(revised amount)

This proposed project will cooperate with the Ministry of Communications, Public Works and Transportation (SECOPT) to expand the network of all-weather rural trails and access roads serving rural Honduras in selected regions of the country. The project will finance construction or upgrading of approximately 650 km of access roads and linkage roads at an estimated cost of \$8,000 per km, and approximately 250 km of trails at an average cost of \$4,500 per km will be constructed in the western region of the country. Construction activities will be supervised by SECOPT. Construction or upgrading of the access roads will be carried out by private constructors, while a Unit of SECOPT and local self-help organizations will be responsible for work on rural trails. We expect to submit the Project Paper to Washington in February, 1980. Signature of the loan and grant agreements should follow in two to three months.

B. Water Resources and Afforestation

5,000,000

Several GOH Agencies would be involved in the implementation of this proposed project: the

92

FY80 Obligations
U.S.\$

National Cadaster Program, the Honduran Forest Development Corporation (COHDEFOR), the Water Resources Directorate of the Ministry of Natural Resources, the National Agriculture Research Program (PNIA), and the National Forestry Services School. In addition, two new institutions would be created: the National Environmental Commission, which will establish environmental norms and coordinate development of a national environmental policy, and the National Committee for Environmental Protection which would be in charge of national land use planning/zoning. Three interrelated activities will be financed: (a) small natural resources conservation and land use projects which eventually can be replicated on a broader scale; (b) expansion and improvement of GOH's capability to collect and analyze basic data essential to water/land use development planning; and (c) strengthened capacity of selected public sector institutions to undertake both comprehensive and detailed water/land use planning on a coordinated basis. The resource conservation projects probably would be implemented in four watersheds surrounding Tegucigalpa. The Project Paper should be ready for submission to Washington in April 1980. Signature of the project agreement would take place several months later. An additional \$5 million would be made available for this project in FY 1981.

C. Health Sector Program
Total AID Financing \$8,000,000

6,750,000

This combination loan/grant will assist the Ministry of Health by providing resources (materials, equipment), technical assistance and training in support of the implementation of plans to expand the delivery of health services which emphasize preventive programs. Key management methodologies developed and tested in the current Health Planning Project will be introduced as appropriate throughout the country. It is expected that the program will enable the Government of Honduras to employ its own and other donor resources more effectively, and thereby accelerate the pace at

FY80 Obligations
U.S.\$

which access of the rural poor to prenatal and postnatal care, vaccination programs, simple treatments, good water supplies and acceptable means of human waste disposal can be expanded. We hope to submit the Project Paper to AID/Washington in June 1980. Signature of the loan and grant agreements would be before the end of August 1980.

D. Rural Primary Education

500,000

Total AID Financing \$15,000,000

The Project would, in conjunction with the Ministry of Education, help to provide the educational infrastructure required to increase the rural primary school enrollment from the current 60% to 70% of eligible youngsters by 1984. The project would finance (i) construction of approximately 2,500 classrooms, (ii) construction or renovation of approximately 1,000 houses for teachers in remote rural areas, and (iii) increase training and transportation for regional teacher supervisors. The project is expected to have a relatively quick impact, with more than 90% of the funds providing direct and tangible benefits to rural children. The total project cost is \$24.5 million, of which \$15.0 million would come from the proposed A.I.D. loan/grant, \$6.5 million from GOH counterpart, and \$3.0 million from community in-kind and labor contributions. A.I.D. funds would be used for construction materials and equipment, labor, construction supervision, technical assistance, participant training, and commodities. The GOH counterpart will be used for construction and teacher salary costs, and the community contributions for local building materials and unskilled labor. The grant programmed for FY 80 is to finance start-up activities. We expect \$6 million to be made available in FY 1981 with the balance coming the following year.

FY 80 Obligations
U.S.\$

E. Urban Upgrading

500,000.
+ 10,000,000 HIG

The proposed program is intended to design, develop and implement projects which will integrate the delivery of social services, physical infrastructure and housing improvement to marginal urban communities in Tegucigalpa, San Pedro Sula and to a lesser degree, several secondary cities. The approach of the program is basically the same as that which underlies integrated rural development projects, i.e., that a combination of development interventions allow for a mutual reinforcement of the activities, and that the beneficiaries should be active participants in determining which interventions are undertaken. The key to the success of the program will be the interinstitutional relationship which is developed and the degree of community organization achieved. The main financing for the program will be \$10 million in funds from the U.S. capital market which will be loaned under a U.S. Government Housing Investment Guarantee (HIG). These funds will be used exclusively to finance home improvement loans and physical infrastructure. The grant funds will be used for technical assistance for needed studies and coordination efforts.

F. Municipal Development Bank II
(additional project)

5,000,000

A proposed \$5.0 million project with the Municipal Development Bank (BANMA) will enable it to carry out a technical assistance and lending program to municipios (county governments). The purpose of the proposed grant is to increase BANMA's financing of infrastructure improvements in secondary cities and towns, particularly in poorer municipalities which have previously been unable to obtain much financing, and to improve the ability of municipalities both to generate revenue and to manage their own projects. The purpose of assisting the municipios is to improve the quality of municipal infrastructure, (e.g., roads, markets, slaughterhouses) and services (e.g., road maintenance, water, electricity) in rural areas. To increase BANMA's coverage of poorer municipalities the project will emphasize reducing the cost of subproject construction, and will allow for partial grant financing to poorer municipalities for subprojects that are not fully self-financing.

FY80 Obligations
U.S.\$

G. Rural Water and Sanitation Systems
(additional project) 10,500,000

This proposed project is to provide access to and promote the use of safe water supplies and human waste disposal systems for approximately 356,000 people. The majority of benefits will be provided to communities of fewer than 2,000 inhabitants. The proposed project will finance: (1) 300 rural aqueduct systems benefiting approximately 190,000 rural inhabitants living in population concentrations of at least 200; (2) 4,200 wells benefiting approximately 185,000 rural inhabitants living in small dispersed communities; (3) human waste disposal systems, primarily latrines, benefiting approximately 180,000 people; (4) improved maintenance operations; (5) technical assistance and training for middle-level managers and field technicians; (6) promotion and community education campaigns; and (7) analysis of the financing and management of rural water and sanitation systems. The proposed project will be implemented by the Basic Sanitation Program of the MOH (PROSABA), the National Autonomous Water and Sewer Service (SANAA), and the Municipal Development Bank (BANMA).

H. PL 480 Title II Section 206 Nutrition
System Improvement Project 3,500,000

This project would provide approximately \$3.5 million in food commodities (for example, rice, oil, milk) which would be donated to the Government and sold to the general public through BANASUPRO. The proceeds of sales would be used to finance personnel, equipment and infrastructure needed to improve the management, administration and effectiveness of supplemental feeding programs, to strengthen SAPLAN's capacity to plan, monitor, and evaluate nutrition programs and nutrition status, and to increase Honduran capacity to produce blended foods from local sources for supplemental feeding programs. Use of the funds would be governed by a bilateral agreement between the GOH and USG and would be managed by SAPLAN, based on inter-institutional agreements. A special account in the Central Bank would be established to receive the Lempiras generated by BANASUPRO's sales and to make disbursements for mutually approved project activities.

III. Private Voluntary Agencies

In addition to the above described programs with Honduran Government agencies, the A.I.D. Mission expects to make a number of small grants directly to private philanthropic groups and community organizations. These programs are expected to total \$275,000 in cash grants plus \$2,900,000 in food donations.

FY80 Obligations
U.S.\$

A. Vocational Training - San José Obrero 125,000
Life of Project AID funding: \$325,000
Implementation Period : 1979-1982

This ongoing Operational Program Grant (OPG) is providing vocational training skills for the construction industry to the urban poor of Choluteca. A prevocational institute will be graduating 30 students per year through a housing construction enterprise under the direction of Asociación San José Obrero. Students from the school are working at prefabrication of components for houses in shop classes and they are working in house construction at the building site. In this manner the student work crews receive on-the-job training from skilled craftsman. With skills and employment experience, the students are obtaining a marketable trade.

B. Building Material Production (FEHCOVIL) 100,000

This proposed OPG will assist FEHCOVIL, the Federation of Housing Cooperatives, to produce some of the building materials used in the construction and improvement of its cooperative housing projects. The activity is intended to generate some employment for cooperative members, as well as reduce the cost of their housing. The required approval for this new, one-year project should be obtained by May 1980.

C. PL 480 Title II 2,900,000
This is a continuing project

PL 480 Title II programs are geared to provide supplementary food to already identified groups of malnourished people both in rural and marginal urban areas. Food is made available to needy people through feeding programs such as Maternal Child Health, School Feeding, Other Child Feeding and Food for Work carried out by both CARE and CRS. These voluntary organizations have operating agreements with the Ministries of Education and Health.

FY80 Obligations
U.S.\$

D. Special Development Activities 50,000
This is a continuing project

This ongoing activity has helped Honduran communities with small scale projects which they initiate themselves. Emphasis and priority are placed on low cost projects maximizing the inputs of community self help. The project supports primarily, rural schools, community centers, access roads, and village water systems. A.I.D.'s contribution is made directly to the community and is usually for the purchase of construction materials, while the community supplies the skilled and unskilled labor in addition to local materials necessary to complete construction. Funds are approved on a priority basis for projects which provide direct assistance to, and immediate beneficial impact for low income groups.

IV. Project Development and Support 825,000

The USAID will, under its own direct administration, contract for project design and evaluation studies, for scholarships to special courses not part of a formal project, and for a limited amount of project related commodities. This amount is in addition to the salaries and operating costs of the USAID Mission which are not included in the total of the economic cooperation funds provided to Honduras.

April, 1980

ATTACHMENT

ACTIVITIES FINANCED BY A.I.D. CURRENTLY UNDER IMPLEMENTATION
(with no financing during fiscal year 1980)

- Agricultural Sector Program I
- Small Farmer Technologies
- Rural Trails
- Reconstruction and Recovery of Rural Zones - Agricultural Credit and Reconstruction of Access Roads
- Reconstruction and Recovery of Rural Zones - Rural Primary Schools
- Non-Formal Rural Education
- Rural Electrification of the Aguan Valley
- National Cadaster Program
- Municipal Development Program
- Operational Program Grants:
 - (1) Pespire Valley Integrated Development - (Save the Children Federation)
 - (2) Eye Care Training - (International Eye Foundation)
 - (3) Rural Leadership Training Center - (Hermandad)

Honduran National Development Plan (1979-83)

The National Development Plan for 1979-1983 is basically a continuation of the previous five year plan. The Plan's general objectives indicate that the GOH's priorities continue to be to increase the well-being of the Honduran people, and, more specifically, to implement the three programs which were the focus of the previous Plan: the El Cajon Hydroelectric project, the Olancho Pulp and Paper Mill project, and agrarian reform.

The Plan appears to be of generally acceptable quality for the long-range purpose of setting priorities in a realistic framework. The economic statistics and projections are, on the whole, reasonable given past economic performance. However, some basic assumptions; such as the inflation rate and the price of petroleum are already out of date. Social development goals are probably somewhat optimistic in view of past performance but not so much as to call the entire Plan into question. The Plan does not discuss or propose a population policy or a policy on Central American Regional Development. It is primarily a plan for government action, and does not make more than occasional reference to the private sector, except in the industrial sector document. There the Plan recognizes fully the need for stimulating private sector investment, and identifies the need for government policies to encourage the private sector. However, policy changes themselves are not described. In sum, the 1979-1983 Plan appears to be logical in its methodology and realistic in its economic projections but somewhat less so in terms of social development.

To increase the well-being of the Honduran populace, the Plan puts forth a series of general objectives:

- a) Increase national production on a growing and sustained basis. The Plan calls for a 6.5% annual growth rate in real Gross Domestic Product. Key to such a growth rate is the agricultural-forestry sector and the two principal programs in that sector, the Agrarian Reform Program and the Olancho Forestry Project. The industrial sector also plays a major part in plans for overall growth, particularly with respect to its involvement in and use of the El Cajon Project and the production (sawmill, pulp and paper mill) aspects of the Olancho Project.
- b) Intensify actions to satisfy the minimum living requirements of the people. Major efforts are to be made in the areas of health, nutrition, education, agrarian reform, housing and social services to expand coverage of services so that overall performance against such quality of life indicators as infant mortality, morbidity, illiteracy and income improve.
- c) Increase productive employment opportunities by means of increased public and private sector investment and the consequent expansion of the productive apparatus in the agricultural and industrial sectors with concurrent increased demand for labor. The Plan calls for greater attention to be paid to the training and recruiting of

members of the unemployed or underemployed groups, particularly women(1/).

- d) Rationalize the exploitation of natural resources in such a way as to assure their conservation while obtaining maximum benefits from them.
- e) Increase and diversify exports.
- f) Improve the ability of public sector to promote and implement the development processes initiated by it.
- g) Decentralize socio-economic development programs currently managed by the Government in order to achieve impact throughout the country on a more uniform and effective basis.

The following are economic goals or projections as set forth in the new Plan (all monetary figures are in real terms unless otherwise noted):

- a) As noted earlier, the Gross Domestic Product growth is set at 6.5%. In view of performance in recent years (real GDP rose 7.3% in 1977, 7.9% in 1978 and 7.0% (preliminary) in 1979), the planned increase does not appear unreasonable, and may be a bit conservative if export prices remain at their present high levels.
- b) The inflation rate is projected to be 7% annually.
- c) Fixed capital formation is planned to increase by 9% annually.
- d) Exports are expected to increase by 10.3% on an annual basis.
- e) Imports are projected to increase at an annual rate of 7.8%.
- f) The number of jobs available in the country is expected to increase by 216,000 new positions over the next five years.
- g) Real per capita income is expected to increase at an annual rate of 2.0% in the course of the planning period.
- h) Consumption in the private sector should go up 5.2% a year.
- i) Consumption on the part of the public sector is expected to increase 7.5% annually.
- j) Public sector costs should increase at an annual rate of 13.8% (based on current prices).
- k) Public sector income is expected to increase at an annual rate of 12.3% (based on current prices).

(1/) The Plan does not devote a specific section to Women but gives consideration to a more equal role for women at appropriate places.

- 1) The domestic savings rate is expected to increase at an annual rate of 17.3%.

There is some variance between the economic goals and projections made in the Plan and those that are found in the later IMF-EFF program. Some of the differences reflect later information. Some variation is due to the differing bases of real and nominal dollar figures, and others are due to the nature of the underlying economic development model used by the planners (the Plan used adaptations of a UN model and an IBRD model while the IMF used the Robichek model). Development plans wouldn't be any good if they weren't ambitious, and while we see the IMF projections as perhaps more relevant for predicting the short run, the Plan as a statement of medium run objectives has a coherence and internal consistency that we judge to be appropriate.

With respect to specific sector goals, the 1979-1983 Plan asserts the following:

In the area of Health, the Government proposes to expand health service coverage throughout the country with particular attention to rural areas. Priority attention is to be given to mothers and children especially in the areas of nutrition, environmental sanitation, communicable diseases and dentistry. To do this, the Plan calls for efforts to rationalize the use of available resources and new resources where warranted and to strengthen institutional and sectoral operating abilities. Measures to be taken in support of those efforts include development of new sector programs, the development of new administrative and budgeting techniques, and the provision of increased training in terms of both quantity and quality.

In terms of infrastructure efforts, the GOH would support the construction of 15,000 wells, 375 aqueducts and 52,000 latrines over the next five years. This would mean coverage of water supply and sanitation facilities for 75% and 38% of the population, respectively, in the rural areas, and coverage for 76% and 54% of the population, respectively, in urban areas. At the same time, the number of hospital beds and patient visits is expected to increase from 1.09 to 1.30 and 31.6 to 52.9, respectively, per 1,000 patients, over the period 1977 to 1983.

With respect to Education, the Government's policy is to improve and expand education services provided by the sector and improve the overall administration of those services so as to assure their uniform quality throughout the country. Efforts made in pursuit of that policy will be directed in the main toward primary education, especially in rural areas; toward middle-level technical education in agricultural, industrial and forestry subjects; and toward the basic education of illiterate adults.

In more concrete terms, the Plan calls for an increase in overall primary school coverage from 52% in 1979 to 95% in 1983. (Unfortunately 95% primary school coverage rate is in our judgment probably impossible to achieve in this short time frame.) Enrollment in technical (mid-level) schools in the agricultural and industrial sectors is expected to increase by 50% and 39%, respectively. Coverage in mid-level schools overall should increase from 28% in 1979 to 37% in 1983. University enrollment should reach 46,000 students in 1983.

The National Institute for Professional Development (INFOP) expects to provide professional or in-service training to 170,000 workers during the next five years, while PROCCARA, the Training Unit for the Agrarian Reform Program has projected training courses for 350,000 campesinos during the present Plan.

In the Agricultural Sector, the plan's objectives include increasing per capita income; improving the distribution of that income; increasing and sustaining increased production levels; and decreasing unemployment in the sector. The Government plans to use a variety of policies and related measures to achieve those objectives, among them being continued support of the Agrarian Reform Program; the reorganization of INA and the BNF; the regionalization of planning offices of INA, the BNF and the MNR; the provision of adequate amounts of credit, seed and machinery through the BNF, the MNR and small private businesses; implementation of market and price stabilization programs by IHMA; and the training of key personnel working in all of the aforementioned institutions. Two goals are quantified. First, overall production goal for the Plan is calculated at \$392 million for 1983 as compared to \$236 million in 1975-77, which signifies a 4.5% annual production growth rate over the life of the Plan. Second, the Agrarian Reform Program plans to recruit 10,000 families a year for participation in the settlement of expropriated lands or those which will pass into Government hands in the next few years. (Based on the GOH's previous performance of settling 5,000 families per year this settlement rate probably is overly ambitious unless major changes are to be made in the conduct of the program.)

Public fixed investment will increase substantially. The Plan, projects public sector capital expenditures will rise approximately 13% annually between 1978 and 1983, from \$225 million to \$412 million. There are to be large investments in infrastructure, particularly for power and transport; in export diversification with special emphasis on forestry development; in agricultural development to implement the agrarian reform program and increase rural productivity; and in social services, particularly health and education. Power investments will be the largest, and include the \$500 million plus El Cajon hydroelectric project, a smaller dam at Nispero, and the electrification of the Aguan valley. Transport investments will include access roads for sawmills in the Olancho region, rural roads, an expansion of the trunk highway system, and a new port for exports of wood products. Forestry investments include six large sawmills in the Olancho region and agricultural investments focused on rural development projects for three major valleys: Aguan, Guayape, and Comayagua. Investments in health will be concentrated on water supply and medical facilities for the capital city and provincial towns. The implementation of the investment plan and anticipated complementary private investments would be supplemented with credit facilities for agriculture and industry from official financial institutions.

Over 60% of the planned investment is to occur in basic infrastructure for which absorptive capacity is highest. This high proportion of investment in basic infrastructure, (relative to investment in the productive and social sectors) while no doubt necessary to bring the market within reach of relatively isolated Hondurans, may adversely affect the economic growth rate because productivity increases will be lower in the short-run due to a higher capital/output ratio in the basic

infrastructure sector(1/). In any event, accomplishment of the Government of Honduras' goal of directly improving the lives of the rural poor by increasing their productivity, income and access to social services will take longer to achieve unless significant investments are made in these areas. However, that will require overcoming the limited public sector absorptive capacity for managing social investment projects such as rural trails, development of intermediate technologies and small business, formation of farm cooperative groups and in some instances, rural electrification. GOH officials have recognized these constraints and are committed to improving the performance of these sectors. It is our judgment that increased planning, analysis and management capacity is and will continue to be critical to the achievement of the planned higher levels of public sector investment.

Overall public investment budget is to increase by 22% each year. External financing is to average 65% of the projected public sector investment budget over the Plan's five years. Given the financing requirements implicit in the programs outlined above and the projections of increasingly heavy debt service burden, the consolidated public sector budget deficit is projected to increase at a rate of about 8% per year, reaching a level of \$262 million in 1983. Obviously, considerable external and internal financing will be required; not only from the international donor community but from the IMF, the Central American Monetary Stabilization Fund, the Venezuelan Oil Fund and supplier's credits as well. This means that the Government of Honduras will need to impose new taxes and further improve its tax administration to increase its revenue collection in order not only to support its share of the investment program but also to provide increased services to a rapidly growing population and to meet increasing debt servicing costs. In December 1979, a tax reform decree was enacted, which increased tax rates on beer, alcohol, cigarettes, and non-alcoholic beverages, and imposed ad-valorem export taxes on sugar and meat. As a result of this reform, the GOH expects to collect additional tax revenues of \$40 million in 1980. However, because of the inelasticity of the tax structure, new measures adding \$25 to \$35 million in additional revenues will be required to meet the unfinanced public sector resources gap.

Given the number of the exogenous (and uncontrollable) factors operating on the Plan, it is extremely difficult to assume full achievement of all economic and social development goals set forth in the

(1/) Since the Plan was prepared, a project to construct a new airport for Tegucigalpa at an estimated cost of \$100 million has been proposed. Analyses have been presented by the Japanese and Spanish governments to the Ministry of Transportation; however, the proposal has not yet been presented for cabinet consideration. A new airport would have little impact on exports, but would require substantial amounts of foreign and domestic resources. The World Bank and the I.M.F. have repeatedly cautioned the GOH not to overinvest in public sector infrastructure (see for example the last World Bank Economic Memorandum dated Jan 78). The USAID's concern is not only that of the IBRD/IMF but also that donor and counterpart funding for a new airport would almost certainly have to be at the expense of programs benefitting the target group.

current Plan by 1983. Still by then some of the principal goals of the Plan should have been achieved. The Olancho and Aguan Valley should be some of the most productive areas of the country, turning out agricultural and forestry products as a result of both agrarian reform efforts and the Olancho Forestry Project. The land reform program itself will have provided more land and other resources to farmers in the Aguan and elsewhere in Honduras, contributing to a more equitable distribution of income amongst the rural poor. On the other hand, the El Cajon project will still be in progress with construction scheduled for completion sometime in 1985 or 1986, and subjects not fully treated in the current plan such as population policy and private sector involvement probably will have become critical issues for the following Plan.

Absorptive Capacity

The past success of Honduras in absorbing external financing and converting it to a high rate of real economic growth suggests that a continuation of substantial resource flows is warranted. We concur in the GOH/IMF program target level of 12.5% of GDP as an appropriate, sustainable level for the current account balance of payments deficit. This implies external financing, ranging from \$294 million in 1980 to some \$440 million in 1986. Roughly half of these amounts should come from official capital resources with the remainder coming from private sources.

