Benefiting Honduran Farmers through Competition Reforms

PROJECT AT A GLANCE
COUNTRY/REGION  HONDURAS/LATIN AMERICAN AND THE CARIBBEAN
PRODUCT  PRIVATE PARTICIPATION IN INFRASTRUCTURE AND SOCIAL SECTORS
THEME  COMPETITION POLICY

Many developing economies still do not fully enjoy the benefits of competitive markets. Distorted markets reduce investment opportunities, increase business risks, raise the cost of essential business inputs needed to compete in domestic and international markets, and lessen the benefits of private sector participation for economic development and poverty reduction.

The World Bank Group’s Investment Climate Competition Policy team, as part of its support to the Investment Climate Industry team, helped the government of the Republic of Honduras create more competitive agricultural input markets for the benefit of farmers. The project leveled the playing field for agricultural inputs by implementing transparent and non-discriminatory rules for registering new pesticides and fertilizers.

RESULTS AND IMPACTS
• Approximately 35,000 farmers in Honduras have access to lower priced agricultural inputs (up to 9 percent lower for certain products).
• More input products are now available to help farmers. Three hundred products were registered in 2013 compared to 68 in 2011, approximately a 340 percent increase.
• Firms are saving time and money from a more streamlined process for registering products. In some cases, registration time decreased from around 220 days (even 3 years in one case) to less than 90 days.
Agribusiness is an important source of economic activity and employment in Honduras, contributing approximately 13 percent to GDP (40 percent if agroprocessing activities and linked services are included), and representing more than two-thirds of all Honduran exports.

Agricultural productivity, profitability, and international competitiveness depend in part on the availability of high quality agricultural inputs (such as pesticides and fertilizers) at a reasonable cost to farmers. Key agriculture inputs in Honduras are very costly when compared with neighboring countries. Variety and quality are limited. This has partly resulted from regulations that were implemented in a way that lacked transparency and predictability. Although intended to ensure the safe use of fertilizers and pesticides, the arbitrary implementation of the regulations allowed for advantageous treatment to some suppliers while limiting the competitiveness of small and new firms. In addition, cumbersome registration procedures for inputs were delaying the entry and commercialization of potentially safer products which may contribute to higher productivity.

"The registration process for agricultural inputs in Honduras has improved significantly in the last two years. The process now is not only faster but more predictable and better technically. This improvement benefits all the agricultural chain in Honduras, but particularly farmers who have now access to more and better pesticides and fertilizer products."

MR. JOSE JAAR
General Manager, Del Campo Soluciones Agrícolas, and Vice President, Croplife Honduras

The Bank Group supported the Honduran government’s efforts to reform the market in a number of ways, including mapping the registration process and providing recommendations to reduce administrative discretion and increase transparency. Three process manuals were developed to assist staff with technical and legal evaluation procedures, helping reduce discretionary and arbitrary treatment of firms. In addition, all relevant regulations were published for public use, and formal checklists of documents required for registration were disseminated to relevant stakeholders.

Based on the recommendations provided by the Bank Group team, the government of Honduras:  

- Optimized registration procedures for agricultural inputs.
- Enforced process manuals to ensure consistency and equal treatment across applications.
- Developed a web-based database of registered input products (and their associated crops) by firm, with tracking information on the product registration process. Public access to the database will provide farmers information on products available in the market and serve as a tool for increasing transparency to limit the discretionary treatment of competitors.