

Mexico

Belize

Guatemala

El Salvador

Nicaragua

Honduras

Tegucigalpa

evaluation

profile

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Betting on rural development

Agricultural Development Programme for the Western region, Honduras (PLANDERO)

The western region of Honduras is a depressed area. The rural population ranges from very poor farmers with very little land and no tenure, to those with larger holdings and possessing the title deeds. Such diverse situations require different solutions in relation to technical assistance and the type of production and technology to be promoted. Development possibilities are hindered by limited access to financial and extension services. IFAD set out to foster a market for financial services and technical assistance to improve living conditions in the region.

The main recommendations are:

- **Cooperatives of individual producers** need promoting to provide technical assistance services to the poorest producers.
- **Producers with special training** could share new technologies with small scale producers to help overcome language differences and low education levels that impede the transfer of knowledge.
- **Staff with specialist micro-enterprise knowledge** can help foster development of this sector. The strategy for developing a technical assistance services market should consider promoting specialised suppliers.
- **To increase poor people's access to credit**, support should be provided for different financial institutions, such as private banks, local beneficiary institutions and institutions specialising in microcredit to supply financial services. Private banks should make their own funds available as a means of promoting sound credit management.

Project Data

Project area	Western region (Copan, Lempira, and Ocotepeque)
Type of project	Support services for agricultural production and small-scale rural enterprises: credit, extension, training
Cooperating institution	Central American Bank for Economic Integration
Total project cost	USD 15,722,000
IFAD loan	USD 7,682,000
Borrowers' contribution	USD 3,034,000
Loan effectiveness	November 1994
Closing date	June 2001
Evaluation field work	April-May 2000

Delivering services

IFAD has fostered the development of a market for technical assistance services. However, it is not easy for producers who work poor land to develop the capacity to pay for such services: they cannot gain access to them through market mechanisms. Producer cooperatives offering multiple services to their members can, however, facilitate access to technical assistance for the poorest producers. ▶

Main achievements

Through PLANDERO, 731 micro-entrepreneurs and 9,773 small producers (68 percent men, 32 percent women) received technical assistance – twice as many as originally planned. Financing was made available to 4,000 families without access to formal credit. The credit fund grew by 6 percent leaving USD 1,484 million for credits in the PLANDERO area. Support was provided for productive activities (reforestation, raising of small animals and other consumption activities) that lightened the workload of women. These activities and training – which provided a gender-sensitive approach for experts and producers – helped improve the situation of women. PLANDERO also contributed to increasing the supply of technical assistance services, promoting the formation of 15 private suppliers.



- ▶ PLANDERO has shown that these cooperatives can generate earnings by managing credit and marketing inputs and products; the cooperatives can then use these resources to finance technical assistance for their members. In this way, technical assistance can be provided at little or no cost to producers.

Horizontal training: a success story

Low educational levels and the use of local languages impede the transfer of knowledge to producers. In response, IFAD has promoted an extension methodology based on transferring knowledge from specially trained producers – innovative producers – to other members of the community. Making use of the shared language of producers, the good relationships that exist among community members and the innovative producers themselves facilitate the dissemination of new technologies and production systems amongst poor producers. Low in cost, this methodology allows for greater coverage by technical assistance.



Farmers sell their surplus produce in the Belen Gualcho market.

Promoting micro-enterprise

IFAD provided technical assistance to groups of micro-entrepreneurs with a view to promoting development of this sector. Assistance was provided by agricultural experts who nonetheless lacked the necessary technical knowledge to meet micro-entrepreneurs' needs. Moreover, groups were organized around products which complicated the technological aspects of assistance tasks. Results thus fell short of expectations. The groups that did show good performance had organised homogeneously around members' products. It is important to have specialised staff on hand and to organize groups of micro entrepreneurs around a given product.

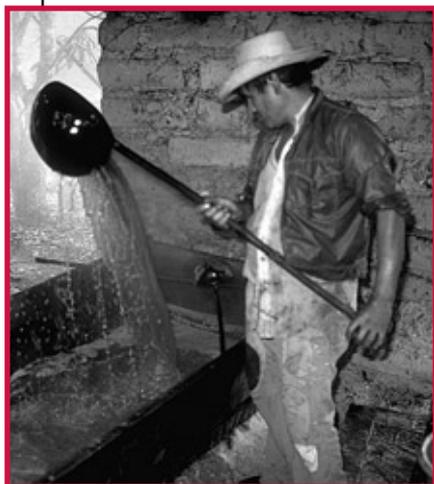
Innovative credit?

IFAD promoted the provision of financial services through various financial institutions: private banks, rural savings banks and cooperatives, and institutions specialising in microcredit.

This has spurred competition and helped expand coverage and introduce new financing arrangements to meet credit demand. Private banks are involved in the management of credit and have contributed one third of credit resources thus assuming some financial risk and encouraging the application of financial criteria in credit management. This has led to low arrears levels and exceptional maintenance of the credit fund which yielded 6 percent on the capital.

Factors of success

Overall, PLANDERO was successful. This was due, to a large extent, to the fact that the same director oversaw the entire implementation period, ensuring continuity and solid management. Another key aspect was that PLANDERO did not include field experts in its organisation, engaging instead private agencies to provide rural development services. Twice as many users were served as originally planned, keeping the coordination structure to a limited number of staff. Using private agencies assured sustainability of the project's achievements, enabling the agencies to continue operating in the region after the project had closed ■



Boiling sugar cane juice produces a type of sweet, 'dulce de panela' which will be sold at the market in Lempira.

Further information

República de Honduras: Programa de Desarrollo Rural de la Región de Occidente (PLANDERO), Evaluación Preterminal, Informe No. 1149-HN, December 2000. Office of Evaluation and Studies, International Fund for Agricultural Development, Via del Serafico 107, 00142 Rome, Italy. The full report is online at www.ifad.org/evaluation.htm; Email M.Keating@ifad.org; Telephone +39 06 5459 2048.