Given relatively low land, industrial plant and labor utilization rates, there should be little overall problem in expanding aggregate output at the current rate. Of course relative prices of certain goods and factors will shift as a result of growing and changing demand (and of petroleum price rises as well), and should there be a political reaction to these changes, in the form of regulating prices or subsidizing them, growth and absorptive capacity could be restricted.

The GOH's ability to supply counterpart required for development projects has not been a major problem to date. The strong growth of the economy and some further tax measures should continue to generate growing revenue collections, and the GOH's willingness to borrow for development should mean that the total budget constraint on absorption will not be binding over the long run. Still the budget will be tight, and project budgets will have to be careful in their time-phasing of counterpart requirements. However, none of the proposed A.I.D. activities will require more than a few percentage points of the respective agency's budget for their financing.

We have identified the GOH's institutional capacity as a factor needing strengthening, particularly in the sectors of A.I.D.'s principal concern. Other donors recognize this too. Accordingly, all projects need to include a thorough institutional analysis, and must be designed either to establish the required capacity through training and technical assistance, or to work around the problem using A and E or other consultants. The Mission has taken and will undertake long-run programs to address this problem in its approach to the Agriculture, Health, Education and Urban/Regional sectors.

The GOH has geared its investment budget process to collaboration with donors so that two-thirds of its investment program can be

externally financed. Still Honduras' debt service capacity is not likely to become a constraint. The debt service ratio has risen quite a bit in the last several years, it is still less than 10% of current exports. The GOH has been careful to keep the interest and maturity structure of its debt very favorable, and should be able to borrow on such terms as it should remain in the IDA-eligible class for the foreseeable future. Debt service could become a concern if the GOH were forced to borrow commercially to compensate for a deteriorating balance of payments situation.

108

ECONOMIC AND SOCIAL DATA

COUNTRY: HONDURAS

BASIC DATA

TOTAL POPULATION.. (THOUSANDS, MID 1979) 3,523
 PER CAPITA GNP..... (DOLLARS, 1977) 410
 AVERAGE ANNUAL PER CAPITA REAL GNP GROWTH RATE.. (1960-77) 1.5%
 AVERAGE ANNUAL RATE OF INFLATION (1960-70) 3.0% (1970-77) 6.5%
 NATIONAL INCOME RECEIVED BY LOW 20% OF POPULATION.. (1970) 2.5%

LIFE EXPECTANCY AT BIRTH, IN YEARS
 (1978) TOTAL 55.4 MALE 53.7 FEMALE 57.2
 (1968) TOTAL 49.4 MALE 48.0 FEMALE 50.9
 ADULT LITERACY RATE (1974) TOTAL 60% MALE 61% FEMALE 58%
 (1961) TOTAL 45% MALE 49% FEMALE 42%

AGRICULTURE

AVERAGE ANNUAL PER CAPITA AGRICULTURAL PRODUCTION GROWTH RATE (1970-1978) -1.7%

AGRICULTURAL PRODUCTION AS % OF GDP..... (1977) 32%

POPULATION DENSITY / SQ MI OF AGRICULTURAL LAND (1979)

LAND OWNED: (1974) BY TOP 10% 70.0% BY LOWEST 10% .4%

MAJOR CROP(S)
 SUBSISTENCE: CORN
 CASH: COFFEE BANANAS

MAJOR AGRICULTURAL EXPORTS:(1978) COFFEE BANANAS

MAJOR AGRICULTURAL IMPORTS:(1978) WHEAT

PROPORTION OF LABOR FORCE IN AGRICULTURE..... (1977) 63%

CENTRAL GOVERNMENT FINANCES

TOTAL DOMESTIC REVENUES (\$ MILLIONS, U.S.) (1975) 151 (76) 184 (77) 241

TOTAL EXPENDITURES (\$ MILLIONS, U.S.) (1975) 214 (76) 247 (77) 322

DEFICIT(-) OR SURPLUS (\$ MILLIONS, U.S.) (1975) -63 (76) -63 (77) -81

DEFENSE EXPENDITURES, AS % OF TOTAL EXPENDITURES.. (1975) 8.2% (76) 8.7% (77) 7.6%
 AS % OF GNP..... (1975) 1.7% (76) 1.8% (77) 1.7%

OFFICIAL INTERNATIONAL RESERVES, GROSS HOLDINGS END OF PERIOD, (\$MILLIONS, U.S.) (1975) 97 (76) 131 (77) 180
 EQUIVALENT TO 4.0 MONTHS OF IMPORTS (1977)

FOREIGN TRADE

MAJOR EXPORTS... (1978) COFFEE BANANAS WOOD
 EXPORTS TO U.S. (\$ MILLIONS, US, FOB) (1976) 224 (1977) 246 (1978) 332
 AS % OF TOTAL EXPORTS (1976) 56% (1977) 48% (1978) 55%

MAJOR IMPORTS... (1978) MANUFACTURES MACHINERY CHEMICALS
 IMPORTS FROM U.S. (\$ MILLIONS, US, CIF) (1976) 198 (1977) 248 (1978) 300
 AS % OF TOTAL IMPORTS (1976) 43% (1977) 43% (1978) 43%

TRADE BALANCE(\$ MILLIONS, US)(1976) -59 (77) -68 (78) -90

MAIN TRADING PARTNERS: UNITED STATES GERMANY, FED JAPAN

EXTERNAL PUBLIC DEBT AS % OF GNP (1977) 30.7%

SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT, (\$ MILLIONS, U.S.)..... (1977) 41
 AS % OF EXPORT EARNINGS (DEBT SERVICE RATIO)..... (1977) 6.9%

SOCIAL DATA

POPULATION GROWTH RATE..... (1968-78) 3.1%

POPULATION IN URBAN AREAS..... (1969) 32% (1976) 34%

TOTAL BIRTHS PER 1,000 POPULATION..... (1977) 47

MARRIED WOMEN AGED 15-44 YRS. USING CONTRACEPTION... (1977) 9%

POPULATION (1978) IN AGE GROUP:
 (0-14YRS) 48.0% (15-60YRS) 47.7% (60+ YRS) 4.3%

INFANT DEATHS DURING FIRST YEAR OF LIFE / 1000 INFANTS (1974) 103

PEOPLE PER PHYSICIAN..... (1978) 3,093

MAJOR CAUSES OF DISEASE (1978) FLU & PNEUMONIA MALARIA STREPTOCOCCAL DEATH.. (1978) ENTERIC DISEASE

PER CAPITA CALORIE SUPPLY AS A % OF REQUIREMENTS.... (1974) 90%

POPULATION WITH REASONABLE ACCESS TO SAFE WATER SUPPLY(1975) 46%

TOTAL SCHOOL ENROLLMENT AS % OF POPULATION IN AGE GROUP:
 PRIMARY... (AGES 5-14)(1978) TOTAL 54.3% MALE 54.2% FEMALE 54.3%
 SECONDARY..... (15-19)(1978) TOTAL 31.1% MALE 30.3% FEMALE 31.8%
 POST SECONDARY (20-24)(1978) TOTAL 6.9% MALE 8.5% FEMALE 5.4%

ENERGY PRODUCTION AS % OF CONSUMPTION..... (1976) 8%

U.S. OVERSEAS LOANS AND GRANTS - OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S. Fiscal Years - Millions of Dollars)

ECONOMIC PROGRAMS OF OTHER DONORS

COUNTRY HONDURAS

PROGRAM	FOREIGN ASSISTANCE ACT PERIOD					TOTAL LOANS AND GRANTS 1946-78	REPAYMENTS AND INTEREST 1940-78	TOTAL LESS REPAYMENTS AND INTEREST 1946-78
	1975	1976	TQ	1977	1978			
I. ECONOMIC ASSISTANCE - TOTAL	35.6	27.0	2.4	12.2	17.1	246.1	27.8	218.3
Loans	24.3	15.1	-	6.0	10.0	137.1	27.8	109.3
Grants	11.3	6.9	2.4	6.2	7.1	109.0	-	109.0
a. A.I.D. and Producers Agency	25.4	14.8	1.9	7.8	13.0	183.5	20.9	162.6
Loans	19.0	13.0	-	6.0	10.0	122.3	20.9	101.4
Grants	6.4	1.8	1.9	1.8	3.0	61.2	-	61.2
(Security Supporting Assistance)	-	-	-	-	-	1.6	-	-
b. Food for Peace (PL 482)	9.0	5.9	0.3	2.8	2.4	32.7	1.0	31.7
Loans	5.3	2.1	-	-	-	7.0	1.0	6.0
Grants	3.7	3.8	0.3	2.8	2.4	25.7	-	25.7
Title I - Total Sales Agreements	5.3	2.1	-	-	-	7.0	1.0	6.0
Payable in U.S. Dollars - Loans	5.3	2.1	-	-	-	7.0	1.0	6.0
Payable in Foreign Currency - Planned for Country Use	-	-	-	-	-	-	-	-
Title II - Total Grants	3.7	3.8	0.3	2.8	2.4	25.7	-	25.7
Emerg. Rel. Econ. Develop. & World Food Program	0.8	1.5	-	0.7	0.4	4.9	-	4.9
Voluntary Relief Agency	2.9	2.3	0.3	2.1	2.0	20.8	-	20.8
c. Other Economic Assistance	1.2	1.3	0.2	1.6	1.7	29.9	5.9	24.0
Loans	-	-	-	-	-	7.8	5.9	1.9
Grants	1.2	1.3	0.2	1.6	1.7	22.1	-	22.1
Peace Corps	1.0	1.0	0.2	1.5	1.7	14.8	-	14.8
Other	0.2	-	-	-	-	7.3	-	7.3
II. MILITARY ASSISTANCE - TOTAL	4.2	3.5	0.1	3.1	3.2	26.4	2.7	23.7
Credits or Loans	3.0	2.5	-	2.5	2.5	10.5	2.7	7.8
Grants	1.2	1.0	0.1	0.6	0.7	15.9	-	15.9
a. MAP Grants	0.4	0.2	0.1	-	-	5.6	-	5.6
b. Credit Financing - FMS	3.0	2.5	-	2.5	2.5	10.5	2.7	7.8
c. Military Assistance Service Funded (MASF) Grants	0.8	0.8	-	0.6	0.7	8.2	-	8.2
d. Transfers from Excess Stocks	-	-	-	-	-	2.0	-	2.0
e. Other Grants	-	-	-	-	-	0.1	-	0.1
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	39.8	25.5	2.5	15.3	20.3	272.5	30.5	242.0
Loans	27.3	17.6	-	8.5	12.5	147.6	30.5	117.1
Grants	12.5	7.9	2.5	6.8	7.8	124.9	-	124.9
Other U.S. Government Loans and Grants	1.3	3.9	0.1	0.6	0.5	19.5	12.2	7.3
a. Export-Import Bank Loans	1.3	3.9	0.1	-	0.5	18.9	12.2	6.7
b. All Other Loans	-	-	-	0.6	-	0.6	-	0.6

* LESS THAN \$50,000.

TQ - TRANSITIONAL QUARTER

A. ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

(Thousands of dollars)

TOTAL	FY 1977	FY 1978	FY 1979	FY 1975-79
IBRD	47,000	10,500	65,000	352,660
IFC	-	10,000	-	27,378
IDA	103,000	6,000	106,300	367,662
UNDP	-	1,852	4,238	18,697
OTHER UN	-	250	1,500	2,650
IDA	5,000	5,000	-	57,430

* Less than \$50,000

B. BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE

(Millions of dollars)

Donor	1. D.A.C. COUNTRIES (Excluding U.S.) (Gross Disbursements)		
	CY 1977	CY 1978	CY 1973-78
TOTAL	7.80	17.39	43.57
Germany	3.00	3.44	14.84
Canada	1.00	7.45	13.45
Japan	2.30	4.94	8.34
UK	1.00	0.50	3.50
Netherlands	0.20	0.39	2.39
Other	0.30	0.57	1.37

2. O.P.E.C. COUNTRIES (Net Disbursements)

TOTAL	CY 1977	CY 1978	CY 1973-78

C. LOANS AND GRANTS EXTENDED BY COMMUNIST COUNTRIES

(Millions of dollars)

TOTAL	CY 1977	CY 1978	CY 1975-78

Best Available Document

HONDURAS

PROGRAM SUMMARY							
(In thousands of dollars)							
Fiscal Year	Total ^{A/}	Agriculture, Rural Development and Nutrition	Population Planning	Health	Education and Human Resources Development	Selected Development Activities	Other Programs
1979							
Loans	16,000	16,000	-	-	-	-	-
Grants ...	4,697	2,847	265	655	300	630	-
Total ..	20,697	18,847	265	655	300	630	-
1980							
Loans	34,000	13,000	-	16,000	-	-	5,000 ^{B/}
Grants ...	6,045	3,305	290	1,450	650	350	-
Total ..	40,045	16,305	290	17,450	650	350	5,000
1981							
Loans	15,000	10,000	-	-	5,000	-	-
Grants ...	7,259	6,109	100	-	1,000	50	-
Total ..	22,259	16,109	100	-	6,000	50	-

U.S. Interests

The United States has had long-standing ties with Honduras arising from trade relationships, geographic proximity, and humanitarian and development concerns for the poorest country in Central America. Given the current unsettled political and social situation prevalent in most of Central America, preserving Honduras' relative stability is of heightened importance to the United States. Honduras' progress toward more democratic government and its adoption of a growth-with-equity strategy for development offers the United States an opportunity for effective collaboration.

Development Overview

Honduras is confronted by major problems: a narrow human resource and institutional base; a geographical location which subjects it to repeated natural disasters and difficult communications; low per capita income; rapidly growing population; inadequate social services; and deterior-

ation of its key natural resources -- land, water and forests. Honduras' advantages are its current political and social stability, its agricultural frontier with underutilized land and its openness to cooperation with external investors and donor agencies.

Socio-Economic Performance

Honduras is making substantial progress despite its serious development problems. During the past two years, real economic growth rates have reached almost 8% per year with food production increasing by 7.5% per year. Progress has been made in providing additional rural schools (400 new classrooms) and additional access roads and trails (1325 kilometers).

The percentage of the population with access to water and sanitary facilities has increased by 10%. Honduras has low but improving levels of rural primary school enrollment, life expectancy (55 years in 1978, according to the Ministry of Health), and rural adult literacy (46%).

Its performance has been weakest in reducing infant mortality (103 per 1000) and in controlling the rate of the population's natural growth which continues at 3.5% per year. These patterns have increased the number of dependents for each worker and adversely affected the nutritional status of rural children (23% with second and third degree malnutrition).

The Government of Honduras' (GOH) noteworthy commitment to equitable growth is reflected in its 1979-83 development Plan. In 1979, actual expenditures of the central government increased by 14.1% in agriculture, 72.5% in education and 22.8% in health over their 1978 levels. The GOH has begun to rationalize and increase its support for agricultural production (through the use of appropriate technologies) and agrarian reform. It has prepared major projects for electrical generation facilities and for the development of forestry and underutilized land.

HONDURAS
Total Resources

The World Bank and the Inter-American Development Bank provided \$75 million and \$88.3 million respectively to Honduras in FY 1979, and each bank is expected to provide loans totalling about \$50 million annually in the years ahead. Other international and bilateral donors can be expected to contribute about \$20 million per year. The Peace Corps will provide over \$1 million in FY 1981.

A.I.D. Strategy

A.I.D. will place primary emphasis on working with the GOH to develop and implement sectoral programs in agriculture, health, and education. In FY 1980, a health sector program will integrate the various health and nutrition related activities in which A.I.D. has been active in recent years. Emphasis will also be placed on accelerating the construction of rural water systems and sanitary facilities. P.L. 480 support will be provided for the importation and distribution of wheat to particularly vulnerable groups. Also in FY 1980, A.I.D. will fund the construction of 400 kilometers of rural trails and access roads, support the implementation of the Government's land-use planning policies, and finance the first tranche of a major effort to improve the use of Honduran water and forestry resources. Using FY 1980 Economic Support Funds which have been requested under a supplementary appropriation, A.I.D. will support municipal improvements in secondary towns and villages. A Housing Investment Guarantee program will include a pilot effort to test urban upgrading techniques in major cities. In FY 1981, funds are proposed for the second tranche of an agriculture sector program begun in FY 1979 and of the water resource/afforestation project getting under way in FY 1980. These projects will be complemented through grain marketing improvements under the PL 480 Title III program and through continuing support for the development and dissemination of appropriate technologies for small farmers. In a major new initiative, a rural education sub-sector program is expected to expand upon A.I.D.'s earlier assistance in the construction of rural primary schools.

FY 81 PROGRAM HIGHLIGHTS	
-	Accelerated implementation of programs in agriculture production, agriculture research, rural technologies, and access roads and trails.
-	Increased emphasis on the rural water supply and sanitation components of the health sector program.
-	Implementation of programs to conserve and better utilize natural resources with emphasis on water and forest resources.
-	Initiation of a major program in support of improved rural education.

A/ Funds for Project Development and Support as well as Operational Program Grants are not included in this table. They are reflected in the Latin America and Caribbean Regional Program.

B/ Supplemental Economic Support Fund request.

PERSONNEL/PARTICIPANTS DATA CP 81-17 (2/79)			
Category	FY 1979 (Actual)	FY 1980 (Estimated)	FY 1981 (Proposed)
AID Personnel ^a	28	36	36
Direct Hire ^b	1	2	3
PASA ^c	6	8	8
Contract			
Total	35	44	47
Participants ^d	329	296	179
Noncontract	35	45	-
Contract			
Total	364	341	179

^aU.S. nationals on duty at the end of the fiscal year.
^bFY 1980 and FY 1981 position levels.
^cParticipating agency technicians.
^dProgrammed during the fiscal year.

HONDURAS

RESOURCE FLOWS			
<i>(In thousands of dollars)</i>			
Program	FY 1979 (Actual)	FY 1980 (Estimated)	FY 1981 (Proposed)
AID*			
Loans	11,691	19,417	23,543
Grants	882	6,775	6,043
Total AID	12,573	26,192	29,586
P.L. 480**			
Title I	2,000	2,000	2,200
(of which Title III is)	(2,000)	(2,000)	(2,200)
Title II	2,625	3,457	4,793
Total P.L. 480	4,625	5,457	6,993
Total AID and P.L. 480	17,198	31,649	36,579

*AID levels represent actual and estimated expenditures.
**P.L. 480 levels represent actual and estimated value of shipments.

P.L. 480 PROGRAMS SUMMARY						
<i>(In COMAT/5000)</i>						
Program	FY 1979 (Actual)		FY 1980 (Estimated)		FY 1981 (Proposed)	
	MT	\$	MT	\$	MT	\$
<u>Title I</u>						
Wheat	15	2,000	12	2,000	14	2,200
Rice	-	-	-	-	-	-
Feedgrains	-	-	-	-	-	-
Veget	-	-	-	-	-	-
Non-food	-	-	-	-	-	-
Title I Total ..		2,000		2,000		2,200
(of which Title III is)		(2,000)		(2,000)		(2,200)
<u>Title II</u>						
Voluntary Agencies ..		1,918		3,081		3,324
World Food Programs		707		376		1,469
Gov't.-to-Gov't		-		-		-
Title II Total		2,625		3,457		4,793
Total P.L. 480		4,625		5,457		6,993

MISSION DIRECTOR John R. Olson

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(In thousands of dollars)

CP 01-02(1979)

PROGRAM HONDURAS

PROJECT TITLE	L/G	PROJECT NUMBER	FY OF INITIAL OBLIGATION	THROUGH FY 1979		ESTIMATED FY 1980		PROPOSED FY 1981		FUTURE YEAR OBLIGATIONS
				OBLIGATIONS	EXPENDITURES	OBLIGATIONS	EXPENDITURES	OBLIGATIONS	EXPENDITURES	
AGRICULTURE, RURAL DEV. AND NUTRITION										
AGRICULTURE SECTOR I	L	522-0100	74	12,000	9,605	---	2,395	---	---	---
NATIONAL CADASTER	L	522-0111	74	6,000	5,094	---	906	---	---	---
SMALL FARMER TECHNOLOGIES	G	522-0123	76	1,139	279	---	800	---	260	1,320
SMALL FARMER TECHNOLOGIES	L	522-0123	76	6,000	157	---	2,243	---	3,600	6,000
NUTRITION	G	522-0124	76	750	469	250	329	---	260	1,050
NUTRITION	L	522-0124	76	3,500	1,056	---	1,444	---	1,000	3,500
RURAL RECONSTRUCTION II	L	522-0133	76	7,500	1,709	---	2,000	---	3,191	---
AGUAN VALLEY RURAL ELECTRIFICATION	L	522-0138	78	10,000	---	---	1,500	---	3,000	---
AGRICULTURAL RESEARCH	G	522-0139	78	1,300	95	205	1,325	409	200	---
AGRICULTURE SECTOR II	G	522-0150	79	1,000	---	600	854	2,000	1,200	400
AGRICULTURE SECTOR II	L	522-0150	79	16,000	---	---	4,247	5,000	4,250	---
RURAL TECHNOLOGIES	G	522-0157	79	850	---	2,000	550	3,700	1,500	2,350
ACCESS ROADS AND RURAL TRAILS	G	522-0164	80	---	---	250	80	---	120	---
ACCESS ROADS AND RURAL TRAILS	L	522-0164	80	---	---	3,000	400	---	1,100	---
WATER RESOURCES/AFFORESTATION	L	522-0168	80	---	---	5,000	200	5,000	1,600	---
TOTAL FOR ACCOUNT				66,039	18,464	16,305	20,073	16,109	21,221	
GRANTS				5,039	843	3,305	4,138	6,109	3,480	
LOANS				61,000	17,621	13,000	15,935	10,000	17,741	
POPULATION PLANNING										
INTEGRATED RURAL HEALTH SERVICES	G	522-0130	76	735	685	290	395	100	200	62
TOTAL FOR ACCOUNT				735	685	290	395	100	200	
GRANTS				735	685	290	395	100	200	
LOANS				---	---	---	---	---	---	
HEALTH										
INTEGRATED RURAL HEALTH SERVICES	G	522-0130	76	293	238	200	304	---	100	---
HEALTH SECTOR PLANNING	G	522-0140	79	475	---	---	250	---	225	---
HEALTH SECTOR I	G	522-0153	80	---	---	1,000	150	---	300	1,000
HEALTH SECTOR I	L	522-0153	80	---	---	6,000	200	---	900	4,000
RURAL WATER AND SANITATION	G	522-0166	80	---	---	250	50	---	150	---
RURAL WATER AND SANITATION	L	522-0166	80	---	---	10,000	300	---	1,200	---
TOTAL FOR ACCOUNT				728	238	17,450	1,254	---	2,625	
GRANTS				728	238	1,450	754	---	725	
LOANS				---	---	16,000	500	---	2,100	
EDUCATION AND HUMAN RESOURCES										

* Long Term project - see Activity Data Sheet
A. This is a continuing project - see Activity Data Sheet

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(In thousands of dollars)

CPA:0210761

PROGRAM . HONDURAS

PROJECT TITLE	L/G	PROJECT NUMBER	FY OF INITIAL OBLIGATION	THROUGH FY 1979		ESTIMATED FY 1980		PROPOSED FY 1981		FUTURE YEAR OBLIGATIONS
				OBLIGATIONS	EXPENDITURES	OBLIGATIONS	EXPENDITURES	OBLIGATIONS	EXPENDITURES	
										3
NON-FORMAL RURAL EDUCATION	G	522-0103	76	384	201	---	103	---	---	---
RURAL EDUCATION	G	522-0119	78	600	17	150	300	---	433	---
RURAL RECONSTRUCTION II	L	522-0133	76	2,000	603	---	200	---	502	---
RURAL PRIMARY EDUCATION	G	522-0161	80	---	---	500	---	1,000	500	3,500
RURAL PRIMARY EDUCATION	L	522-0161	81	---	---	---	---	5,000	200	5,000
TOTAL FOR ACCOUNT				2,984	956	650	2,203	6,000	1,465	
GRANTS				984	298	650	403	1,000	783	
LOANS				2,000	698	---	800	5,000	702	
SELECTED DEVELOPMENT ACTIVITIES										
SPECIAL DEVELOPMENT ACTIVITIES	G	522-0073	76	668	600	50	70	---	42	---
MUNICIPAL DEVELOPMENT BANK	L	522-0109	74	4,100	3,543	---	597	---	---	---
HURRICAN R/R RURAL SHELTER RECONSTR	L	522-0117	75	1,000	375	---	633	---	---	---
AGRO INDUSTRIAL EXPORT DEVELOPMENT	G	522-0120	76	1,220	522	100	340	---	430	---
WATER RESOURCES MANAGEMENT	G	522-0134	76	600	165	---	435	---	---	---
RURAL TRAILS	G	522-0137	78	400	39	---	200	---	161	---
URBAN UPGRADING	G	522-0155	80	---	---	200	40	---	140	---
SPECIAL DEVELOPMENT ACTIVITIES	G	522-0169	81	---	---	---	---	50	43	---
TOTAL FOR ACCOUNT				7,988	5,244	350	2,267	50	855	
GRANTS				2,888	1,326	350	1,095	50	855	
LOANS				5,100	3,918	---	1,182	---	---	
ECONOMIC SUPPORT FUND										
MUNICIPAL DEV BANK	G	522-0165	80	---	---	5,000 ^{B/}	1,000	---	3,000	---
TOTAL FOR ACCOUNT				---	---	5,000	1,000	---	3,000	
GRANTS				---	---	---	---	---	---	
LOANS				---	---	5,000	1,000	---	3,000	
TOTAL FOR COUNTRY				78,474	25,627	40,045	26,192	22,259	29,586	
GRANTS				10,374	3,390	6,045	6,775	7,259	6,043	
LOANS				68,100	22,237	34,000	19,417	15,000	23,543	

^{B/} Included in the \$60 million supplemental Economic Support Fund request for FY 1980.

* Detailed project narrative - see Activity Data Chart
 & This is a continuing project - see Activity Data Chart

ACTIVITY DATA SHEET

PROGRAM: HONDURAS

TITLE Agricultural Research		FUNDS Agriculture, Rural Development and Nutrition		PROPOSED OBLIGATION (In thousands of dollars) FY 81 409		LIFE OF PROJECT 1,914	
NUMBER 522-0139 GRANT <input checked="" type="checkbox"/> LOAN <input type="checkbox"/>		NEW <input type="checkbox"/> CONTINUING <input checked="" type="checkbox"/>		PRIOR REFERENCE FY 80 Latin America Programs, p. 184		ESTIMATED FINAL OBLIGATION FY 81	
				INITIAL OBLIGATION FY 78		ESTIMATED COMPLETION DATE OF PROJECT FY 82	

Purpose: To strengthen the capacity of the Government of Honduras (GOH) to plan, implement, coordinate, evaluate, and disseminate agricultural research results to small farmers.

Background and Progress to Date: Reliable agricultural research information is needed to expand current agricultural production and to increase the incomes of poor small farmers. To assist the Ministry of Natural Resources (MNR) to carry out a multidisciplinary farm-centered research program directly geared to the needs of the small farmer, this project finances specialized long and short-term advisory assistance, commodities, and training. The multi-disciplinary, farm-centered research approach is now used in four major ecological regions, and will be applied in seven regions by the end of the project. Twenty new personnel have been brought into the project and have received special training in research methodology. Three trainees are studying for Masters degrees in research management and technical fields, and 14 short-courses have been given to research personnel. A long-term research policy and coordination advisor is assisting the MNR, and technical assistance in the areas of soils, entomology, agricultural economics, sociology and post harvest losses is being provided through the Central Research Unit to the seven agricultural regions. This project complements the A.I.D./GOH Agriculture Sector Program which supports the MNR's extension efforts.

Host Country and Other Donors: The GOH is providing \$1,407,000 in counterpart funds for this project. It will finance staff, commodities, transportation, training, and other costs. The Inter-American Development Bank has approved a loan of \$7 million to support agricultural research, extension and seed production.

Beneficiaries: The project will benefit 7,000 small farmers directly through on-farm research activities, and the results will

be transmitted to at least 29,000 other small farmers indirectly through the extension program. These beneficiaries have farms smaller than 35 hectares and per capita incomes of less than \$135. The estimated cost-per-farm family will be approximately \$14 in FY 1980 and \$54 for the life of the project.

FY 80 Program: Three participants in Masters degree programs will be financed in FY 1981. Twelve researchers will receive short-term training in agricultural research techniques and research management, and multi-disciplinary research teams with A.I.D.-financed technical assistance will be operating in five regions. Eight seminars for approximately 110 persons and 12 field days for farmers will also be held during this year.

Major Outputs (and A.I.D. Unit Cost):	(\$ thousands)	
	Unit	Cost
Research scientists trained (M.S.)	3	(25.4)
Short-term training	22	(2)
Multidisciplinary research teams trained and operating	7	(213)
Regional experiment stations equipped and supporting research teams	6	(19)
Long-range national agricultural research policy and plan developed	X	-
A.I.D. Financed Inputs:		
		FY 81
Technical assistance		200
Participant training		100
Commodities		69
Other costs		40
Total		409

	U.S. FINANCING (In thousands of dollars)		Unliquidated
	Obligations	Expenditures	
Through September 30, 1979	1,300	95	1,215
Estimated Fiscal Year 1980	205	1,325	95
Estimated through September 30, 1980	1,505	1,410	
		Future Year Obligations	Estimated Total Cost
	409		1,914

PRINCIPAL CONTRACTORS OR AGENCIES
Personal services contracts.

Best Available Document

PROGRAM: HONDURAS

ACTIVITY DATA SHEET

CPA 2-7-79

TITLE Agriculture Sector II		FUNDS Agriculture, Rural Development and Nutrition		PROPOSED OBLIGATION (in thousands of dollars) FY 81: 1-5,000; 0-2,000 FY 82: 1-21,000; 0-4,000	
NUMBER 522-0150	NEW <input type="checkbox"/>	CONTINUING <input checked="" type="checkbox"/>	PRIOR REFERENCE FY 80 Latin America Programs, p. 109		
GRANT <input checked="" type="checkbox"/>	LOAN <input checked="" type="checkbox"/>	INITIAL OBLIGATION (V) (P)			
		ESTIMATED FISCAL OBLIGATION (V) (P)		ESTIMATED PERCENTAGE OF PROJECT (V) (P)	

Purpose: To develop a more rational, flexible and effective agricultural sector structure which has greater outreach and is more responsive to the needs of poor people.

Background and Progress to Date: This project addresses serious weaknesses constraining the Government of Honduras (GOH) development efforts by: (a) improving GOH institutions responsible for agricultural planning and coordination, marketing analysis and policy development as well as agricultural information gathering, analysis and dissemination; (b) increasing the number and skills of personnel working in agricultural development; (c) improving the agricultural credit and extension services available to poor farmers; and (d) developing farmer service cooperatives and small-scale farm infrastructure. The project agreements were signed in June 1979, and initial project conditions have been met. Some 30 candidates for long-term training have been selected, construction contracts for improvements to the National Agricultural University have been let, and technical assistance is being provided in agricultural planning, information systems and cooperatives.

Host Country and Other Donors: The GOH provides technical and administrative staff and pays operational costs at an estimated cost of \$73.8 million, with \$24 million for incremental project costs. Donors providing complementary assistance include: the International Agricultural Development Fund -- a \$20 million loan for integrated agricultural development; the World Bank -- \$15 million for livestock development and construction of agricultural education facilities; and the Inter-American Development Bank -- \$7 million for extension, research and seed production.

Beneficiaries: The program will directly or indirectly have an impact on at least 75% of the country's small traditional farmers as well as those individual recipients of land under the land reform program. Their per capita incomes are expected to increase

during the project from \$135 to \$175 and \$106 to \$175 respectively (1977 prices). Over the life of the project, this will mean an A.I.D. investment of approximately \$175 per beneficiary.

FY 81 Program: Technical assistance advisors will be in place; the participant and in-service training Coordination Committee will be operational; and the initial 94 participants will be in training. In addition, construction at the National Agricultural University will have begun; new agricultural planning, information, and marketing policy systems will be operational; and an improved extension service will be functioning. The initial four coop service centers will be organized; the National Agricultural Bank's regionalization program will be initiated; eight feasibility studies for infrastructure projects will be completed; and improved plant materials will be distributed to small farmers.

Major Outputs (and A.I.D. Unit Costs):

	(\$ thousands)	
	Unit	All Years Cost
Improved extension service	1	(1,800)
Trained professional agriculturists (68 B.A.s, 154 M.A.s & 13 PhDs)	235	(23)
Short-term, in-service training courses	64	(5)
Agricultural service coops established	8	(205)
National Development Bank regionalization plan	1	(921)
Zonal infrastructure packages developed	16	(147)
Agricultural plant packages distributed	24,000	(0.5)

A.I.D. Financed Inputs:

	FY 81	
	Grant	Loan
Technical assistance	195	1,000
Participant training	195	1,521
Commodities	195	1,521
Other costs	1,610	200
TOTAL	2,000	5,000

U.S. FINANCING (in thousands of dollars)				PRINCIPAL CONTRACTORS OR AGENCIES A U.S. University Consortium, Private consulting firms, Personal service contracts.
	Obligations	Expenditures	Unliquidated	
Through September 30, 1979	G-1,000; L-16,000	-	G-1,000; L-16,000	
Estimated Fiscal Year 1980	G-600	G-854; L-4,247		
Estimated through September 30, 1980	G-1,000; L-16,000	G-854; L-4,247	G-745; L-1,753	
Proposed Fiscal Year 1981	G-2,000; L-5,000	Future Year Obligations G-400	Estimated Total Cost G-4,000; L-22,000	

ACTIVITY DATA SHEET

PROGRAM: HONDURAS

TITLE Rural Technologies		FUNDS Agriculture, Rural Development and Nutrition	PROPOSED OBLIGATION (In thousands of dollars) FY 81 2,700		LIFE OF PROJECT 8,930
NUMBER 522-0157	NEW <input type="checkbox"/>	PRIOR REFERENCE	INITIAL OBLIGATION FY 79	ESTIMATED FINAL OBLIGATION FY 83	ESTIMATED COMPLETION DATE OF PROJECT FY 85
GRANT <input checked="" type="checkbox"/> LOAN <input type="checkbox"/>	CONTINUING <input checked="" type="checkbox"/>	FY 80 Latin America Programs, p. 186			

Purpose: To increase the productivity, income and quality of life of the rural poor through the establishment of small-scale rural enterprises and industries and the development and dissemination of improved light capital farm and household technologies.

Background and Progress to Date: This project builds upon A.I.D.'s complementary Small Farmer Technologies project in developing and adapting light capital technologies for on-farm use. Project activities include: strengthening the capacity of rural blacksmiths and metal workers to produce and upgrade improved technologies; developing the institutional capacity of the Government of Honduras (GOH) to plan, implement, and evaluate project activities; and assisting in the development of a small industry extension service to provide management and production assistance to small rural entrepreneurs usually having less than \$1,000 in assets. Rural household technologies designed to improve the wellbeing of rural families will also be developed and disseminated. The Project Agreement was signed in September 1979, and preliminary project conditions have been met. By the end of FY 1980, three new farm implements will have been produced and demonstrated; 200 families will have been trained; 210 industries will have received management/production assistance or training; and two enterprise extension regional offices will be staffed and operating.

Host Country and Other Donors: The GOH is providing \$5 million in equipment and project operating costs (33% of project costs). Complementary activities in industrial development include: \$20 million in World Bank credit to relatively small (less than \$100,000 in assets) and medium industries; a \$500,000 Inter-American Development Bank credit fund for urban artisans; and some limited technical assistance to the GOH by the Organization of American States and the United Nations.

Beneficiaries: An estimated 50,000 small farmers will use the light capital technologies developed. 10,620 families will use the improved household technologies, 1,140 enterprises will receive grant or loan assistance, and 6,200 small enterprises will receive technical assistance during the life of this project. Outside of secondary employment, the estimated A.I.D. cost-per-family beneficiary, excluding credit reflows, is \$130 over the life of the project.

FY 81 Program: Six new farm implements will be produced and demonstrated; 200 farmers will be trained; management and production assistance or training will be provided to 300 industries; and three new rural household technologies will be developed and demonstrated.

Major Outputs (and A.I.D. Unit Cost):	(\$ thousands)	
	Unit	Cost
Farm implement prototypes developed	50	(9.68)
Demonstration implements produced	13,000	(0.08)
Small enterprises assisted	1,600	(0.9)
New enterprises developed	40	(25)
Small farmers trained	1,000	(0.1)
Entrepreneurs and blacksmiths trained	1,000	(0.1)

A.I.D. Financed Inputs:	FY 81
Appropriate Technologies Development Fund	320
Light capital farm technologies	1,000
Personnel and training	1,330
Commodities	500
Technical assistance	550
TOTAL	3,700

U.S. FINANCING (In thousands of dollars)				PRINCIPAL CONTRACTORS OR AGENCIES
	Obligations	Expenditures	Unliquidated	
Through September 30, 1979	850	0	850	Personal services contracts, Others to be selected.
Estimated Fiscal Year 1980	2,000	950		
Estimated through September 30, 1980	2,850	950	1,000	
		Future Year Obligations	Estimated Total Cost	
Proposed Fiscal Year 1981	3,700	2,360	8,930	

PROGRAM: HONDURAS

ACTIVITY DATA SHEET

TITLE Water Resources and Afforestation	FUNDS Agriculture, Rural Development and Nutrition	PROPOSED OBLIGATION (in thousands of dollars) FY 81 5,000	
NUMBER 522-0168 GRANT <input type="checkbox"/> LOAN <input checked="" type="checkbox"/>	NEW <input type="checkbox"/> CONTINUING <input checked="" type="checkbox"/>	PRIOR REFERENCE None.	LIFETIME OF PROJECT 10,000
		INITIAL OBLIGATION FY 80	ESTIMATED FINAL OBLIGATION FY 81
		ESTIMATED COMPLETION DATE OF PROJECT FY 84	

Purpose: To develop the Government of Honduras' (GOH) capacity to analyze problems, develop policies and implement programs in soil, water and forest conservation.

Background and Progress to Date: The watersheds of Honduras are being destroyed at an alarming rate through misuse and overuse. In two generations (if current rates of depletion continue), the forest cover will be virtually eliminated with disastrous effects on the livelihood of the two-thirds of Honduras' population involved in agriculture. In response to A.I.D.'s 1978 Agricultural Sector Assessment and other developments, the GOH has indicated its desire to change land-use policies and implement improved agricultural practices. With its initial funding obligation expected in late FY 1980, the project will help establish a national environmental protection council to develop land-use policy, provide technical assistance on land-use practices, and coordinate activities related to resource conservation. Data gathering, analysis and planning capacities will be strengthened in the Ministry of Natural Resources (MNR), the Forest Development Corporation (CONDEFOR), and the National Cadaster Program. CONDEFOR will receive assistance in promoting forest conservation through extension programs, developing watershed management programs, and expanding afforestation. The project will assist the MNR in developing and extending low-cost methods for community level projects in soil and water use and conservation.

Host Country and Other Donors: The GOH will provide approximately \$3.5 million in counterpart funds (33% of total project costs). Other GOH programs related to this project are the MNR's small farm soil conservation program and CONDEFOR's activities in general. Projects developing forest products have been financed by the Inter-American Development Bank (\$84.5 million) and the Central American Bank for Economic Integration (\$16 million). The Canadian International Development Agency and the UN Food and Agricultural Organizations are providing technical assistance to

CONDEFOR.

Beneficiaries: Benefits for the rural population will result from improved management of soil, water and forest resources. More than 1,000 small farm families (9,000 people) will benefit directly from mini-irrigation/soil conservation projects; an additional 21,000 people will benefit indirectly from project activities, particularly improvements in dry season water flows in downstream irrigation systems. The estimated cost-per-person will be approximately \$330 during the project.

FY 81 Program: This project will continue technical assistance in institutional-building at CONDEFOR and the MNR by aiding in the preparation of a land-use policy/planning system and a watershed planning/management system. CONDEFOR also plans to initiate afforestation and erosion control activities. In addition, the MNR will commence preliminary small farm irrigation activities.

Major Outputs (and A.I.D. Unit Cost):

	All Years	
	Unit	Cost
Land-use policy/planning system	X	(1,500)
Watershed planning/management system	X	(2,000)
Training/research capability established	X	(1,500)
National Cadaster system improved	X	(2,500)
Hectares reforested/afforested	2,500	(.350)
Small irrigation systems improved	1,500	(1)
Kilometers of trails protected against erosion	100	(1)

A.I.D. Financed Inputs:

	FY 81
Personnel and training	2,500
Commodities	1,500
Technical assistance	1,000

TOTAL 5,000

U.S. FINANCING (in thousands of dollars)				PRINCIPAL CONTRACTORS OR AGENCIES To be selected.
	Obligations	Expenditures	Unliquidated	
Through September 30, 1979	-0-	-0-	-0-	
Estimated Fiscal Year 1980	5,000	200		
Estimated through September 30, 1980	5,000	200	4,800	
		Future Year Obligations	Estimated Total Cost	
Fiscal Year 1981	5,000	-	10,000	

TITLE Integrated Rural Health Service		FUNDS Population Planning and Health	PROPOSED OBLIGATION (in thousands of dollars) FY 81 100		LIFE OF PROJECT 1,486
NUMBER 522-0130	NEW <input type="checkbox"/>	PRIOR REFERENCE FY 80 Latin America Programs, p. 187	INITIAL OBLIGATION FY 76	ESTIMATED FINAL OBLIGATION FY 81	ESTIMATED COMPLETION DATE OF PROJECT FY 81
GRANT <input checked="" type="checkbox"/>	LOAN <input type="checkbox"/>				
	CONTINUING <input checked="" type="checkbox"/>				

Purpose: To increase Honduran institutional capacity to provide a full range of basic, effective maternal/child care and other basic health services in rural areas.

Background and Progress to Date: The health delivery system of Honduras has provided limited and inadequate health services to the rural population. The Government of Honduras (GOH) is now using trained paramedics to extend basic health services to previously unreached rural people. In 1976, A.I.D. and the GOH signed the first project agreement and began training large numbers of paramedics needed to deliver basic health services to the rural population. The construction of three paramedic training centers is now almost completed, and auxiliary nurses have been trained to staff rural health facilities. Community health workers and trained midwives are delivering basic health services to about 40% of the rural population. Project services include: immunizations; prenatal, birth and postnatal care; treatment of diarrheal diseases; treatment for colds; first-aid; nutrition education; referral for family planning services; and assistance to community development projects such as wells and latrines. The Ministry of Health is currently training supervisors in standardized, nationwide supervisory techniques.

Host Country and Other Donors: The GOH is providing approximately \$1.12 million (43% of total project costs) in health personnel salaries, per diem for supervisors, sites for training centers, and support for training facility operations. The Inter-American Development Bank is providing a \$10 million loan to finance construction of 243 rural health centers and ten hospitals, while the Pan American Health Organization is financing technical assistance in maternal/child health, biostatistics, data collection and logistics. The UN Infant and Children Emergency Fund and the UN Fund for Population Activity have provided a limited number of midwife kits.

Beneficiaries: When the paramedic outreach system is fully operational, it is expected that 80% to 90% of the rural population (or some 351,000 families) will be covered by basic health services although many future refinements in the system will be needed to improve the health of the rural population. The approximate cost-per-family beneficiary will be less than \$1 for FY 1980 and \$4 for the life of the project.

FY 81 Programs: The FY 1981 funds are solely for supplying contraceptives.

Major Outputs (and A.I.D. Unit Cost):	(\$ thousands)	
	Unit	Cost
Paramedic training:		
Auxiliary nurses	1,120	(.419)
Midwives	4,000	(.058)
Community health workers	5,000	(.058)
Training centers constructed	3	(.72)
A.I.D. Financed Inputs:		FY 81
Contraceptive commodities		100
TOTAL		100

U.S. FINANCING (in thousands of dollars)	PRINCIPAL CONTRACTORS OR AGENCIES		
	Obligations	Expenditures	Unliquidated
Through September 30, 1979	896	487	409
Estimated Fiscal Year 1980	490	601	
Estimated through September 30, 1980	1,386	1,088	296
		Future Year Obligations	Estimated Total Cost
Proposed Fiscal Year 1981	100	-	1,486

Personal services contracts.

ACTIVITY DATA SHEET

PROGRAM: HONDURAS

TITLE Rural Primary Education		FUNDS Education and Human Resources	PROPOSED OBLIGATION (In thousands of dollars) FY 81 I- 5,000; G- 1,000		LIFE OF PROJECT I-10,000; G-5,000
NUMBER 522-0161	NEW <input type="checkbox"/>	PRIOR REFERENCE None	INITIAL OBLIGATION FY 80	ESTIMATED FINAL OBLIGATION FY 82	ESTIMATED COMPLETION DATE OF PROJECT FY 84
GRANT <input checked="" type="checkbox"/>	LOAN <input checked="" type="checkbox"/>				

Purpose: To provide the educational infrastructure required to increase rural primary school enrollment from the current 60% to 70% by 1984.

Background and Progress to Date: The Honduran rural school system is not meeting the rural population's basic educational needs because rural teachers tend to be poorly trained, lack materials, and have very large classes (60-90 students) in the first three grades. Moreover, teacher absenteeism, pupil dropout rates and pupil repeater rates are all high. As housing is virtually non-existent in the more remote villages, teachers work only about one-half day and spend the remainder travelling between their remote schools and homes. This low level of services in rural areas is historically below that provided in urban areas. For example, over 64% of all primary schools offer less than six grades; 99% of these schools are located in rural areas. This project, scheduled to start in late FY 1980, will help the Ministry of Education complete the nationwide installation of the central/satellite rural school concept by extending it to the traditional highlands area. It will also provide the additional infrastructure necessary to enable the nationwide rural primary system to increase initial enrollment from the current 60% of the school-age population to 70%. The project, together with ongoing A.I.D. and World Bank education projects, will provide a system-wide approach to improving rural primary education. A.I.D. presently is assisting the Government of Honduras (GOH) to replace schools/equipment lost as a result of Hurricane Fifi in the North Coast area and to provide in-service teacher training and curriculum development.

Host Country and Other Donors: Professional and administrative personnel, educational materials, equipment, travel, and training and office facilities -- valued at \$9 million -- will be provided by the GOH (37% of total project cost). A \$5 million World Bank project is building schools, equipping practical learning workshops and providing materials and school furniture through a coordinated

program in the country's southwestern region. UNICEF will continue to donate equipment and training materials.

Beneficiaries: This project will provide 100,000 rural school children with tangible benefits in the form of classrooms, teacher time and improved teacher supervision. The approximate cost-per-child benefitted is \$1.50. About 40,000 children will benefit from the school construction, and approximately 60,000 children will benefit from improved education facilitated by having teachers in residence, thereby providing more teacher contact hours.

FY 81 Program: Approximately 800 classrooms and 300 teachers' houses will be constructed and equipped in FY 1981. About 20 supervisors and 24 new in-service teacher training personnel will receive participant training. Twenty person-months of technical assistance will be provided in administration, curriculum and materials development, and evaluation.

Major Outputs (and A.I.D. Unit Cost):

	(\$ thousands)	
	Unit	Cost
New classrooms	2,500	(4.6)
Teacher housing	1,000	(3)
Teachers and supervisors trained	50	(2.6)
Supervisor transportation system improved	X	-

A.I.D. Financed Inputs:

	FY 81	
	Loan	Grant
Classrooms	1,400	-
Teacher housing	900	-
Technical assistance	-	660
Participant training	-	340
Commodities	700	-
TOTAL	5,000	1,000

U.S. FINANCING (In thousands of dollars)

	Obligations	Expenditures	Unliquidated
Through September 30, 1979	-	-	-
Estimated Fiscal Year 1980	G- 500	-	-
Estimated through September 30, 1980	G- 500	-	G- 400
		Future Year Obligations	Estimated Total Cost
Proposed Fiscal Year 1981	I-5,000; G- 1,000	I-5,000; G-3,500	I-10,000; G-5,000

PRINCIPAL CONTRACTORS OR AGENCIES

To be selected.

ACTIVITY DATA SHEET

PROGRAM: HONDURAS

TITLE Special Development Activities		FUNDS Selected Development Activities	PROPOSED OBLIGATION (In thousands of dollars) FY 81 50		LIFE OF PROJECT Continuing*
NUMBER 522-0169	NEW <input checked="" type="checkbox"/> CONTINUING <input type="checkbox"/>	PRIOR REFERENCE None.	INITIAL OBLIGATION FY 81	ESTIMATED FINAL OBLIGATION FY Continuing*	ESTIMATED COMPLETION DATE OF PROJECT FY Continuing*
GRANT <input checked="" type="checkbox"/>	LOAN <input type="checkbox"/>				

Purpose: To support low-cost, high impact projects at the community level where small financial inputs, combined with group self-help, result in significant community benefit.

Background: Approximately 65% of Hondurans live in small, rural communities which often lack basic public services and infrastructure. In spite of Government of Honduras (GOH), international donor, and private voluntary organization efforts, all of these rural areas cannot be reached in the foreseeable future with schools, water systems and other basic infrastructure. A.I.D. will augment the efforts of the GOH and other donors in supporting small-scale projects initiated by the communities themselves when other assistance is unavailable. These projects will have an immediate, beneficial impact on the poorest in the community and will emphasize community self-help. The A.I.D. contribution will cover the cost of materials which are unavailable locally, while the community normally will provide skilled and unskilled labor, local construction materials and whatever money it can collect. This project continues the work of a similar predecessor project which, over the last fifteen years, completed over 700 community projects and benefited 40,000 families at a cost of slightly more than \$17.50 per family. These previous projects included approximately: 200 community water systems; 150 classrooms; 40 trails, bridges and check dams; 40 community buildings; plus a variety of miscellaneous development works. The sub-projects financed under this new activity will be designed to facilitate evaluation and will continue to focus on the same type of high impact community projects financed under the earlier activity.

Host Country and Other Donors: The host country frequently provides project supervision and material assistance. Local communities provide skilled and unskilled labor, local construction materials,

and whatever money it can collect. The Peace Corps assists with occasional project promotion and monitoring. Private organizations, such as CARE and Catholic Relief Services, are active in similar small, self-help projects providing food-for-work commodities and materials.

Beneficiaries: This project will operate nationwide, with priority on activities affecting basic human needs in rural areas. It is expected that over 8,000 families in poor rural communities will benefit in the next five years from the approximately 110 projects to be undertaken at an average cost-per-family benefitted of \$30.

FY 81 Program: In FY 1981, using Peace Corps cooperation in implementation and monitoring, approximately 27 single or multi-community projects will be undertaken benefitting over 1,500 families. These projects are likely to include 12 water systems, 5 schools, 2 rural trails, 3 multi-use community centers and 5 miscellaneous projects. Each project will be subjected to a feasibility study prior to approval.

Major Outputs:	<u>Through FY 81</u>
Community development projects	27
	(\$ thousands)
A.I.D. Financed Inputs:	<u>FY 81</u>
Construction materials and other costs	50
TOTAL	<u>50</u>

*It is expected that activities under this project will continue as long as A.I.D. maintains an assistance program in Honduras.

U.S. FINANCING (In thousands of dollars)			PRINCIPAL CONTRACTORS OR AGENCIES
	Obligations	Expenditures	
Through September 30, 1979	-	-	None.
Estimated Fiscal Year 1980	-	-	
Estimated through September 30, 1980	-	-	
		Future Year Obligations	
	50	Continuing*	
		Estimated Total Cost	
		Continuing*	
Previous Fiscal Year 1981			

THE U.S. AID PROGRAM - A HISTORICAL PERSPECTIVE

1946-1961

The project-oriented program emphasized institution building, utilizing the "servicio" technique, in agriculture, health and education. Bilateral technical assistance was initiated in 1946. By 1961 technical assistance grants totalled \$24.8 million; three loans totalled \$10.8 million. The first loan, authorized in 1957 in an amount of nearly \$3 million financed access roads and bridges in the Guayape Valley, and, water and sewer systems in several localities throughout the country. Two additional loans in FY 1958 and FY 1960, respectively, were authorized for highway development (\$5.0 million) between Tegucigalpa and the Pan American Highway and for construction of a hydroelectric plant (\$2.8 million) on the Río Lindo.

1962-1973

U.S. assistance to Honduras from the beginning of the Alliance for Progress until early 1973, as in the previous period, was project-oriented and directed toward institution-building and developing the country's physical infrastructure. As in the earlier period the amount of assistance continued to be very modest when compared with other Latin American countries, reflecting in part limited Honduran capacity to use aid efficiently and effectively. Some \$46.6 million in loans and \$31.6 million in grants were provided during the 1962-1973 period.

From FY 1962 through FY 1964, A.I.D. loans financed self-help school construction (\$0.6 million), small water supply systems (\$1.05 million), as well as housing construction for members of cooperatives (\$2.0 million) and small projects of the labor union of the Tela Railroad Co. (\$0.4 million). Loans channelled through private sector institutions funded sub-loans for small enterprise development (\$5.0 million and \$3.0 million). During the 1964-66 period, A.I.D. authorized three loans totalling \$6.2 million to assist national infrastructure development plans, largely for highways. At the same time, A.I.D. provided loans for malaria eradication (\$1.2 million and \$1.4 million) and, in 1966, for the expansion of the country's secondary school system (\$7.0 million).

During the mid-nineteen sixties the A.I.D. Loan program began to be focused more toward the rural sector. The \$5.2 million farm-to-market access road loan in 1965, which included development of the Aguan Valley Road, represented an effort to link infrastructure objectives with rural development needs. A \$9.5 million Agricultural Credit and Storage Loan in 1968 provided funds for major grain storage centers at Tegucigalpa and San Pedro Sula, and was combined with credit programs for individual farmers and cooperative members. This effort was followed

in 1972 with a \$2.0 million Grain Marketing program designed to eliminate some of the marketing constraints faced by small-scale farmers growing basic grains. In the education sector, sub-loans to students were financed through a \$2.0 million loan to the Educational Credit Institution (EDUCREDITO) in 1971.

The grant program during the FY 1962 to 1973 period consisted of technical assistance and training primarily in the fields of public administration, agricultural extension and cooperative development, education, malaria eradication, public safety, private enterprise development, and export promotion.

1974-1979

There was a marked change in Honduran development goals following the military take-over. The development effort began to take on focus and shape. The possibilities for more significant development programs improved and international institutional and bilateral donors began to show more interest in supporting Honduran development efforts. In his New Year's Day 1974 speech, Honduran Chief of State Lopez Arellano articulated new goals. In an atmosphere of land ownership disputes and general neglect of the campesinos' needs, Lopez Arellano committed the Government to achieving higher living and employment standards for the Honduran poor, and announced an immediate land distribution program to benefit the rural poor.

A five-year National Development Plan adopted late in 1974 supported the Lopez Arellano initiatives and included as goals, increased and more equitably-distributed income; a reduction in underemployment; steps to integrate the rural sector into the national economy; and management and rational exploitation of the country's forest reserves.

The A.I.D. program has supported the strong Honduran commitment to improving the lot of the country's poor majority and Honduran priorities in rural sector development. The portion of the A.I.D. grant program devoted to rural development rose from 24% in FY 1969 to 44% in FY 1972, and then jumped to 70% in FY 1973.

In June, 1974 A.I.D. authorized an Agricultural Sector Loan for \$12 million to the Government of Honduras as part of a total Sector Program of \$20.7 million. This was the direct outcome of the first Agricultural Sector Assessment, prepared jointly in 1973 by Honduran and A.I.D. personnel. The sector package included eight inter-related activities which can be divided roughly into two categories: credit for production and investment, and institution building. The agricultural credit is designed to assist agrarian reform groups and agricultural cooperatives. Access road construction under the

loan helps to assure the commercial viability of agrarian reform groups receiving credit by providing better and more economic access to markets. The institution-building elements include education and training aimed at alleviation of the shortage of trained agricultural professionals, plus support to the Sector Assessment Group. This group is now formally incorporated into the Ministry of Natural Resources where it functions as a permanent Division of Sector Planning. Two institution-building grant projects supported the loan: Core Services (\$1.6 million) helped key Government of Honduras agencies involved in rural development to expand their services and strengthen their institutional capacities; and Agricultural Cooperatives (\$300 thousand) sponsored courses in management and accounting for the managers and accountants/bookkeepers, respectively, of small farmer cooperatives and agrarian reform groups.

Hurricane Fifi in late 1974 and the severe drought of 1975 caused major disruptions in the country's planned development strategy. Emergency programs had to be adopted to replace food supplies that were lost, deal with the balance of payments crisis, and replace destroyed housing and infrastructure. This diverted attention for a period of time from the more systematic Agricultural Sector efforts and from larger Honduran development initiatives.

A.I.D. quickly responded with a \$5.0 million grant project to assist short-term recovery in the hardest hit zones. The project, channelled through Private Voluntary Organizations, the Peace Corps and Honduran agencies, provided seeds and basic farm tools to enable farmers to plant new crops and replace lost tools with somewhat better ones (e.g. hand sprayers). The project assisted with tools and materials to reconstruct farm homes; funds to pay for emergency roads, bridge repair, and cleaning up of affected towns; and medical supplies, medicines and materials to put rural health posts and clinics back into operation. The project was highly successful in putting some 20,000 rural families back on their feet. Funds were fully expended in less than eight months after the storm struck. The United States also responded with a hurricane reconstruction loan for \$15 million to finance agricultural credit and marketing assistance, educational facilities, and housing. A follow-on loan, Rural Reconstruction II for \$9.5 million was designed to help the Government regain and maintain the momentum of national plans, and provided agricultural credit, rural road repair, and school construction.

To date the institutional development facets of the Agricultural Sector Loan have proceeded according to schedule. In addition to the delays in implementation stemming from the hurricane, institutional shortcomings of the Government of Honduras (including problems of the agricultural credit agency), have caused delays in selecting group credit recipients and the provision of the credits. Solutions to the BNF's institutional problems, advocated by a recent A.I.D.-financed

study team, are presently being acted upon by the Government of Honduras.

During 1977-1978 A.I.D. and the GOH undertook a second agriculture sector assessment consisting of some twenty-three studies to achieve three discrete but related ends: (1) for use by the Government of Honduras in the formulation of its five year National Development Plan 1979-1983; (2) for use by the Government of Honduras in providing guidance to agriculture sector agencies in the planning and execution of their operations; and (3) as the analytical basis for a second A.I.D. sector program in support of the Honduran program. The A.I.D. - supported Agriculture Sector II Program commenced on June 30, 1979 with the signature of the Agreement under which U.S. and GOH new contributions will total \$49 million to improve human resources, institutions and delivery systems in the Sector.

Honduran development efforts, with support from the U.S. bilateral program, as well as from other international donors, have returned to high gear. A second five-year development plan has been prepared during 1979. A.I.D. is working closely with the Government. The high priority objectives are very similar to the Mandate of the U. S. Congress

See Summary Table on following page.

7/5/79

124

U. S. DEVELOPMENT ASSISTANCE AND P. L. 480
 (U. S. Fiscal Years - Millions of Dollars)

	1946-61	1962-72	1973	1974	1975	1976	TQ	1977	1978	1979	1980	
											CP	CURRENT ESTIMATE
Economic Assistance												
AID and Predecessor Agencies Sub-Total	26.5	72.6	5.6	24.6	25.4	14.8	1.9	7.8	13.0	17.0	18.6	41.2
Loans	10.8	44.6	2.0	22.1	19.0	13.0	-	6.0	10.0	12.0	12.0	34.0
Grants	15.7	28.0	3.6	2.5	6.4	1.8	1.9	1.8	3.0	5.0	6.6	7.2
Food for Peace (P.L. 480) Sub-Total	2.7	6.9	0.8	0.8	9.0	5.9	0.3	2.8	2.4	4.6	5.0	9.5
Title I/III	-	-	-	-	5.3	2.1	-	-	-	2.0	2.0	5.0
Title II	2.7	6.9	0.8	0.8	3.7	3.8	0.3	2.8	2.4	2.6	3.0	4.5
Housing Guaranty	-	-	-	-	-	-	-	-	10.0	-	10.0	10.0
TOTALS	29.2	79.5	6.4	25.4	34.4	20.7	2.2	10.6	25.4	21.6	33.6	60.7

125

A.I.D.'s Sectoral Objectives and Courses of Action

1. Agriculture/Rural Development

a. The Problem

Agriculture is the mainstay of the Honduran economy. It provides a living, however, meager, for the vast majority of the target group and plays a dominant role in the balance of payments and in generating government revenues to pay the cost of social services essential to improving the quality of life. The main development problems facing Honduras are how to make the agriculture sector more productive and to get rural incomes up over the poverty line. Analysis and experience show that the small landholder can improve his productivity enough to move above the poverty line if he has secure land tenure and access to technological advice and inputs; if he can get his crops to market economically; if he can secure enough capital to shift to high value crops; and, if necessary, can find off-farm employment during his non-peak periods.

b. Current Activities

The USAID Strategy is based on a Sector Assessment developed in 1978. This Assessment was prepared jointly with the Government of Honduras, and is being continuously updated with additional studies. The current A.I.D. program addresses many of the problems identified in the Assessment through a variety of activities:

- i The centerpiece of these activities is the Agriculture Sector II program which focuses on human resource development, institutional development and the improvement of specific delivery systems. The types of activities being financed include participant and in-service training, strengthening of agricultural higher education institutions and assistance in data collection and policy formulation capability, with special emphasis on marketing problems. Those activities will also include assistance to the agricultural cooperatives movement and the construction of small scale infrastructure projects (access roads, storage, erosion control, irrigation and drainage).
- ii Complementary on-going activities support improvements in the GOH's agriculture extension and research efforts.
- iii We are assisting the provision of efficient inputs and off-farm supplementary employment through the identification and dissemination of appropriate technologies.
- iv We are assisting with the reorganization of the National Development Bank, as well as providing funds for credit programs to both individual and agrarian reform settlements.
- v Through a PL 480 Title I/III Agreement, funds are provided for a price stabilization program for basic grains.
- vi In FY 1980 we shall begin support for work in the conservation of water resources and of the improved use of forest resources.

vii Finally, funds are provided to assist with the renovation and upgrading of rural trails and access roads, and with rural electrification in new land reform areas. In order to increase the short-run impact on the target group, we should plan to increase further the support for the rural roads program if additional resources were made available in FY 1980 and 1981.

Thus, by FY 1982 A.I.D. will have programs under implementation in the Agriculture Sector which should be in the process of directly reaching some 63,000 farm families through service delivery activities and indirectly reaching over 300,000 small farm families through other means. By that date these programs also will have improved the human resource pool of the sector institutions; created a new planning information gathering and policy generation system; increased the effective outreach of the extension service by over 100%, created six multi-community, multi-service cooperatives as the basis for a viable agricultural cooperative movement; expanded the capacity of the Honduran agricultural university; refocused the Honduran research system toward farm based, appropriate technology activities; and reorganized the agricultural bank into a more effective institution.

c. Strategy for 1982-86

The following objectives have been set for future A.I.D. activities in assisting the GOH: i) improve its capacity to delivery goods and services which enhance income and employment opportunities; ii) develop information, inputs and more appropriate technology in a form and content which can bring about relatively rapid increases in income and employment; iii) improve its capacity to identify policy alternatives and to determine the likely costs and benefits of specific decisions; iv) increase access to productive land by the landless poor and provide them with essential support services; and v) expand non-farm employment opportunities, principally for landless laborers and subsistence farmers. We propose to use as the point of departure, existing and on-going analyses, under which activities addressing many of these objectives already have begun. Further analyses will be undertaken to determine additional development activities which USAID might finance during the 1982-1986 period where opportunities have been created by the institution-building efforts now underway. The Mission is particularly interested in identifying activities for helping the landless poor, and improving the operation of the GOH's land reform program.

By 1985, USAID assisted activities in the agricultural sector are projected to increase the number of farmers receiving GOH services by over 100%. The percentage of rural population below \$250 per capita income should drop from 90% to 80%. The average per capita income of small traditional farmers should increase from \$135 to \$175, and for agrarian reform farmers should increase from \$106 to \$175 (all at 1977 prices).

(1) Institutional Development: The institutional development focus of USAID's Agricultural Sector II Program, will continue through the CDSS period and probably for some time into the future. Funding in the CDSS period will come both from the existing Agriculture Sector II Program and follow on projects. Participant and in-service training activities will

be required over a very long time period in order to reach and maintain a high level of technical competence. Assistance to information gathering and policy development probably will continue at about present levels, although the nature of activities will become increasingly sophisticated. A higher level of assistance probably will be needed for agricultural research and extension work. As new ecological zones open up and as results of research at international research centers become available, the need for expanded efforts in applied research and information dissemination will grow. Also, several specific crops will require more intensive investigation in the future, e.g., analysis of alternative solutions to coffee rust. Present assistance in marketing policy analysis is expected to lead to the identification of additional support requirements for improvement of the market system and related policies. Such an activity probably would help the GOH provide appropriate infrastructure and incentives for more efficient marketing by the private sector. Continued Title I/III support for this effort will be needed.

(2) Credit: If the USAID-assisted reorganization of the National Development Bank into a purely agricultural bank proceeds as planned, this institution will be a more effective channel for credit to small farmers, and probably will be able to use additional resources from A.I.D. during the CDSS period. Similarly, if initial efforts with the on-going service cooperatives activity are successful, expansion of this activity should be supported. The Mission also is examining other possible channels for agricultural credit, such as the Federation of Honduran Credit Unions. At present, it is not possible to project with confidence the level of support which would be required from A.I.D.; however, our rough estimate would be that \$25 million will be needed. Both functional accounts and Title I/III would be used as a source of funding.

(3) Natural Resource Use: Building on the start to be made in FY 1980-81, we plan to support efforts to extend watershed improvement programs to all priority areas; expand forestry development management throughout the country and; increase the quality and level of sophistication of natural resource planning and management. This activity will be conducted in close coordination with the other donors who are interested in the problem.

(4) Appropriate Technology: To complete funding for our current activity \$4 million more will be needed. By FY 1984, we expect small, rural industries will have additional needs for an expanded range of industrial processes and, small farms will be producing charcoal from woodlots of fast growing tree species. Building upon that base, we expect to support fuel and electrical energy generation from renewable resources, possibly mini-hydro plants and fuel methanol from charcoal, as well as support the delivery of low-cost farm implements and industrial processes throughout the country.

(5) Agrarian Reform: Perhaps the most difficult issue facing the GOH is how to improve the land tenure picture. A.I.D. is working with INA to improve its institutional capacity, and is supporting agrarian reform settlements in the less populated areas of the country. This effort would be continued and may be complimented by new activities

such as: drainage of large extensions of cultivable land; leveling of land and development of potential irrigation; and colonization of new lands which are presently inaccessible. Furthermore, in FY 81 the Mission will begin exploring with the GOH other policies or programs which might reduce the inequitable access to income producing opportunities. One approach might involve the creation of a new land and estate tax structure, based on the USAID-financed national cadaster, which would make possession of large expanses of under-utilized land a personal as well as a social burden. An element of this approach might be to increase simultaneously the availability of financial resources for land purchase by small farmers through a land sale guarantee program or direct financing through local institutions, possibly with Title I funds. Another approach might be support for an evaluation of the conduct of the current titling and enforcement effort, followed by assistance in implementing the changes needed to make it more effective. We anticipate that our analyses would be advanced enough to undertake activities in support of this objective by FY 1982.

(6) Coffee Production: In view of the danger of the roya to the welfare of small farmers who have managed to graduate from the target group, and to get more small farmers into position to so graduate, we plan to explore with the GOH a possible program of assistance to these producers. Activities might be roya control through destruction of affected trees, use of pesticides, and other plant sanitation measures, and possible introduction of roya resistant varieties. CATIE is working on developing the resistant varieties and our bilateral program could consist of distribution of inputs, interim credit and technical assistance through the extension service, the Coffee Cooperative Federation, and the Honduran Coffee Institute. In combination with improved land tenure and additional access roads the program could encourage conversion of present precarious hillside farming to coffee trees with attendant benefits for watershed conservation. This effort would be an outgrowth of the general sector program, but in later years of the CDSS could receive enough importance to justify special program support.

2. Population

The continued high fertility rate is one of the major impediments to raising standards of living in Honduras, but this truth is not yet widely accepted among Hondurans. Fortunately a health rationale, based on maternal and child health factors, is accepted as a basis for official family planning programs although policy makers and planners will not yet publically recognize the demographic imperative for it. As a practical result less investment is being made in reducing the fertility rate than is required even to meet the health rationale needs. One of the issues facing us is how to change this situation.

Fortunately, there is an opportunity to expand the use of contraceptive services. At present, it is estimated that of the approximately 700,000 women of fertile age about 129,000 have access to such services on demand, either through commercial channels (70,000 mainly upper and middle class women), or subsidized programs (59,000 mainly target group women). Access is defined as both availability, knowledge of availability, and acceptance. In view of successes in the

modest community based distribution (CBD) programs and a high unmet demand for voluntary sterilization, there appears to be a latent demand for contraceptives among the target group.

The problem is how to meet this latent demand. It is still our judgment that direct bilateral programs involving A.I.D. and host country institutions could be counter productive. This is also the judgment of the present and former Ministers of Health who, while recognizing in principle the need for fertility reduction, also are aware of the political milieu in which they must function. Overt USG involvement in family planning programs would be opposed for various reasons by small but vociferous or quietly influential groups from both the left and the right of the political spectrum. For the near future, at least, we see no alternative to continuing to work through intermediaries to provide more contraceptive services and to work on increasing the awareness of the Honduran leaders that more vigorous efforts to control fertility are called for.

Over the near-term (1980-82) our strategy will be to use a series of RAPID presentations sponsored by the Honduran Family Planning Association (HFPA) for national and local opinion leaders. At the same time the Mission will continue supporting demographic analysis within the Superior Council for Economic Planning (CONSUPLANE) with the objective of including demographic considerations in the national planning process. (The UNFPA also is assisting CONSUPLANE in its work on maternal-child health and vital statistics support, but has not addressed the population issue directly in its \$4 million program.) A contraceptive prevalence survey also is being supported from central A.I.D. resources. The strategy also would support:

- i) building up the HFPA community-based distribution (CBD) program and ancillary programs to the point that financial self-sufficiency is achieved by HFPA;
- ii) creating linkages between HFPA and GOH institutions in order to diversify and expand the number of institutions engaged, and having a stake, in family planning activities; and,
- iii) expanding the client group demanding and receiving family planning services. By 1982 the Mission hopes to have increased by 148,000 the total number of fertile aged women practicing family planning in Honduras, thus increasing from 18 to 36 the percentage of acceptance in the fertile aged group.

The combination of information programs, and increased number of acceptors and institutions providing family planning services is intended to produce conditions which will bring the GOH later in the CDSS period to adopt a goal of achieving family planning as an accepted, integral and effective element of the GOH's health delivery system. At that time, the Mission would be prepared to support, within the context of a second Health Sector Loan, explicit support for family planning programs. It is unlikely that the GOH will adopt a population policy anytime soon; however, the health delivery system already provides family planning services for health reasons and improving the health delivery systems through the upcoming Health Sector Loan is expected to make these services more dependable and more widely available. Family planning

services now suffer from the same deficiencies in management and logistics that affect the entire health delivery system. As these services become more dependable and as more and more women seek them, the likelihood of a reversal of the growth trend in acceptor levels will be progressively reduced, and the probability of a de-facto acceptance of fertility control will be increased. The Mission is now developing a multi-year population strategy that will lay out the specific steps needed to bring about a level of acceptance and reduce fertility in the near to medium term. We plan to complete that strategy by the end of FY 1980

3. Health and Nutrition

Poor health and inadequate nutritional levels continue to undermine the productivity, income and well being of our target groups. Only 47% of all Hondurans have access to even basic medical attention, most of them through the village based primary care system staffed by volunteers. The infant mortality rate of 103/1000 live births nationwide (126/1000 rural areas) attests to the low level of health care. In rural areas 90% of all families have incomes below the level required for an adequate diet. The same is true for 60% of urban dwellers.

In the last five years A.I.D. has assisted the GOH to train 525 auxiliary nurses, 2,997 midwives and 2,542 community health workers and representatives for the primary health care system. An A.I.D. nutrition loan is financing the installation of 1,635 wells and 17,326 latrines. In the same period the IDB financed the construction of 243 rural health posts, the national teaching hospital and the renovation or construction of 10 regional or area hospitals.

By early in the CDSS period the following should have been achieved.

(a) Present or planned projects supported by the World Bank, IDB and A.I.D. should have increased the number of Hondurans who have access to safe water from the present 30% to 75% of the total population and the share of Hondurans who have adequate sanitary facilities to 36%.

(b) With the support of the FY 1980 Health Sector I Project, basic health care coverage for 65 percent of the population should be achieved and systems should have been established to increase the effectiveness of those systems with emphasis on technologies to prevent and treat gastro-intestinal infections and infestations, particularly among infants and children in their growth years when good nutrition is vital to their mental and physical development.

(c) The current supplementary feeding program should have been improved through the use of PL 480 Title II, Section 206 resources so that: (i) SAPLAN (National Nutrition Planning System) will be able to monitor nutritional status and adjust supplemental feeding and developmental programs accordingly; (ii) nutrition and health education will have been built into the supplemental feeding programs; and (iii) a capacity to produce blended foods from local raw materials will have been created.

Thus by early in the CDSS period there should be in place systems with which the GOH reasonably could aim to achieve, by the end of decade, primary health care coverage of the entire population, nearly complete access to safe water and sanitary facilities, and substantial reductions in malnutrition. The GOH should have been able to adopt a comprehensive sector program to achieve those goals, and our intent would be to support it with substantial resources for further expansion and improvement of the health system, of water supplies and environmental sanitation and of improved nutrition. PL-480 Title II resources as well as functional account funds will be used.

4. Education

The Honduran educational system is weak from top to bottom. It is fragmented; constantly under pressure from highly political teachers' unions; beset by the rapid expansion of the school aged population; perennially short of resources despite hefty budgetary increases in recent years; lacking policy orientation; weak in planning; and short of adequately trained teachers, administrators, textbooks and materials. These problems are most severe in the rural areas which have 65% of the school-aged population. In urban areas 97% of school aged children are enrolled, but in rural areas the figure is only 71%. This shows only part of the picture since enrollment does not ensure attendance nor attendance education.

It is estimated that only about 60% of school age children actually attend school. At the rate of of 30 children per classroom and based on the total number of rural children in the primary school age group, it is estimated that the shortage of classrooms in rural Honduras is 3,171 and growing at the rate of 400 annually against projected enrollment. This crude measurement shows only part of the picture since it does not account for badly located, under-used classrooms or those that should be replaced. Nor does it take into account the 2,735 schools that offer less than six grades and would have to be expanded to accommodate six grades. This means unacceptably high numbers of students per classroom, and contributes to low retention rates and high repeater rates. Preliminary data indicate an average of 32 children per rural classroom at the present rate of enrollment but observation reveals that class sizes of 70-90 in the first three grades are common. If all eligible children were to enroll, the ratio would be 41 per classroom. In contrast, at near full enrollment, urban areas have an average of 29 per classroom. An absolute shortage of teachers does not appear to exist since in 1979 the MOE started an obligatory social service program for last-year student teachers under which 1,300 student teachers will be assigned to rural schools in 1980. A problem that does exist is that only 71% of rural teachers are certified. The GOH has begun a professionalization program aimed at certifying all of these teachers. However, it is expected that the MOE for some time will have to continue to rely on new uncertified teachers. All in all, the result is that only 126 out of 1,000 first grade entrants can expect to finish the sixth grade, and the average attainment is under two years in rural areas where, because of drop-out and repeater rates, it takes 18-19 years of classroom time to produce one sixth grade graduate. As a result, Honduran education is not building the human resource base needed to

achieve the level of progress that should be expected from the country's development investments.

A basic GOH goal is to achieve 95 percent enrollment of primary school aged children by 1983, thus providing nearly universal access to six years of education, while raising to certification the majority of rural, now uncertified teachers. While the enrollment goal is probably not achievable by 1983, it may be realistic to reach between 87% and 90% and to approach the 95% goal sometime late in this decade. However, substantial financial and human resources will be needed to accomplish this goal. Given the pronounced educational disadvantages of the rural population, the Mission currently is focusing its attention on rural primary education --the weakest, most neglected, least successful element in the system. This part of the sector has the highest GOH priority and the most opportunity for rapid improvement in benefiting the target group. Since about half of the rural population is under the age of 15 and because primary schools, for all their failings, are ubiquitous in the countryside, rapid expansion and improvement of the primary school system represents the fastest least-cost method of improving literacy and numeracy rates. The system also offers an effective outreach mechanism for health, nutrition, and agricultural programs. Pilot practical projects will be expanded along with school construction. They have proven to be effective in disseminating useful agricultural information to adults in the communities where they operate. Supplemental feeding programs are established in many rural schools and offer a vehicle for health and nutritional information programs -- aimed at both the community at large and at the student population. A significant output of the Mission Title II, Section 206 activity will be devoted to nutrition curricula for rural schools. The Mission also is exploring ways in which the community production activity under the Agriculture Sector II Program can use the schools as an outreach mechanism.

Current projects are developing curricula and materials applicable in the rural environment (low-cost modular learning materials on basic subjects aimed at overcoming the chronic shortage of textbooks), training teachers in their use, and building and equipping 300 classrooms in rural areas as a pilot effort for practical skills training. These efforts will be merged into a larger project which, during 1980-83, will accelerate the construction of classrooms; increase teacher contact time by providing low cost housing in isolated areas; and improve the teacher supervision system. By FY 1983, these activities and a World Bank construction program, together will produce: 3,700 classrooms by (thus accommodating the growth of the school age population and marginally reducing the deficit in classrooms), enrollment of 80% of rural school-aged children, and general improvements resulting in higher retention rates so that it will take only 10-12 classroom-years to produce each sixth grade graduate. By the end of the CDSS period it should be possible to achieve effective literacy for 70% of the age group under 15 years, an increase of 8% over the current literacy rate; and perhaps 85% enrollment coverage. It is expected that other-donor resources, particularly those of the World Bank, also will be available to Honduras during the planning period. Nevertheless, given the magnitude of the effort needed to reach the goal, a second A.I.D.-financed rural primary school construction project probably will

be needed. Such a project may also begin expansion of rural primary education to cover nine grades, an approach common in Central America and being considered in Honduras.

In 1981-82, the Mission will employ a collaborative analytical process to examine the relationships between policies, resource allocations and internal and external efficiencies of the overall educational system and to identify systems and policies which would enable the MOE better to set and meet its goals. Early in the CDSS period, as progress toward improving the rural primary system is being made under the activities discussed above, specific priority attention will be directed toward management improvement in the educational sector as a whole. This will include all major subsystems, e.g., teacher training and qualifications, personnel management, standards and testing, materials production and curriculum development. Support for programs which may result from this process would be provided later in the CDSS period.

At this time we do not see that our strategy would include support for adult literacy programs, given the scarcity of resources in general, the high cost of such programs and the poor record of retention of such skills. Furthermore, the use of non-conventional methods such as instruction through mass media to optimize the effectiveness of available resources would play only a minor role in our strategy because of the fragmented, dispersed audience and the virtual absence of appropriate coordinating mechanisms. However, the development and dissemination of low cost, multi-student, modular materials, accompanying curriculum guidance, and instruction of teachers to audio-visual techniques should play an important role in improving educational quality.

5. Urban/Regional Development

Between 1961 and 1974 the urban population grew at a rate of 4.9% per year, approximately 1.4% higher than the growth rate of the total population. The fastest growing localities are those cities with more than 100,000 people (6.2%), followed by tertiary cities between 5,000 and 10,000 population (5.3%), intermediate cities with between 20,000 and 40,000 population (4.4%), and secondary cities with 10,000 to 20,000 people (3.5%).

For the most part, the rural poor do not migrate because of their inability to subsist in the country side. Rather, these people move to the urban areas with the expectation of finding advantageous employment, and perhaps the education and health services and other amenities of larger communities. The flow of migrants is from the rural areas to small towns, thence to larger cities. This migration has not accelerated as rapidly as it has in many other countries nor has it produced the magnitude of social ills found elsewhere. Thus Honduras still has an opportunity to influence the pattern of rural-urban migration and urban/regional development to achieve an orderly development of its urban service centers that will contribute to the socio-economic development of rural areas and slow the deterioration in urban living conditions.

Studies by the Urban Planning Office of the Ministry of Public Works and by the Tegucigalpa Metropolitan District highlight low paid and

irregular employment as the principal problem for the urban poor especially among the young and women. The pace and geographical distribution of industrialization is inadequate to provide productive employment for the growing numbers of urban poor. San Pedro Sula, the most industrialized area, has an estimated total unemployment rate of 11%, while Tegucigalpa's total rate is estimated at 18%. Smaller urban areas, more directly linked to the seasonal agricultural economy also experience considerable seasonal underemployment. By most measures, migrants, especially recent migrants to the larger cities, find themselves in conditions not much improved over those they left. They are about as likely to be unemployed or underemployed in the city as in the country. They are as likely to be poorly housed and malnourished but do have better access to education and health services.

During the past two years the GOH has put increasing emphasis on regional planning, although the analytical basis for such planning continues to be weak. The GOH has not decided whether to stress a sectoral (vertical), or a regional (horizontal), approach to development. While in practice there is no problem in proposing and assessing regional development goals and strategies, some conflicts do arise when the implementation of the regional approach requires the necessary coordination or "subordination" of various sectoral entities to the multi-sectoral approach. In an attempt to resolve the conflict between vertical and horizontal approaches the 1979 Annual Operating Plan of the GOH was organized by region, and Regional Development Boards were established. They were patterned on military regions, and headed by military commanders with the assistance of representatives from CONSUPLANE. However, for lack of trained CONSUPLANE representatives, the Regional Development Boards have not yet begun to operate as proposed. Furthermore, there is a question as to whether or not they ever will, given the fact that Honduras is expected to return to an elected civilian government shortly. It is still unclear how the central and regional planning functions will accommodate the change. This in turn makes it difficult to describe the A.I.D. urban regional strategy at this time in more than general terms.

Current urban AID programs are focusing on HIG financed low cost housing and urban upgrading, principally in the two major cities, and on the creation of infrastructure in secondary and tertiary cities and regional growth poles. The program also is attempting on a pilot basis, to integrate the provision of social services and physical improvements, and is supporting two OPG projects which involve housing-related small-scale industries. Other donors such as the OAS and the UNDP are assisting the GOH in regional development planning projects in the Aguan Valley and in the border region with El Salvador, but they are not involved in the countrywide regional planning process. In the smaller urban areas the IDB has provided financing for water systems, and in Tegucigalpa the IDB will soon begin a housing program that will include an employment generation objective by developing small industries. CABEI's secondary mortgage operation also is expected soon to become a significant source of housing financing. In response to the high priority the GOH attaches to rural housing, and because it will have an immediate impact on rural life, we are developing a Rural Housing Improvement Program for FY 1981.

The Mission is also in the first stages of an Urban/Regional Assessment which will assist the GOH to examine the laws, policies, practices, and investment patterns that influence regional and urban development and to develop a plan for investments that will facilitate country-wide development and equity. Policy recommendations and investment suggestions will be available from this Assessment beginning in 1981 which should allow the resulting investment program to be in accord with the emerging political realities and to reflect the policies which will be adopted by the new government.

We plan to undertake a major Urban Sector Program beginning with development funds in 1982 and to be supplemented with HIG funds in 1983. It will have the following goals: encourage the rational growth of the country's pattern of human settlements and service centers to support the economic (particularly agricultural) development of the country and reduce the migratory burden on the two major cities; and improve the living conditions of the urban poor. The program would draw upon the experience gained in projects underway, or soon to begin, and the results of the Assessment. Its focus would be on the rationalization of regional planning, the improvement of municipal planning and administrative capacities, infrastructure and housing improvements, and employment generation. (Since Honduras is basically an agricultural country, the principal approach to resolving the unemployment problem will continue to be through stimulation of the agricultural sector. However, this main thrust could be complemented by generating direct and indirect employment through infrastructure investments of the type to be included in the proposed sector program.) The program probably would not include the two major cities because these cities already have a disproportionate command of financial and human resources which in turn attract to these centers.

Recognizing that the shift to civilian government will imply some shift of power to elected local representatives, we find it likely that the A.I.D. strategy will include supporting the development of local governments --i.e. municipal planning and implementing capabilities-- as well as dealing with the central and regional planning and policy framework which will circumscribe local development options and influence local decisions. Efforts already have begun in this respect through A.I.D. support to the Autonomous Municipal Development Bank (BANMA) which provides training and technical assistance to municipalities as well as financing for infrastructure projects. This project as well as the A.I.D. assisted National Cadaster Program will help increase local revenues to ensure that increasing demands for local development may be financed to the extent possible from local resources. In recent years the taxing authority of municipalities have been narrowed, as the central government and its autonomous agencies have assumed these authorities. However, in recognition of the fiscal plight of most municipalities the GOH is now considering amplifying the municipal taxing authority.

6. Energy

Energy is a development problem in Honduras for the following reasons:

- The cost of imported oil weighs heavily in the balance of payments.

- The excessive cutting of trees has contributed to watershed deterioration, depleted sources convenient to the rural and urban poor, and raising cost of woodfuel.

- The rising relative cost of energy makes it harder to integrate rural areas into the marketing system and makes processing and manufacturing for increased value added less attractive. The combined effect of the above factors on the economic development of Honduras is quite negative in terms of overall economic growth, the daily life of people dependent on wood, and the loss of production and income of the people in the downstream of the deteriorated watersheds.

The El Cajon hydroelectric project, which is being supported by the IBRD and the IDB, will allow the interconnected electric grid to be supplied entirely by hydro power when it starts production in 1985. Until then some fossil fuels will continue to be required. Thereafter, isolated diesel systems will continue to require fuel until interconnection or smaller-hydro systems become feasible. The IDB is beginning to support the development of mini-hydro installations in isolated rural areas

In transport, there is no real substitute for petroleum distillates available in the CDSS time frame. Construction of an electrical railway would be prohibitively expensive in these mountains. Newer, more efficient vehicles could provide a small improvement in the gas mileage rate, as would road improvements. Of course road improvements also would create more transport demand, but that would serve the broader needs of rural development; and for the latter reason we anticipate that the IBRD, the IDB, and A.I.D. all will remain active in their support for improvements in the road system in Honduras. Gasohol might be a partial solution, but if the price of sugar remains high it probably will be more advantageous to export sugar than to convert it into alcohol. Thus further petroleum exploration is a possibility Honduras should pursue. There have been suggestions that the Mexican and the Venezuelan formations are linked and that more refined geophysical exploration techniques applied to the Honduran North Coast might result in commercial discoveries. The World Bank will make a small loan for developing Honduran institutional strength to regulate the exploration and exploitation by petroleum companies.

We see the role of A.I.D. as supporting further analysis of the energy options facing Honduras and working on innovations in the way our target groups use energy resources in their daily lives. For the former we intend to help Honduras expand its capacity to undertake energy planning and implement alternative energy activities, partially with centrally funded projects such as the Central American Energy Assessment. This effort would be relatively modest in size and not give rise to separate projects. It would take place throughout the period of the CDSS. The latter effort will begin with the work already undertaken in the Rural Technologies project and to be undertaken under the Watershed Management and Afforestation project and is expected to lead to a FY 1983 project. Both projects would be reinforced by ROCAP's Woodfuel project which seeks ways to replace wood with other energy sources, to develop more efficient wood burning technology and to identify and

introduce fast growing tree varieties. Assuming progress in these efforts, we anticipate supporting a major effort to expand this coverage throughout the country in the CDSS period.

7. Regional Cooperation

For the reasons discussed in the Macro-Economic Framework and the Development Plan parts of this paper, we do not at this time see that there is likely to be much interest on the part of the GOH in increased regionalism and economic integration. Nor do we see much that we could do at present to kindle such interest. That will have to await a clarification of the region's political future. In the meantime we intend to encourage and support the GOH's continuing to draw upon the regional technical institutions for inputs into its programs. In our view the most relevant institutions for Honduras' needs are CATIE, INCAP and ICAITI.

The technological information being generated and disseminated through ICAITI will become increasingly important in the CDSS time period as the Rural Technologies Project begins to produce results. Its work on energy will also be drawn upon.

INCAP has made important contributions to our current nutrition program, and would have a future role in our proposed FY 1980-81 PL 480 Section 206 program. The Mission will encourage the GOH to contract directly with INCAP for services.

We have suggested that CATIE take the lead in developing and improving coffee varieties that are resistant to roya. If it would do so we should propose that the bilateral A.I.D. program here support arrangements at the appropriate time for adapting the coffee research work to the specifics of Honduran ecological conditions. We should anticipate that our Rural Technologies and Water Resources/Afforestation projects could do the same with CATIE's work in small farmer cropping systems and woodfuel tree variety research.

It appears to us that at present the work of the several regional technical institutions often is too remote from the immediate needs of our projects. We suggest that at least some of the future A.I.D. support to these institutions be in the form of IQC-like agreements under which the Missions could issue task-orders for specific services. A specific annual amount could be allocated to ROCAP for funding these IQCs, and the USAID's would get drawing accounts. That mechanism could be broadened to permit the host governments to draw on the arrangements as well. The institutions might be given a guarantee of a certain minimum level of support, and might be more responsive to our current needs.

The importance of CABEI as a donor bank is described elsewhere in this paper. The Honduran perception of CABEI appears to be that it is cumbersome to deal with. If this is a common complaint, it would bear investigating - especially if A.I.D. plans to use CABEI as a significant channel for assistance to the general development of its member countries.

LAND REFORM AND THE LANDLESS POOR

Honduras is attempting to implement one of the most extensive land reform programs presently under way in Latin America. The program contemplated, when initiated in 1974, distribution of 600,000 hectares to 100,000 peasant farmers, representing approximately 80% of the landless and subsistence level farmers in Honduras. Of this total, approximately 50 to 60,000 families were settled by late 1977, although only about 26,000 families have remained on their land.

There are many reasons for this high abandonment rate. Many families were settled on marginally productive land. Many land settlements were created "spontaneously", and the Government of Honduras (GOH) has not been able to supply these groups with the minimum support services required to achieve productive self-sufficiency. Finally, the relocation of 100,000 families is an expensive, difficult process which exceeds the budgetary and institutional capabilities of the GOH.

USAID/Honduras assisted the land reform process. Under the Agriculture Sector Program I nearly \$3 million was provided for group farming activities in land reform regions. The Small Farmer Technology project provided an additional \$5 million for agricultural credit for these groups, and also provided technical and financial assistance for the creation of technical teams to assist group farming units with the planning and management of their operations, as well as financing research of appropriate technologies for these farms. Finally, the Hurricane Rural Reconstruction and Recovery/Agricultural Credit project provided an additional \$4,600,000 in credit for these groups.

A potential exists for additional efforts in land reform in Honduras. Of an estimated 3.4 million hectares of potentially arable land, only 20% is cultivated. Based on the 1974 census, approximately 73,000 farm families are landless, and an additional 53,000 families farm subsistence size plots. The land reform efforts to date have barely kept pace with population growth of this target group. However, the Government of Honduras plans to continue and expand its land reform activities. It also plans to implement large road construction and irrigation/drainage projects to the extent resources permit. Finally, it plans to expand forestry activities, thus creating additional employment opportunities for the landless poor.

Rapid expansion of the land reform effort confronts many serious problems, however. Large areas of potential crop lands are either currently inaccessible, devoted to extensive grazing, or underutilized due to lack of irrigation and drainage facilities. Many subsistence level and landless farmers are culturally tied to traditional areas of the country, and are unwilling to relocate. Finally, the cost of directed resettlement programs on a per farmer basis inhibits replication on a massive scale, even without considering the tremendous cost of infrastructure required to open new areas of Honduras.

The USAID Mission in Honduras is presently financing a study of the rural poor in Honduras. This study will provide a better idea of who the landless and subsistence level poor are and what are their economic activities. The information provided in this study (to be completed in January 1980) will enable the Mission and the Government of Honduras to develop new strategies capable of assisting this population.

The USAID Mission will also assist the Government of Honduras land reform implementing agency (National Agrarian Institute) through scholarship and in-service training activities under the Agricultural Sector Program II. Under the same program; improvement of agricultural extension services, service cooperative development, and reorganization of the National Development Bank are all designed to facilitate the provision of Government services to farmers both in land reform and non land reform areas.

Jan.4, 1980

MD

USAID/PEACE CORPS
JOINT INVOLVEMENT

Peace Corps participation has been highly instrumental to the successful conclusion of various AID funded projects. The possibility of Peace Corps involvement is taken into consideration during project design and development. Several AID projects are dependent upon the services of Peace Corps Volunteers to provide the middle level technical assistance in training Honduran project personnel, and to assist with the actual execution, with Honduran counterparts, as extensionists. Several P.C.V.s are assigned to rural areas living under general hardship conditions, which would be difficult to fill with outside technicians.

The success of the Aquaculture Pilot Project, for example, was largely due to the continued assistance of Peace Corps Volunteers. The Peace Corps has participated since the beginning of the project, assigning trained biologists and economists to work as volunteers with the Directorate of Renewable Resources in training Honduran project personnel. Another example is the Pilot School Program which is dependent upon Peace Corps volunteers to identify and submit to USAID through the Ministry of Education, requests for school projects which meet the requirements to be financially supported by AID funding. The volunteers assigned to the recipient schools play an active role in supervising the actual expenditure of project funds. Peace Corps volunteers are generally more familiar with AID procedures for obtaining funds than are most rural school teachers. Until Peace Corps involvement in this project, most rural school teachers were not aware of USAID as a source of potential funding.

The USAID Special Development Activity (SDA) which is used to support small community projects encourages Peace Corps participation, and gives priority to project proposals submitted by Peace Corps volunteers. USAID has learned, from experience, that generally projects supervised by Peace Corps volunteers have a greater chance to succeed than those proposed and implemented exclusively by the communities. Recently a P.C.V. was assigned to directly assist the USAID Engineering Office to coordinate the S.D.A. activity.

In an effort to expand USAID/PC cooperation all USAID office directors were asked to identify the approximate number of PCV's who could be fitted into future USAID projects. Tentative conclusions indicate that USAID will need P.C.V. for the following projects.

- Rural Technologies
4 PCV - (2 Voc. Ed. 1 Generalist, 1 Agronomist)
- Rural Water and Sanitation
10 PCV - (2 Engineers, 8 Generalists)

- Rural Trails and Access Roads
4 PCV - (4 Civil Engineers)
- Agriculture Sector II
40 PCV approximately, (15 in agricultural extension, 8 in cooperatives, 5 in credit planning, 4 in feasibility projects and the rest in miscellaneous positions).

142

CREDIT UNIONS

The Honduran Federation of Credit Unions, FACA, was given considerable A.I.D. support in its organization stage and its earlier years. The most recent direct assistance from A.I.D. was through the Agriculture Sector I and Hurricane Reconstruction programs whereby nearly \$2 million was channeled through the National Development Bank (BNF) for relending by FACACH member credit unions for agricultural production purposes. At present time A.I.D. is considering how it might use and extend the Credit Union System to reach out further into the countryside with credit for agricultural production. We have just signed a contract for the service of a U.S. Officer who has had in-depth experience with CUNA working on credit union development in another L.A. country. The following description of FACA is reproduced from the Agriculture Sector Assessment of August 1978.

Federación de Asociaciones Cooperativas de Ahorro y Crédito (FACACH)

a. Origins and Growth

FACACH was founded in 1966 following a year of intensive work in the organization of credit unions under a program financed by AID, which included technical support through CUNA International, Inc. The original 46 member cooperatives (6 forerunners and 40 organized under the AID/CUNA program) had total membership of 5,346. The movement grew rapidly to 126 cooperatives with nearly 30,000 members by 1970. Subsequent growth has been slower, involving the weeding out or consolidation of smaller and weaker cooperatives. At the end of 1976, FACACH united 112 cooperatives with a membership of 32,000.

The FACACH credit union movement has been even more impressive and consistent in the growth of its financial strength and volume of financial activities than in size of membership. The following data show the rate of increase:

<u>Year</u>	<u>FACACH Portfolio of Loans to Affiliates and Others</u>	<u>Affiliates' Portfolio of Loans to Members</u>
1966	Lps. 16,000	Lps. 500,000 (approx.)
1970	1,058,000	4,333,000
1973	3,164,000	13,100,000
1976	5,496,000	19,000,000

There is a duplication in the above figures in that FACACH as a Federación had outstanding loans to cooperatives of Lps. 3,500,000 for relending to credit union members. On balance, therefore, FACACH and its members, as a group, constitute the equivalent of a bank with outstanding loans of about Lps. 21,000,000.

1/ This loan was made from AID funds. AID auditors found that FUNHDESA did not keep adequate records on these funds and commingled them with funds from other sources, with the result that use in accordance with terms of the loan could not be established.

The sources of these loan funds are as follows:

	<u>Amount in Lempiras</u>	<u>Percent</u>
Loans from Government of Honduras (including AID funds)	Lps. 2,650,000	12.5
Loans from COLAC (Confederation of Latin American Credit Unions)	877,000	4.1
Savings generated by members	16,515,000	77.6
Loans from cooperatives	371,000	1.7
Other loan sources	385,000	1.8
Donations to Capital	488,000	2.3
TOTAL	Lps. 21,286,000 ^{1/}	100.0

From this it will be observed that nearly 80% of the funds utilized by FACACH have been generated by savings within the Honduran Cooperative Movement.

b. Credit Union Activities

Since its beginning in 1966, the member cooperatives of FACACH have lent to their members Lps. 85,000,000, most on short-term. As of 1970 about 18% of loans were for agriculture and another 5.6% for animals. In 1976 the corresponding figures were 12% and 2%. Some of these loans may be for marketing rather than production; on the other hand, there were also many loans categorized as commercial that doubtless relate to agricultural goods or their derivatives. The impact of normal savings and loan activities on low income farmers has; however, been small. Though FACACH has a substantial rural membership, many of these are employees (e.g., of Standard Fruit Co.), commercial and professional people, government employees, and the like. A rural cooperative such as that at Danlí, for example, believes less than ten percent of its members are farmers. There are, however, a few local cooperatives in which lower-income farmer participation is strong and, as described below, FACACH is now placing more stress on working with small farmers.

In addition to providing savings and loan opportunities, the FACACH system also provides life insurance for payment of loans taken out by members (a form of insurance which helps the cooperatives reduce delinquency as well as benefitting the member); additional family and individual life insurance is provided for 3,261 members who pay for it.

c. Programa Crédito de Producción (PCP)

In recent years FACACH has instituted a Credit Program for Production (PCP) which is basically for agriculture but includes small industry. This program was launched on a small and experimental basis, but the intent is.

^{1/} Total exceeds size of portfolio since FACACH and its affiliates also have other current and fixed assets.

144

to expand it as rapidly as possible, consistent with good business judgement and availability of resources.

During 1976 FACACH conducted projects in eight cooperatives. The total amount of credit provided was Lps. 523,000 (of which Lps. 427,000 was for seven cooperatives in agriculture and one for Lps. 96,000 for one cooperative in industry). In 1977 FACACH is supporting PCP programs involving several hundred participants in ten cooperatives. New projects added relate to irrigation and cotton. The 1977 projects involve loans totalling Lps. 636,000.

The agricultural projects involved corn, rice, beans, vegetables, pigs and bees. Most of the projects were with individual farmers but in one project (bees, rice and vegetables) the operation was done on a collective basis.

In these projects FACACH endeavors to provide a complete package of services, not credit alone. It negotiates agreements for supply of inputs at reasonable prices with various suppliers. It has a staff of three agronomists in the field and another at national headquarters to select projects, advise cooperatives in their promotion, planning and organization, provide technical direction to the projects, and to assist in marketing. In the case of three cooperatives it has made arrangements with commercial firms to integrate production with marketing. It has secured quotas for marketing basic grains through BNF. It has also made an agreement for the sale of production to COHAAT (Cooperación Hondureña Alemana de Alimentos por Trabajo). There is also an agreement between the Governments of Honduras and Western Germany, signed in 1976, to provide two technicians to PCP for a period of four years.

The ATAC baseline survey included a sample of 40 participants in FACACH's corn and bean projects in Olancho. The results showed that the participants achieved somewhat better farming results per manzana than either clients of the BNF in Olancho or members of the control group. They may actually have done better than the statistics show since on average they were holding a much greater part of production for future sale rather than selling all at the time of harvest. The FACACH group also received somewhat larger loans on average than the BNF clients. FACACH has informed us that there was almost 100% recuperation of the amounts loaned. 1/

The FACACH PCP program is open to any cooperative that is organized with personería jurídica and has good management. It need not be a credit union. Some of the credit unions participating in the program have organized departments to sell inputs and even consumer goods. Thus they are tending to become cooperativas de servicios múltiples, though continuing their active FACACH affiliation.

1/ FACACH also claims continuing good repayment of loans in 1976 except in a ride project, on which, owing to climatic factors, all production was lost. It, nonetheless, expects the amounts to be recuperable with only moderate loss in succeeding farm years. A potential danger to FACACH as to all lenders, of course, is the risk of successive crop failures that could ultimately make control of delinquency unmanageable.

FACACH has been financing this new program in part with funds from BNF (Lps. 720,000 at 6%). It has no record of delinquency. It is not happy with this type of financing, however, both because it is far less than it needs has asked for, and because most of it is for a term of only 15 months. FACACH considers it important for good management to have the use of funds over a period of years to permit the orderly planning and development of the program. FACACH also would like a lower interest rate inasmuch as it considers the 5% spread between the cost of money and the 11% paid by the farmer inadequate to cover the costs to FACACH and to the participating cooperatives in a program requiring this degree of technical assistance and supervision. An alternative source of financing for FACACH would be COLAC (at 9% or more), but this is prohibitive.

For the development of its PCP program, FACACH would like to secure financing of Lps. 5,000,000 over a 10-year period, to be increased to Lps. 10,000,000 over fifteen years.

d. FACACH as Banker to the Cooperative Movement

In addition to operating as a credit union federation, FACACH has always aspired to be banker to the cooperative movement. Indeed, for a period of time it acted as a channel for AID loans to FEEOAGROH (see below) before that agricultural federation became insolvent with significant losses to FACACH.

To a certain extent, FACACH has achieved its aim as the following table showing recipients of its loans in 1976 indicates:

<u>Recipients</u>	<u>Amount</u>	<u>Percent</u>
Affiliated cooperatives (credit unions)	Lps. 1,898,613	43.6
Coffee cooperatives	1,195,136	27.5
Industrial cooperatives	748,553	17.2
Agricultural cooperatives	12,802	.3
Development institutions	498,733	11.4
TOTAL:	Lps. 4,353,837	100.0

FACACH thus provides a supplementary source of funds for cooperatives and institutions (FUNHDESA) over and above what may be available from BNF's cooperative window or other sources. The development value to the cooperative movement of lending to coffee cooperatives appears dubious in light of their capability to use BNF and private banking sources. Moreover, since FACACH in turn also borrows from BNF, to some extent, the operation involves money chasing itself around in circles. FACACH helps to build up its funds for lending not only by securing obligatory deposits from credit union members but also by requiring non credit union borrowers to make time deposits (Certificados cooperativos de depósito a plazo fijo). This, of course, means that net lending is less than the figures indicate.

146

e. Institutional and Financial Soundness

A credit union federation cannot be judged by the profits it makes because that is not its purpose. The two most relevant factors are: (1) whether it is continuing to accumulate capital at a healthy rate and (2) whether it is satisfactorily covering its operating expenses out of income.

On both points the books of FACACH show satisfactory results. Its total capital (patrimonio y resevas, less reserves for bad debts) has been growing as follows:

1973	Lps. 1,005,000
1974	1,317,000
1975	1,788,000
1976	2,162,000

With respect to the covering of operating expenses, the books show that FACACH has in a sense reached its goal of self-sufficiency. The margin is not very great--a surplus of Lps. 14,500 in 1976. The surplus was computed before deducting Lps. 108,000 in costs defrayed from "donations" from Inter-American Foundation, Fundación de Desarrollo y Paz del Canadá, and the Instituto Austríaco de Cooperación Internacional. This, however, is reasonable as the donations were not made as general contributions to capital but rather to enable FACACH to undertake extra-budget activities. A further point to be made is that FACACH is not capitalizing in equity form the spread between its soft loan of AID funds and a normal interest rate. In this sense, there continues to be a moderate subsidization of FACACH's expenses.

The very serious and difficult problem to analyze is the extent to which FACACH's portfolio of loans is safe and whether its reserves for bad debts are adequate. An indication of the scope of this problem is that FACACH refinanced in 1976 debts amounting to Lps. 1,683,000. This is over 38% of FACACH's lending for the year and, by any criteria, is a lot of refinancing. FACACH did add nearly Lps. 60,000 to its reserve for bad debts during the year, which reserve now totals Lps. 195,000. This reserve amounts to something better than 3% of the total amount of its portfolio of Lps. 5,889,000 at the end of 1976.

An analysis of the refinancing that took place in 1976 shows that nearly 37% was on loans from FACACH to member credit unions. Much of this is doubtless due to overlending on the part of affiliated cooperatives and to their own difficulties in getting timely repayments from their members. The whole credit union system works through essentially short-term credits, which result in frequent short-term delinquencies which, for the most part, can be cleaned up in a reasonable period of time. Many of FACACH's clients have been pressed on liquidity by Hurricane Fifi, the inundations and drought of 1975, and the contraction of credit from BNF during a period of expanding need. The real problem for FACACH arises if in a given cooperative the situation becomes so

critical as to threaten the cooperative's solvency and ability to continue in business. It would, therefore, require considerable study of the principal cooperatives in need of refinancing to determine the degree of risk involved. A recent study by COLAC ^{1/} suggests that member credit unions have about Lps. 1,300,000 of uncollectable debts. However, it is not clear how much of this may be recuperable from member "aportaciones" or covered by local cooperatives reserve for bad debts.

The balance of the amounts refinanced constituted loans to coffee cooperatives, industrial cooperatives, and development institutes in that order. The refinancing for coffee cooperatives, which are prospering, is probably not too serious; the loans to the industrial coops may or may not be risky; and the loans to development institutions (mainly if not wholly FUNHDESA) should be cause for considerable concern.

During 1976 FACACH instituted a series of measures to bring delinquency under better control. These measures include:

1. Care in granting sound credits
 - a. Requiring solid guarantees
 - b. Assuring that length of loans is adequate
 - c. Requiring feasibility studies, as necessary
2. Active program of debt collection, including visits to borrowers.
3. More effective control of budgets on the part of individual cooperatives.

FACACH has a continuing educational program. This included in 1976 some 80 courses and seminars, usually of two days duration, for over 2,000 members. FACACH has been stressing the importance of the prevention and control of delinquency in its cooperative education courses.

The COLAC report on FACACH (referred to above) cites many weaknesses in the FACACH organization, including its recent lack of growth, lack of sense of direction, lack of auditing of cooperatives in the South (where delinquency is particularly serious), and deficiencies of administration and control. These observations conform with general impressions that FACACH has the potential to be a stronger and more dynamic organization than it is. A particular observation of COLAC that should be noted is its caution that an overstress on high risk loans to agriculture could be dangerous for the organization.

THE AMBASSADOR
Mari-Luci Jaramillo

OFFICE OF
THE DIRECTOR

John R. Oleson, Mission Director
Leo L. Ruelas, Deputy Mission Director

POLITICAL
SECTION

Stuart Lippe

ECONOMIC
SECTION

Paul Wackerbarth

JOINT
ADMINISTRATIVE
OPERATION

Anthony Babin

EXECUTIVE
MANAGEMENT
OFFICE

James A. Leo

OFFICE
OF THE
CONTROLLER

William J. Hillier

OFFICE OF
PROGRAM AND
CAPITAL RESOURCES

Julius P. Schlotthauer

OFFICE OF
AGRICULTURAL
DEVELOPMENT

William H. Janssen

OFFICE OF
ENVIRONMENT
AND TECHNOLOGY

Fred Zumwalt

OFFICE OF
HUMAN RESOURCES
DEVELOPMENT

Jimmie M. Stone

OFFICE OF
DEVELOPMENT
ENGINEERING

James R. Callaway

HEALTH AND
NUTRITION
DEVELOPMENT

Thomas Hyslop

EDUCATION
DEVELOPMENT

Ambrasio Ortega

URBAN DEVELOPMENT AND
SOCIAL ANALYSIS

John C. Kelley

149

USAID Organizational Chart

<u>PROJECT NUMBER</u>	<u>PROJECT TITLE</u>	<u>PROJECT OFFICER</u>	<u>PROJECT SUPPORT OFFICER</u>	
1. Activities under Implementation				
A. LOAN PROJECTS				
1.	022	Municipal Dev. Bank	Kelley	Orr
2.	024	National Cadaster	Deinken	Orr
3.	025	Agricultural Sector I	Johnston	Bernius
4.	029	Nutrition	Huslop	Baum
5.	030	Access Roads (Recon.II)	Callaway	Baum
6.	030	Agricultural Credit (Recon.II)	Conley	Bernius
7.	031	Rural Primary Schools	Ortega	Orr
8.	032	Small Farmer Technology Capital Investment Fund	Conley	Bernius
9.	033	Aguan Valley Rural Electrification	Russell	Baum
10.	034	Ag. Sector II	See Attachment I	Bernius
11.	035	Rural Trails & Access Roads	Callaway	Klassen
12.	036	Rural Water & Sanitation	Russell	Baum
13.	HIG-005	Shelter for Urban Poor	Conway	Orr
14.	Title I		Bernius	NA
15.	Title III		Wingert	Bernius
B. GRANT PROJECTS				
1.	0000	Program Development and Support (PD&S)		NA
	0000.1	ARD & N	Bernius	NA

<u>PROJECT NUMBER</u>	<u>PROJECT TITLE</u>	<u>PROJECT OFFICER</u>	<u>PROJECT SUPPORT OFFICER</u>
0000.2	Health	Klassen	NA
0000.3	Education	Orr	NA
0000.4	Special Dev.	Orr	NA
0000.5	Population	Klassen	NA
2. 0073	Special Dev. Act.	Russell	Baum
3. 0108	Non-Formal Rural Ed.	Ortega	Orr
4. 0119	Rural Education	Ortega	Orr
5. 0120	Agro-Industrial Export Dev.	Oberbeck	Bernius
6. 0123	Small Farmer Tech.	Zumwalt	Klassen
7. 0124	Nutrition	Hyslop	Baum
8. 0128	Pespire Valley Integrated Dev. (OPG)	Schwartz	Bernius
9. 0130	Integrated Rural Health Services	Hyslop	Klassen
10. 0137	Rural Trails	Callaway	Baum
11. 0139	Agricultural Research	Oberbeck	Bernius
12. 0147	Hermandad (OPG)	Ortega	Baum
13. 0148	Health Sector Planning	Hyslop	Klassen
14. 0150	Agricultural Sector II	Johnston	Bernius
15. 0157	Rural Technologies	Zumwalt	Klassen
16. 0160	San José Obrero (OPG)	Kelley	Orr
17. 0166	Eye Care Training (OPG)	Hyslop	Klassen
18. 931-1092	Regional/Urban Assessment	Kelley	Orr
19. 931-0003	Urban Income Dynamics	Kelley	Orr
20. 0163	PL 480, Title II	Hyslop	Baum

<u>PROJECT NUMBER</u>	<u>PROJECT TITLE</u>	<u>PROJECT OFFICER</u>	<u>PROJECT SUPPORT OFFICER</u>
21. 0164	Rural Trails and Access Roads	Callaway	Klassen
22. 0166	Rural Water and Sanitation	Russell	Baum

II. Activities Under Preparation

1. 0168	Natural Resource Management	Anderson	Bernius
2. 0153	Health Sector I	Hyslop	Klassen
3. 0167	Rural Primary Education	Ortega	Orr
4. 0165	Municipal Dev. II	Kelley	Orr
5. 0155	Urban Upgrading (G)	Kelley	Orr
6. 0155	Urban Upgrading HIG	Conway (RHUDO)	Orr
7. 0158	FEHCOVIL (OPG)	Kelley	Orr

April, 1980

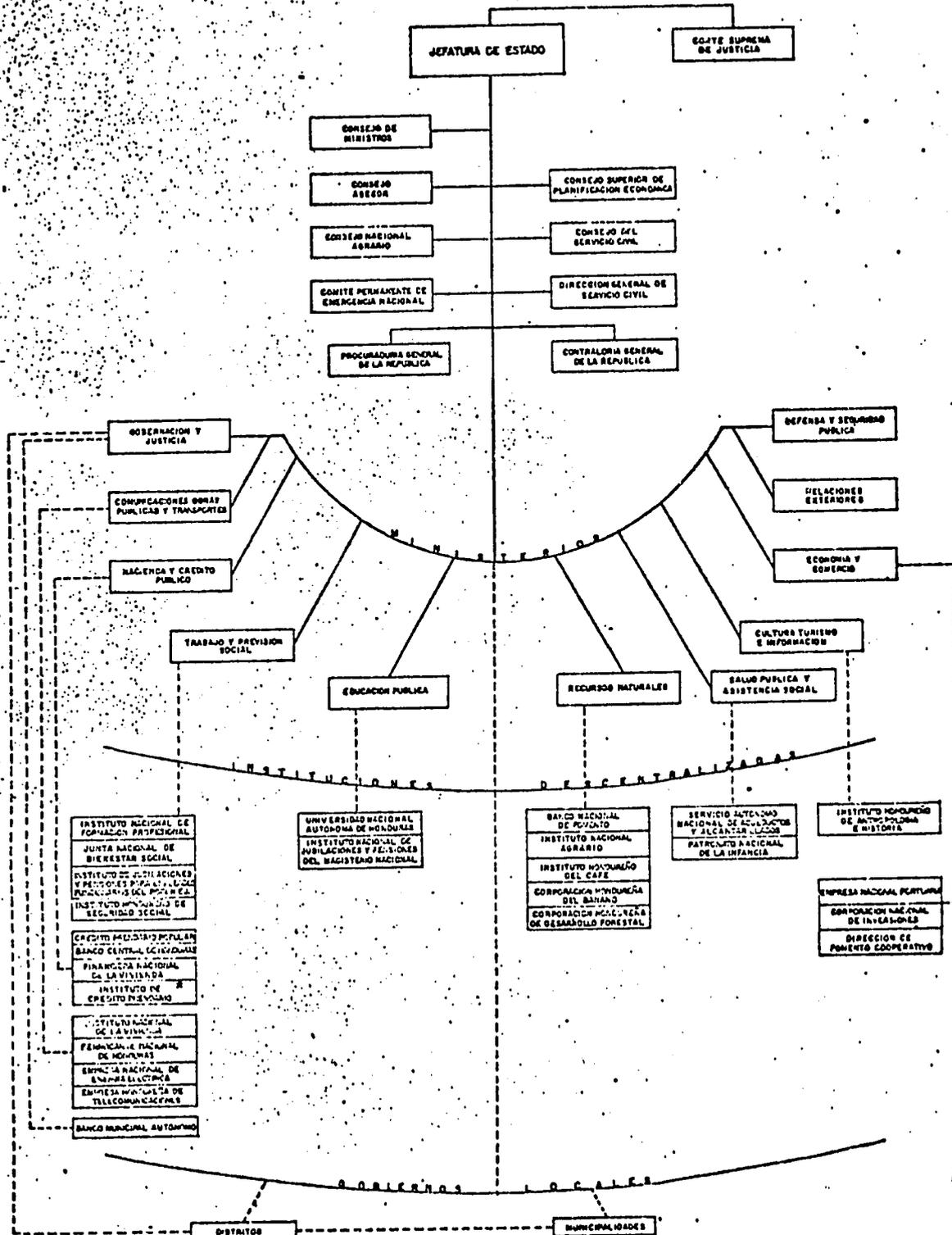
152

Project Officer for Major Components of Agriculture Sector II Program
(both loan and grant)

A. Overall	
B. <u>Human Resources</u>	<u>Project Officer</u>
1. Participant Training	Conley
2. In-Service Training	Conley
3. CURLA	Schwartz
C. <u>Institutional Development</u>	
1. Planning System	Johnston
2. Information System	Johnston
3. Marketing System	Wingert
D. <u>Delivery System</u>	
1. Extension Service	Schwartz
2. Service Cooperatives	Wingert
3. BNF Regionalization	Conley
4. Consumption Packages	Schwartz
E. <u>Coordination Unit</u>	Johnston

REPUBLICA DE HONDURAS

SECRETARIA TECNICA DEL CONSEJO SUPERIOR DE PLANIFICACION ECONOMICA
 DIAGRAMA DE ORGANIZACION DEL SECTOR PUBLICO



FUENTE: BASE LEGAL DE LAS INSTITUCIONES DEL SECTOR PUBLICO DE HONDURAS. UNIDAD DE REFORMA ADMINISTRATIVA. FOLIO 17 DE JUNIO DE 1977

*/ Instituto de Crédito Educativo.

LIST OF GOVERNMENT OFFICIALS

Military Junta

Gral. de Brigada Policarpo Paz García (President)
Cnl. de Aviación DEM Domingo Alvarez R. (Member)
Cnl. de Infantería DEM Amilcar Zelaya (Member)

Ministers and Vice-Ministers

Cnl. de Infantería DEM
Cristóbal Díaz
Ministro de Gobernación y Justicia

Abg. Leónidas Rosa Bueso
Viceministro de Gobernación y Justicia

Lic. Valentín de J. Mendoza A.
Ministro de Hacienda y Crédito Público

Lic. Jorge Hernán Galeas
Viceministro de Hacienda y Crédito Público

Cnl. de Infantería, DEM
Diego Landa Celano
Ministro de Defensa

Tte. Cnel. de Infantería DEM
Obidio Mendoza
Viceministro de Defensa

Cnl. de Ingeniería DEM
Mario Flores Therésin
Ministro de Comunicaciones, Obras Públicas y Transporte

Tte. Cnl. de Infantería DEM
Rolando Mejía Garrigó
Viceministro de Comunicaciones y Transporte

Ing. Carlos A. Salgado
Viceministro de Obras Públicas

Dr. Eugenio Matute Canizales
Ministro de Educación Pública

Prof. Jaime Martínez
Viceministro de Asuntos Técnicos (Ministro de Educación)

Prof. Efraín Díaz Figueroa
Viceministro de Asuntos Administrativos (Ministerio de Educación)

Dr. Luis Cousin
Ministro de Salud Pública
y Asistencia Social

Dr. Manuel Octavio Suazo
Viceministro de Salud Pública y Asistencia Social

Abg. Armando Alvarez
Ministro de Cultura y Turismo

Lic. Hermes Bertrand Anduray
Viceministro de Cultura y Turismo

Abg. Eliseo Pérez Cadalzo
Ministro de Relaciones Exteriores

Lic. Carlos López Contreras
Viceministro de Relaciones Exteriores

Lic. Carlos Manuel Zerón
Ministro de Economía

Lic. Enrique Paredes
Viceministro de Economía

Lic. Adalberto Discua
Ministro de Trabajo y
Previsión Social

Lic. Alejandro Alvarez
Viceministro de Trabajo y
Previsión Social

Lic. Rafael Leonardo Callejas
Ministro de Recursos Naturales

Ing. Guillermo Sevilla Gamero
Viceministro de Recursos Naturales

Lic. Virgilio Cáceres Pineda
Secretario Ejecutivo
Consejo Superior de
Planificación Económica (CONSUPLANE)

Lic. Ramón Mondragón
Subsecretario Ejecutivo
Consejo Superior de
Planificación Económica (CONSUPLANE)

Tte. Crnl. Manuel Enrique Suárez
Director Ejecutivo
Instituto Nacional Agrario (INA)

156

Other High Level Officials

Profa. Carlota de Paz García
Presidente
Junta Nacional de Bienestar Social (JNBS)

Lic. Práxedes Martínez
Presidente
Banco Central de Honduras

Lic. Roberto Valladares B.
Presidente
Banco Nacional de Desarrollo Agrícola

Ing. Angel Boesch
Gerente General
Empresa Nacional de Energía Eléctrica (ENEE)

Ing. Rubén Clare Andino
Gerente General
Servicio Nacional de Acueductos y Alcantarillados (SANAA)

Lic. Teodorico Sierra
Gerente
Empresa Nacional Portuaria

Cr. de Infantería, DEM
Dagoberto Gómez Suazo
Gerente General
Corporación Hondureña de Desarrollo Forestal (COHDEFOR)

Lic. Rodolfo Alvarez Baca
Presidente
Financiera Nacional de la Vivienda (FINAVI)

Ing. Augusto Coello
Presidente
Corporación Nacional de Inversiones (CONADI)

Lic. Mario Iván Casco
Presidente
Corporación Hondureña del Banano (COHBANA)

Lic. René Ardón Matute
Gerente
Instituto Hondureño de Mercadeo Agrícola (IHMA)

April 15, 1980

GENERAL INFORMATION ABOUT HONDURAS

Official Name: Republic of Honduras. **Geographic Area:** 42,300 sq.mi. (about size of Ohio). **Population:** 3,600,000 (1979). **Capital:** Tegucigalpa (pop. 394,000). **Annual Population Growth Rate:** 3.5%. **Density:** 85 per sq. mi. **Ethnic Groups:** Mestizo (mixed Indian and European) 90%, small numbers of Europeans, Negroes, and Indians. **Religion:** Roman Catholic, small Protestant minority. **Language:** Spanish. **Literacy:** 60%. **Government:** Military controlled with legislative authority exercised through a Council of Ministers. **Flag:** Two blue horizontal bands separated by a white center stripe holding a cluster of five blue stars. The stars represent members of the former Federal Republic of Central America: Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua. **National Day:** September 15 (Proclamation of Central American Independence in 1821). **Monetary Unit:** The Lempira (named after a national hero) consisting of 100 centavos. **Official Exchange Rate:** 1 Lempira = US\$.50.

Geography

Honduras is an independent republic located in Central America bounded by the Caribbean Sea on the north, Nicaragua on the south, El Salvador and Guatemala on the south and west. Its Pacific coastline consists of a 90-mile arc along the Gulf of Fonseca, and its Caribbean coastline is 400 miles long. Two major mountain ranges bisect Honduras northwest to southeast, with tropical lowlands along both coastal areas. Extensive fertile valleys and plateaus lie between the mountain branches. The climate ranges from temperate in the mountainous interior to tropical in the lowlands. The dry season lasts from November to May in the southern, western, and interior areas of the country. Along the north coast and eastern part of the country the seasons are reversed with heavy rains from October to March. Tegucigalpa, (with its sister city of Comayagua) is the largest city in Honduras. San Pedro Sula is the principal city in the northern commercial heartland. The major Caribbean ports are La Ceiba, Tela, and Puerto Cortés. Amapala is the only Pacific port but a major new facility is under construction at San Lorenzo.

People

About 90% of the Honduran population is mestizo, a mixture of European and Indian. There are small minorities of Europeans, Indians, and Negroes. Most Hondurans are Roman Catholic. Spanish is the predominant language, although some English is spoken on the Bay Islands (in the Caribbean Sea) and along the northern coast.

History

Centuries before the arrival of the first Europeans the area that

is now western Honduras was occupied by the Maya Indian civilization and the major remains of their settlements are concentrated in an area near present-day Copán. With the decline of the Maya in Honduras, the Indians lacked the strength or organization to resist 16th century European exploration and settlement. The territory comprising Honduras was claimed for the Spanish crown in 1502 by Christopher Columbus on his fourth and last voyage to the New World. Honduras was a part of the Captaincy General of Guatemala throughout the colonial period.

In 1821 the Central American colonies declared their independence and formed a Federal Republic of Central America which lasted until 1838, when the five component states (Honduras, Costa Rica, El Salvador, Guatemala, Nicaragua) established independent governments. The national hero of Honduras, Francisco Morazán, played a leading role in the unsuccessful effort to keep Central America united. Frequent revolutions have marked the history of Honduras as an Independent state, although relative stability was achieved under Presidents Tiburcio Carías Andino (1932-1948) and Juan Manuel Gálvez (1949-1954).

In October 1956 the Honduran Armed Forces seized power from a de facto chief of state, established a military council of government, and pledged a return to freely elected constitutional government. The Liberal Party won the September 1957 elections and control of the Constituent Assembly. The Assembly drafted a constitution, elected Liberal Party leader Dr. Ramón Villeda Morales as President, and transformed itself into the elected Congress for the first 6-year term. The Villeda administration was succeeded by a provisional military government when the armed forces seized power on October 3, 1963, 10 days before a scheduled presidential election. Brig. Gen. (then Col.) Oswaldo López Arellano headed the interim military government until 1965.

In accordance with a schedule decreed by the new government, a Constituent Assembly was elected in February 1965. This assembly, which was controlled by the National Party, approved a new Constitution and, like the 1957 Constituent Assembly, became the elected Congress for a 6-year term, electing Gen. López as President.

In July 1969 Honduras fought a short but bitter war with neighboring El Salvador. Salvadoran forces invaded Honduras following several months of growing tensions between the two countries. El Salvador charged that Hondurans were mistreating and forcibly expelling Salvadorans, who had emigrated to Honduras in large numbers over recent decades. The two armies clashed along the frontier, and both air forces made several strikes at cities and military installations. The Organization of American States (OAS) secured a cease-fire after 5 days of fighting and subsequently brought about the complete withdrawal of Salvadoran troops from Honduran territory. An OAS military observer team was placed along the border to supervise a "pacification zone" and, under OAS auspices, representatives of the two countries formed a "bilateral working group" in an effort to resolve their differences: In the fall of 1973 El Salvador

and Honduras began bilateral talks to resolve their outstanding differences but the negotiations ended in December with no agreement. Further negotiations since 1974, have failed to achieve an agreement. Except for occasional border incidents, there have been no recurrences of hostilities.

On December 4, 1972, the democratically elected government of President Ramón E. Cruz was overthrown by a coup led by Gen. Oswaldo López Arellano, Chief of the Armed Forces and ex-President. Gen. López, while maintaining his position in the Honduran military, assumed the title of Chief of State. Gen. López was removed from his position as Chief of State on April 22, 1975 and was replaced by Brig. Gen. Juan Alberto Melgar Castro, who on August, 1978 was replaced by the current military triumverate.

Government

The Chief of State governs with a Council of Ministers, formed by head of the government departments. The Ministers are appointed by the Chief of State. The final political arbiter in Honduras is the Superior Defense Council, a group of 27 military officers, which determines overall governmental policies. The Constitution which took effect on June 6, 1965 is still in force, except for portions which are contrary to decrees passed by the Council of Ministers. The unicameral Congress provided for in the Constitution is suspended. The judicial system consists of a Supreme Court of Justice, Courts of Appeal, and other courts established by law. The Supreme court consists of seven justices who are named by and who serve at the pleasure of the Chief of State.

For administrative purposes Honduras is divided into 18 departments. The chief official of each Department is a Governor who is appointed by the President or Chief of State.

The two major political parties in Honduras are the National Party (PNH) and the Liberal Party (PLH), both with roots in the conservative/liberal division which has dominated Central America politics since the 1800's. Despite a history of bitter, often violent, partisan clashes both parties can be characterized as moderate in ideology and committed in principle to the democratic process of political change. There are several smaller parties which while not proscribed, have not been certified as eligible under the Constitution and electoral law to take part in elections. The Communist Party was implicitly prohibited by the 1957 and 1965 Constitutions.

The Chief of State, through his Council of Ministers, continues to govern by decree. The government has announced plans to hold elections in April, 1980 and a National Electoral Tribunal was established to administer the electoral process.

Foreign Relations

Honduras is a member of the United Nations and several of its specialized agencies. It is a party to the collective security arrangements of the Rio Treaty (Inter-American Treaty of Reciprocal Assistance) of the Organization of American States (OAS). Honduras is also a member of the Organization of Central American States (ODECA) and of the treaties and institutions of the Central American Common Market (CACM). However, since the 1969 conflict with El Salvador, Honduras has considered the legal bases for the latter two organizations to be suspended. Given its size and geographical position, Honduras' foreign affairs interest have more often centered in Central America than in other areas. The two major goals of Honduran foreign policy at present are a firm demarcation of the border with El Salvador, and a restructuring of the CACM to provide Honduras a larger share in economic benefits.

The United States and Honduras have traditionally maintained close and cordial relations, and it is the express desire of both nations to maintain these ties of friendship and common purpose. The United States cooperates with Honduras in the latter's efforts toward sustained economic, political, and social development. It encourages the responsible participation of U.S. investment which can contribute to Honduran development and mutually beneficial U.S.-Honduran trade. The United States favors the stable and peaceful relations between Honduras and its Central American neighbors conducive to the security and development of the entire area.

Economy

The Gross National Product (GNP) of Honduras was \$1,693.0 million in 1978. Real growth in 1978 was estimated at 7.7% demonstrating the country's clear recovery after serious damages by Hurricane Fifi in 1974 and prolonged drought in 1975. Major sectors are agriculture, forestry and fishing, 32% ; industry, 17%; and commerce, 13%. Per capita income (in constant dollars) is around US\$225. Honduras' economically active population in 1978 was 900,000.

The number of unionized workers as of 1975 was approximately 132,000. Agriculture employs about two-thirds of the labor force and accounts for more than 60% of export earnings. The principal crops are corn, beans, bananas, coffee, cereals, cotton, tobacco, and livestock. Honduras is a large producer of teak, mahogany, cedar, and pine. The forestry industry is controlled by the State through the Honduran Forestry Development Corporation (COHDEFOR). Construction of a large pulp and paper plant is planned for 1983. There is an expanding fishing industry, mostly located on the Bay Islands and Caribbean Coast.

Principal industrial products are sugar, cement, cigarettes, wheat

flour, textiles, matches, alcoholic and non-alcoholic beverages, toasted coffee, detergents and soaps, and canned fruits and juices. Total merchandise exports in 1978 amounted to approximately \$600.0 million. Principal exports are bananas coffee, lumber, refrigerated meat and metals. The U.S. imported more than half of Honduran merchandise exports in 1978. Other important market for Honduras exports are: Central America (except El Salvador), 11.6%, other Latin American Countries, 11.4%; West Germany, 10.1%.

Total merchandise imports in 1978 were approximately \$700.0 million. Principal imported products were: industrial machinery and transportation equipment, manufactures, fuels and lubricants, chemical products, and foodstuffs. The U. S. is the most important trading partner and accounted for more than 40% of merchandise imports in 1978. Other major suppliers are: Central America (except El Salvador), 13.8%; other Latin American countries, 17%; Japan, 11% and West Germany, 3.4%; other European countries, 10%. Principal imports from the U. S. are: non-electric industrial machinery; paper, paperboard, and manufactures, transportation equipment; and foodstuffs.

The current account deficit of the balance of payments in 1978 was \$173 million and large capital inflows from private, bilateral and international financial institutions will continue to be required for balance of payments equilibrium.

Total private fixed investment in 1978 amounted to approximately \$207 million. Principal investments are bananas, mining, petroleum refining and distribution, and manufacturing. The outline of the Government's National Development Plan was sketched by the Chief of State on January 1, 1974. Under this Plan, the Government created a forestry development corporation, a national investment corporation, and on January 1, 1975, introduced a national agrarian reform law. The second year Plan - 1979-1983 - was published in early 1980. These and other programs are designed to maximize economic development in the coming decade. The Plan is important to U. S. business in that it will offer significant export potential for U. S. products and services.

Agriculture machinery, equipment and chemicals; hospital equipment and supplies; forestry equipment, hotel and resort-related equipment; transportation equipment; and electrical equipment and supplies offer excellent sales prospects.

Projected budgetary expenditures for 1979 were \$502.0 million.

Projected deficit was \$182.0 million, \$128.0 million (70%) of which was to be financed by external funds and the balance internally. Public works, public education, and amortization of the public debt will receive the lion's share of funds.

Transportation, Utilities and Communications

International shipping companies maintain regular service between U.S. and Honduran ports, especially between New York, New Orleans, and Miami and Puerto Cortés and La Ceiba in Honduras. Other ports in Honduras are Tela and Trujillo on the Caribbean and Amapala and San Lorenzo on the Pacific. Port activities are administered by the National Port Authority, an autonomous institution controlled by the government. Shipping time from the U.S. to Honduras is about five days. Honduras as of 1978 had 10,613 kilometers of roads, of which 1,480 kilometers are paved. There are 977 kilometers of railways in Honduras, mostly used for freight transportation in the banana producing areas. Honduras has 3 international and 8 national airports which handle commercial aviation and 122 secondary national airports which can accommodate small, air-taxi type aircraft. Two Honduran airlines, Servicio Aéreo Hondureño, S.A. (SAHSA) and Transportes Aéreos Nacionales (TAN), provide scheduled airline services with the U.S. and other Latin American countries. Pan American discontinued passenger service in 1973.

Electricity is supplied by the semi-autonomous National Electric Power Company (ENEE). Production was \$673.4 million kw in 1978. Most electricity is supplied by the hydroelectric Station at Río Lindo. The facility is now being expanded. Bids are now being solicited for the construction of a new hydroelectric project at El Cajón which will begin in 1980. The local current is 110/220, AC, 60 cycle, one and three phase. Honduras produces no petroleum. All its crude petroleum is imported and is refined in a Texaco facility in Puerto Cortés. Some of the finished petroleum produced at the refinery is exported to nearby countries. The following are prices (set by the government for the entire country) that were in effect in Tegucigalpa as of December 1979: Premium Gasoline, \$1.73/gallon; Regular Gasoline, \$1.64/gallon; Kerosene, \$0.90/gallon; Diesel, \$.91/gallon. Prices vary somewhat according to distance from the refinery.

Telecommunications are controlled by the government through the Ministry of Communications and Transportation. There were 19,700 telephones in Honduras in 1978. The telephone system was strained to meet the demands placed upon it. The problem should ease in 1979 when work is completed on the installation of 22,000 additional telephones in the nation's largest cities. Worldwide telephone service is available and connections are usually good. The cost of calls to the U.S. are based on destination.

Local letter service is reliable. There are five newspapers in Honduras. Three are printed in Tegucigalpa (La Tribuna, El ...)

167

Cronista and El Herald) and two in San Pedro Sula (La Prensa, El Tiempo). Daily circulation for the papers are: La Prensa, 40,000; El Tiempo, 32,000; La Tribuna, 16,300; and El Cronista, 7,000. Honduras has five television stations. Two serve Tegucigalpa, two serve San Pedro Sula, and one serves the central region of the country. It is estimated that television reaches about 70% of the population. Honduras in 1977 had 142 radio stations. the majority are affiliated with Emisoras Unidas or Audio Video, the two largest networks.

Travel Notes

In 1977, 103,300 tourists visited Honduras. Citizens from the U.S. accounted for one quarter of the total tourists in that year. Travelers arriving by air will need a tourist card and proof of citizenship or a passport with a valid Honduran visa. Tourist cards may be obtained from travel agents or airline offices. They have a limited validity, 90 days, and travelers who plan to stay for an extended time will need a visa. Honduras does not presently require an International Certificate of Immunization; however, several neighboring countries do require it as evidence of smallpox vaccination. Travelers are advised to check prior to their departures with the appropriate consulates or embassies of all the countries through which they will travel as to current requirements for passports, visas or tourist cards, and inoculations. Such requirements may vary depending on whether the traveler is arriving by air or by surface. Those traveling to Tegucigalpa by car should plan their trip carefully. Road conditions vary according to season and superhighways should not be anticipated. The journey from Mexico/U.S. border to Tegucigalpa usually requires about 6 days. The mountain route through Mexico is arduous but beautiful. The coastal route is interesting and road conditions are better.

Climate and Clothing

Its altitude gives Tegucigalpa a generally moderate climate. Hot days do occur but are usually relieved by moderate to cool nights. Average monthly temperatures vary from a low 66°F in January to a high of 74°F in May. Extreme temperatures as low as 44°F and as high as 98°F may be expected. Seasonal differences are not so much in temperature as in rainfall. The hot, dry season is the most uncomfortable and lasts from 3 to 6 months. It reaches its peak in April and continues until the first rains. During March through October visitors to the capital will need lightweight, easily washable clothing requiring little or no ironing. For cooler months a lightweight coat is necessary.

Community Health

Environmental sanitation and community health controls are rudimentary in Tegucigalpa and San Pedro Sula. Water in both is contam-

inated. Its use for drinking and bathing requires caution. Boiling, filtering, and/or chemical sterilization of drinking water is necessary. Main endemic health hazards are a variety of food and water-borne intestinal diseases of bacterial, viral, and parasitic origin. These include: typhoid, infectious hepatitis, amoebas, intestinal worms, and a variety of unclassifiable, transient, and frequently virulent forms of dysentery. All fresh fruits and vegetables, if eaten raw, should be washed in a solution of Clorox or Iodine. Meats purchased locally should be cooked until well done. Those planning an extended stay or travel to outlying areas - particularly along the north coast - should, in accordance with medical advice, begin taking a malarial suppressive prior to arrival.

Living in Honduras

There are approximately 5,000 United States citizens living in Honduras. Most are businessmen working with subsidiaries of U.S. companies, missionaries, U.S. Government or international agency employees and their families, or dual nationals or naturalized citizens who have returned to live with their families. Employment opportunities for U.S. citizens are not good in Honduras, particularly without previous local contacts and proficiency in Spanish. U.S. citizens can live and work in Honduras only in accordance with Honduran immigration laws which do not encourage the immigration of foreigners. Although retired persons with adequate income from outside the country can qualify for resident status, the number of U.S. citizens retiring in Honduras is limited as neither the immigration procedures nor local living conditions are as convenient as in many other countries. Information about residence requirements is available from the Honduran Embassy and Consulates in the United States. In all cases the services of a local lawyer will be necessary. A list of reputable attorneys practicing in Honduras is available from the Consular Section of the American Embassy. In general U.S. citizens may purchase and own land and other real property in Honduras, but all foreigners are prohibited from owning land in the Islands, or within 50 kilometers of the coasts or borders except in urban areas or as otherwise prohibited by law. As the system of registering land titles is archaic, disputes over ownership can occur. All persons living in Honduras, including U.S. citizens, are of course fully subject to the laws of the country as well as to the rights provided by the Constitution of 1965.

U.S. Government Activities

The United States Embassy in Tegucigalpa is the center for U.S. Government diplomatic and assistance activities. The Embassy is headed by the Ambassador who is the personal representative of the President to the Government of Honduras. The Deputy Chief of Mission is his principal assistant in overseeing the various activities of the Embassy. The Political and Economic Sections are headed by officers of the Foreign

Service who analyze political and economic developments in Honduras and advise the Ambassador and the Department of State on matters relating to our bilateral and multilateral relations. The Consular Section administers U.S. immigration law relating to the issuance of visas to aliens coming to the United States for visits or for permanent residence, and of passports and other citizenship documents to U.S. citizens. The Consul also provides information and assistance as appropriate to U.S. citizens who encounter problems while in Honduras. The Commercial Officer assists U.S. businessmen in making contacts and supplies information on doing business in Honduras and generally promotes the export of U.S. manufactures. The Agency for International Development (AID) under its Director administers an extensive program of foreign aid including grants and loans to the Government of Honduras to assist with its internal development. The Defense Attaché maintains liaison with the Honduran military and advises the Ambassador on matters of military importance. The Military Group administers a program of training and material assistance to the Honduran Armed Forces. The Peace Corps provides assistance in the form of qualified volunteers who work in Honduras for a period of two years. The United States Information and Communication Agency (USIA) promotes cultural and informational programs to inform the people of Honduras about the United States, its people and its government, and also reports on the perception of U.S. policies abroad. The Joint Administrative Officer provides administrative support for all aspects of the Embassy's functions. The Embassy and its constituent offices do not hire U.S. citizens locally but through the parent agencies in Washington. American personnel are career employees of the Foreign Civil or Military Service, and are subject to worldwide assignment.

7/5/79

161

U. S. COMPANIES REPRESENTED IN HONDURAS

<u>TEGUCIGALPA</u>	<u>Telephone</u>
AMEDICOR Droguería Mandofer, Carretera Suyapa Dr. Mario Cerna, Manager	32-1191
AMERICAN EXPRESS CO. - Pasaje Fiallos Soto Ana Lia Pineda, Manager	22-5255
AIRLIFT INTERNATIONAL, S. de R. L. - Blvd. Toncontín Anthony Foglia, Manager	33-7478
AMERICAN INT'L UNDERWRITERS - Hotel Honduras Maya César Zarate, Manager	32-4671
ARTHUR YOUNG & COMPANY - Edificio Condominio, 10o Piso	22-8755
BANCO ATLANTIDA, S.A. - 5a Calle, 7a Avenida, Tegucigalpa Larry Hershfield, First Vice President	22-3131
BANK OF AMERICA, N.T. & S.A. - 1a Calle, 5a Avenida, Teg. David J. Barcellos, Manager	22-4201
BROWN AND ROOT, S.A. - Edificio Aseguradora Hondureña W. G. Nickol, Manager	22-6653
CALMAQUIP - Ingenieros de Honduras, S.A. - Bo. Guacerique. #1516 Ing. Jesús Gutierrez, Manager	33-7810
COLGATE PALMOLIVE (WEST INDIES), INC. - Bo. La Granja Lic. Miguel Morazán, Manager	33-3052
COORDINATED CARIBBEAN TRANSPORT - Edificio Midence Soto Julian Arriaga, Manager	22-0699
ESSO STANDARD OIL, S.A. LTD. - La Burrera, Comayaguela Carlos Molina, Manager	33-5154
FANALCO - La Burrera, Comayaguela Osmin Jose Melgar, Manager	33-6024
HANOVER INSURANCE COMPANY - Sección Comercial, Hotel Honduras Maya - César Zarate, Gen. Manager	22-1549

167

U.S. COMPANIES (Cont'd)

I.B.M. DE HONDURAS, S.A. - Edificio PALIC, Ave. Rep. de Chile
José M. Covelo, Manager 32-1061

INTERNATIONAL EXECUTIVE SERVICE CORPS - Ave. La Paz, # 407
Edwin Astle, Manager 22-8012

MCCANN ERICKSON CENTROAMERICANA, S. DE R. L. - Edificio Banco
Atlántida. Rodolfo Bazo, Manager 22-9465

PAN AMERICAN WORLD AIRWAYS, INC. - Edificio Pan Am.
J. Warren, Manager 22-0156

PAN AMERICAN LIFE INSURANCE COMPANY - Edificio PALIC,
Fernando Rodríguez, Manager 32-6462

PRICE WATERHOUSE & CO. - Edificio PALIC, 4o Piso
Efraín Maradiaga, Manager 32-6269

RANCHO LORENZO, S.A. - Avenida Los Próceres
George Duke, Manager 22-2692

SEARS ROEBUCK, S.A. - 5a Calle, #501
Juan Lister, Manager 22-2524

STERLING PRODUCTS INTERNATIONAL, S.A. - Colonia Florencia
Dr. Fernando Agüero Neda, Manager 32-9203

TROPICAL GAS COMPANY, INC. - 2a Calle, 6a y 5a Avenidas
Roberto Abadie, Manager 22-9343

TRT TELECOMMUNICATIONS CORPORATION - Edificio Hotel Prado
Antonio Gallardo, Manager 22-0884

XEROX DE HONDURAS - Edificio Fiallos Soto
Haynes Willingham, Manager 22-1906

SAN PEDRO SULA

ALCON (Alimentos Concentrado, S.A.) - 1a Ave. entre 1a y 2a Calles, N.E. #6
Jimmy Taylor, Manager 52-2507

ARTHUR YOUNG AND COMPANY - c/o CONADI, Wilton Thompson

EMPACADORA ALUS, S.A. - Bo. La Granja
Mario G. Belot, Manager 52-3556

162

U.S. COMPANIES (Cont'd)

BEMIS BIJAO, S.A. - Aldea Bijao, Carretera a Puerto Cortés
Ing. Eduardo Bueso, Manager

CERVECERIA HONDUREÑA, S.A. - P.O. Box 86
Michael Rotolo, Manager 52-1632

CHAMBCO CONSTRUCTION CO. - Km. 3.5 Carretera a Chamelecón
Amadeo Levy, Manager 52-2166

EMPACADORA CORTES S.A. DE C.V. (CORSA) - Carretera a Cortés
Dr. José Aníbal Fernández, Manager & President 52-2984

HOWDI (Honduras Oil & Water Drilling Industry) - P.O. Box 162
Garrett D. Combs, Manager 52-3970

INDUSTRIA MADERERA DEL NORTE - Carretera a Chamelecón
José Gil Aguilar, Manager 52-1444

KATIVO DE HONDURAS, S.A. - 5a Ave. S.O. #27, P.O.Box 608
Humberto Larach, Manager 52-3659

LOVABLE DE HONDURAS, S.A. - 3a Ave. S.O.
Juan M. Canahuati, Manager 52-3254

NUMAR DE HONDURAS, S.A. - Bufalo, Cortés; P.O. Box 259 52-3893

PAN AMERICAN AIRWAYS - Edificio Bolívar
J. J. Warren, Director 52-0620

PEAT, MARWICK, MITCHELL & CO. - Edificio America
Lic. Rodolfo de la Garza, Manager 52-2473

POLYMER, S.A. - 3a Ave. S.O. Salida a Chamelecón
Lic. Yacamán, Manager 52-3405

PRICE WATERHOUSE & CO. - P.O. Box 563, Edificio Banco de Honduras
Jorge Arturo Rivera, Manager 52-3074

ROSARIO RESOURCES CORPORATION - Minas el Mochito; P.O. Box 502
Ramón E. Bouche, Manager

SEARS ROEBUCK & CO. - Pasaje Valle
Rodolfo Umaña, Manager 52-3536

U.S. COMPANIES (Cont'd)

TEXACO CARIBBEAN, INC. - P.O. Box 112
Anthony de la Reza; Manager 52-0877

TEXTILES RED POINT DE HONDURAS - P.O. Box 643; 7a Ave. S.O. #59
Roberto Rodríguez P., Manager 52-3456

PUERTO CORTES

REFINERIA TEXACO DE HONDURAS, S.A.
Robert Dieckgrafe, Manager 52-0044

LA LIMA

COMPañIA AGRICOLA DE RIO TINTO, S.A.
J.A. Parsons, Manager

TELA RAILROAD COMPANY
Chan Atchley, Manager

LA CEIBA

FABRICA DE MANTECA Y JABON "ATLANTIDA", S.A.
Luis Rietti, Manager 42-0902

MANUFACTURA DE CARTON, S.A.
Elwood C. Bachmeim, Sr. Manager 42-2362

STANDARD FRUIT COMPANY
David A. De Lorenzo, Manager 42-0820

PLASTICOS, S.A. (PLASA)
Elwood C. Bachmeim, Sr. Manager 42-0820

GUANAJA

CARIBBEAN PRODUCTS, S. DE R. L.
Alfred Kirkconnel, Manager

ELECTRONICOS DIVERSIFICADOS HONDUREÑOS, S. DE R. L.
Ansley Parchman, Manager

COMMONLY USED ACRONYMS -- HONDURAS

AGAS	Asociacion de Ganaderos y Agricultores de Sula (Cattlemen and Farmers of Sula Association)
AHPF	Asociacion Hondurena de Planificacion de Familia (Honduran Family Planning Association)
AID	U.S. Agency for International Development
ALIPO	Alianza Liberal del Pueblo
ANACH	Asociacion Nacional de Campesinos de Honduras (Honduran National Peasant Association)
ANDI	Asociacion Nacional de Industriales (National Industrialists Association)
APH	Asociacion de Prensa Hondurena (Honduran Press Association)
ASHONPLAFA	See AHPF
BANAFOM	Banco Nacional de Fomento (National Development Bank)
BANCAHSA	Banco Capitalizadora Hondurena, S.A.
BANCATLAN	Banco Atlantida
BANCOMER	Banco del Comercio
BANFINAN	Banco de la Financiera Hondurena
BANMA	Banco Municipal Autonomo
BCIE	Banco Centroamericano de Integracion Economica [Central American Bank for Economic Integration (CABEI)]
BID	Banco Interamericano de Desarrollo [Interamerican Development Bank (IDB)]
BNF	See BANAFOM
CABEI	Central American Bank for Economic Integration
CACM	Central American Common Market
CAR	Comision Agricola Regional (Regional Agricultural Commission)
CARA	Comision Asesora Regional Agricola (Regional Agricultural Advisory Commission)
CARE	Cooperative for American Relief Everywhere, Inc.
CDSS	Country Development Strategy Statement
CEDEN	Comite Evangelico de Desarrollo y Emergencia Nacional (Evangelical Committee for Development and National Emergency)
CENADIH	Centro de Adiestramiento del Ministerio de Hacienda (Ministry of Finance Training Center)
CGT	Confederacion General de Trabajadores (General Workers Confederation -- Christian Democrat)
CIDA	Canadian International Development Agency
CIM	Comision Interamericana de Mujeres (Interamerican Women's Commission)
CLASC	Confederacion Latinoamericana Sindical Cristiana (Latin American Christian Labor Confederation)
CMDC	Consejo Metropolitano del Distrito Central (Metropolitan Council for the Central District)
CTH	Central de Trabajadores Hondurenos
COHBANA	Corporacion Hondurena del Banano (Honduran Banana Corporation)
COHDEFOR	Corporacion Hondurena de Desarrollo Forestal (Honduran Forestry Development Corporation)
COHEP	Consejo Hondureno de la Empresa Privada (Honduran Council for Private Enterprise)

Annex E. (page 2)

COLPROSUMAH	Colegio Profesional de Superacion Magisterial Hondureno (Honduran Teachers Union)
CONADI	Corporacion Nacional de Inversiones (National Investment Corporation)
CONARA	Comite Nacional de Reforma Agraria (National Committee for the Agrarian Reform)
CONCORDE	Consejo de Coordinacion para el Desarrollo (Coordination Council for Development)
CONSUPLANE	Consejo Superior de Planificacion Economica (Superior Council for Economic Planning)
COPEHM	Colegio de Profesores Hondurenos de Educacion Media
COPEN	Consejo Permanente de Emergencia Nacional (Permanent Council for National Emergencies)
CORFINO	Corporacion Financiera de Olancho (Financial Corporation of Olancho)
CPA	Comision de Politica Agricola (Agricultural Policy Commission)
CRS	Catholic Relief Services
CSJ	Corte Suprema de Justicia (Supreme Court of Justice)
CURLA	Centro Universitario del Litoral Atlantico (La Ceiba) (University Center for the Atlantic Coast)
CURN	Centro Universitario del Norte (San Pedro Sula) (University Center for the North)
DGT	Direccion General de Transito (General Directorate of Traffic)
DIFOCOOP	Direccion de Fomento Cooperativo (Directorate for Cooperative Development)
DNI	Direccion Nacional de Investigaciones (National Directorate of Investigations)
EAP	Escuela Agricola Panamericana (Pan American Agricultural School)
EDUCREDITO	Credito Educativo (Educational Credit)
EFF	Extended Funding Facility of the International Monetary Fund
ENA	Escuela Nacional de Agricultura (National Agricultural School)
ENEE	Empresa Nacional de Energia Electrica (National Electric Co.)
ENP	Empresa Nacional Portuaria (National Port Authority)
FACACH	Federacion de Cooperativas de Ahorro y Credito de Honduras, Ltda. (Savings and Credit Cooperative Federation)
FAH	Fuerza Aerea Hondurena (Honduran Air Force)
FASH	Federacion Autentica de Sindicalistas de Honduras (Authentic Federation of Honduran Workers)
FECESITLIH	Federacion Central de Sindicatos de Trabajadores Libres de Honduras (Central Federation of Free Workers of Honduras)
FECOAGROH	Federacion de Cooperativas Agricolas de Honduras (Honduran Agricultural Cooperative Federation)
FEHCOVIL	Federacion Hondurena de Cooperativas de Vivienda, Ltda. (Honduran Federation of Housing Cooperatives)
FENAGH	Federacion Nacional de Agricultores y Ganaderos de Honduras (National Federation of Honduran Farmers and Cattlemen)
FES	Federacion de Estudiantes Socialistas
FESITRANH	Federacion de Sindicatos de Trabajadores Nacionales de Honduras (Honduran Federation of National Workers' Labor Unions)
FEUH	Federacion de Estudiantes Universitarios de Honduras (Honduran Federation of University Students)
FICENSA	Financiera Centroamericana, S.A.

FINANSA	Financiera Industrial Agropecuaria y Comercial, S.A.
FINAVI	Financiera Nacional de la Vivienda
FFAA	Fuerzas Armadas de Honduras (Honduran Armed Forces)
FONDETUR	Fondo de Desarrollo Turistico (Tourism Development Fund)
FUNHDESA	Fundacion Hondurena de Desarrollo
FUSEP	Fuerza de Seguridad Publica
FUUD	Frente Unido Universitario Democratico
FRU	Frente de Reforma Universitaria
GOH	Government of Honduras
GDP	Gross Domestic Product
HIG	Housing Investment Guaranty
HONDUTEL	Empresa Hondurena de Telecomunicaciones
IADSL	Instituto Americano para el Desarrollo del Sindicalismo Libre [American Institute for Free Labor Development (AIFLD)]
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association of the IBRD
IDB	Interamerican Development Bank
IFIC	Instituto de Formacion e Investigacion Cooperativista (Institute for Cooperative Research and Training)
IHCAFE	Instituto Hondureno del Cafe (Honduran Coffee Institute)
IHCI	Instituto Hondureno de Cultura Interamericana (Binational Center USICA)
IHMA	Instituto Hondureno de Mercadeo Agricola (Honduran Institute for Agricultural Marketing)
IHSS	Instituto Hondureno de Seguridad Social (Honduran Social Security Institute)
IHT	Instituto Hondureno de Turismo (Honduran Tourism Institute)
IICA	Instituto Interamericano de Ciencias Agricolas (Interamerican Institute for Agricultural Sciences)
IMF	International Monetary Fund
INA	Instituto Nacional Agrario (National Agrarian Institute)
INCAP	Instituto de Nutricion para Centro America y Panama (Regional Headquarters Guatemala)
INFOP	Instituto Nacional de Formacion Profesional (National Institute for Vocational Training)
INVA	Instituto Nacional de la Vivienda (National Housing Institute)
JNBS	Junta Nacional de Bienestar Social (National Social Welfare Board)
MNR	Ministerio de Recursos Naturales (Ministry of Natural Resources)
OAS	Organization of American States
OEA	Organizacion de Estados Americanos
OISH	Organizacion de Inspectores de Salud de Honduras
OPEC	Organization of Petroleum Exporting Countries
PADCO	Planning and Development Collaborators
PANI	Patronato Nacional de la Infancia
PC	Penitenciera Central (Central Penitentiary)
PC	Peace Corps
PCH	Partido Comunista de Honduras
PDC	Partido Demócrata Cristiano (Christian Democrat Party)
PINU	Partido de Innovacion y Unidad
PLH	Partido Liberal de Honduras

PNIA	Programa Nacional de Investigacion Agropecuaria (National Agricultural Research Program)
PNH	Partido Nacional de Honduras
PNUD	Programa de las Naciones Unidas para el Desarrollo
PREDIA	Programa de Rehabilitacion y Diversificacion Agricola, FAO
PRICMAH	Primer Colegio Magisterial Hondureno (First Honduran Teachers Union)
PROCCARA	Programa de Capacitacion Campesina para la Reforma Agraria (Agrarian Reform Training Program)
PRONAE	Programa Nacional de Educacion Extraescolar (National Program for Non-Formal Education)
PSA	Programa de Salud Animal
PVO	Private Voluntary Organization
SANAA	Servicio Autonomo Nacional de Acueductos y Alcantarillados
SAPLAN	Sistema de Analisis y Planificacion de Alimentacion y Nutricion
SECOPT	Secretaria de Estado en el Despacho de Comunicaciones, Obras Publicas y Transporte
SECTUR	Secretaria de Cultura y Turismo
SITRATERCO	Sindicato de Trabajadores de la Tela Railroad Company
SNEM	Servicio Nacional de Erradicacion de la Malaria (National Malaria Eradication Service)
SUTRASFCO	Sindicato Unido de Trabajadores de la Standard Fruit Company
UN	United Nations
UNDP	United Nations Development Program
USG	United States Government