

FEB 20 1969

A.I.D.
Reference Center

AID 1020-25 (7-68)		SECURITY CLASSIFICATION		001 PROJECT NUMBER	
PROJECT APPRAISAL REPORT (PAR) (U-446)		UNCLASSIFIED		Com 1655 NS 18p 620-11-140-082	

002 PAR	MO.	DAY	YR.	003 U.S. OBLIGATION SPAN	004 PROJECT TITLE
AS OF:	02	06	69	FY 61 Thru FY 73	

008 COOPERATING COUNTRY - REGION - AID/W OFFICE	004 PROJECT TITLE
NIGERIA - Western State	AGRICULTURAL CREDIT

006 FUNDING TABLE

AID DOLLAR FINANCING-OBLIGATIONS (\$000)	TOTAL	CONTRACT (NON-ADD)	PERSONNEL SERVICES			PARTICIPANTS		COMMODITIES		OTHER COSTS	
			AID	PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT
CUMULATIVE NET THRU ACTUAL YEAR (FY 19 68)	581	64	105	288	64	29		32		63	
PROPOSED OPERATIONAL YEAR (FY 19 69)	90			76		12				2	

CCC VALUE OF P.L. 480 COMMODITIES (\$000)	Thru Actual Year : None	Operational Year Program : None
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007 IMPLEMENTING AGENCY TABLE

If contractors or participating agencies are employed, enter the name and contract or PASA number of each in appropriate spaces below; in the case of voluntary agencies, enter name and registration number from M.O. 1551.1, Attachment A. Enter the appropriate descriptive code in columns b and c, using the coding guide provided below.

TYPE CODE b	TYPE CODE c	a. IMPLEMENTING AGENCY	TYPE CODE		d. CONTRACT/PASA/VOLAG NO.	e. LEAVE BLANK FOR AID/W USE
			b.	c.		
1. U.S. CONTRACTOR	0. PARTICIPATING AGENCY					
2. LOCAL CONTRACTOR	1. UNIVERSITY					
3. THIRD COUNTRY CONTRACTOR	2. NON-PROFIT INSTITUTION	1. Farmers Home				
4. PARTICIPATING AGENCY	3. ARCHITECTURAL & ENGINEERING	2. Administration/USDA	4	0	AFR(AJ) 03-65	
5. VOLUNTARY AGENCY	4. CONSTRUCTION					
6. OTHER:	5. OTHER COMMERCIAL					
	6. INDIVIDUAL					
	7. OTHER:					

PART I - PROJECT IMPACT

I-A. GENERAL NARRATIVE STATEMENT ON PROJECT EFFECTIVENESS, SIGNIFICANCE & EFFICIENCY.

This summary narrative should begin with a brief (one or two paragraph) statement of the principal events in the history of the project since the last PAR. Following this should come a concise narrative statement which evaluates the overall efficiency, effectiveness and significance of the project from the standpoint of:

- (1) overall performance and effectiveness of project implementation in achieving stated project targets;
- (2) the contribution to achievement of sector and goal plans;
- (3) anticipated results compared to costs, i.e., efficiency in resource utilization;
- (4) the continued relevance, importance and significance of the project to country development and/or the furtherance of U.S. objectives.

Include in the above outline, as necessary and appropriate, significant remedial actions undertaken or planned. The narrative can best be done after the rest of PART I is completed. It should integrate the partial analyses in I-B and I-C into an overall balanced appraisal of the project's impact. The narrative can refer to other sections of the PAR which are pertinent. If the evaluation in the previous PAR has not significantly changed, or if the project is too new to have achieved significant results, this Part should so state.

008 NARRATIVE FOR PART I-A (Continue on form AID 1020-25 I as necessary):

Attached

MISSION DIRECTOR APPROVAL	SIGNATURE	DATE
	<i>Armon C. Johnson</i>	2-10-69

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PART I-B - PROJECT EFFECTIVENESS

I-B.1 - OUTPUT REPORT AND FORECAST - (See detailed instructions)

09

CODE NO. AID/W USE ONLY	2. This section is designed to record progress toward the achievement of each project output target which was scheduled in the PIP, Part II. Where progress toward a target is significantly greater or less than scheduled, describe reason(s) beneath the target.	ACTUAL AND PLANNED OUTPUTS (ALL DATA CUMULATIVE)				
		3. ACTUAL CUM. TO DATE 1/	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30	6. PROJECTED TOTAL FOR PROJECT LIFE 2/
			a. PLANNED	b. ACTUAL		
	<p>Note: The PIP for this project has not, of this date, been prepared.</p> <p>Following refers only to Western State program:</p> <ol style="list-style-type: none"> Improved credit legislation in effect and functioning Improved administrative procedures used Training received by loan program personnel Akure Agricultural School graduates in loan offices Larger number of loan offices in operation Increased number of loan personnel High percentage of loans repaid as scheduled Increase in number and value of loans to individual farmers Increase in loans made to coops., villages, and other groups (small amount included in item 8) Participants trained 	<p>New credit law is under consideration</p> <p>Some improved procedures used</p> <p>87 loan personnel have received limited on-the-job training</p> <p>14 Akure graduates in program</p> <p>34</p> <p>About 80</p> <p>Less than 60%</p> <p>4/ \$51,692 Issued</p> <p>10 (short-term)</p>	<p>under</p> <p></p> <p>limited on-the-job</p> <p>in program</p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p>	<p>Signed</p> <p>Improve-ment</p> <p>14</p> <p>34</p> <p></p> <p></p> <p>2/ \$100,000 to 750 borrowers</p> <p>2/ \$25,000</p> <p>10</p>	<p>Fully implemented</p> <p>Effective, updated procedures in use</p> <p>228 loan personnel trained</p> <p>57</p> <p>67</p> <p>228</p> <p>80%</p> <p>\$500,000 per year to 4,000 borrowers</p> <p>\$200,000 per year 25</p>	

1/ From January 1966. Supervised agricultural credit program only

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2/ Through US FY 1973
3/ March 1970
4/ As of September 30, 1968

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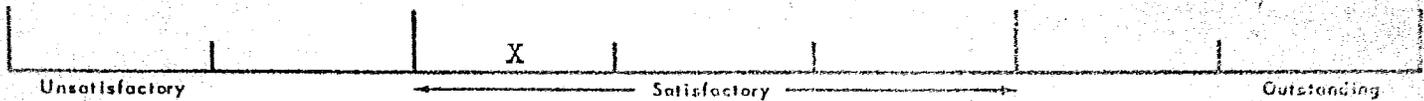
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PART I-B - Continued

010

B.2 - OVERALL ACHIEVEMENT OF PROJECT TARGETS

Place an "X" within the bracket on the following seven-point scale that represents your judgment of the overall progress towards project targets:



PART I-C - PROJECT SIGNIFICANCE

011

C.1 - RELATION TO SECTOR AND PROGRAM GOALS (See detailed instructions M.O. 1026.1)

This section is designed to indicate the potential and actual impact of the project on relevant sector and program goals. List the goals in col. b and rate potential and actual project impact in cols. c and d.

a. CODE NO. (AID/W USE ONLY)	SCALE FOR COLUMN c: 3= Very Important; 2= Important; 1= Secondary Importance SCALE FOR COLUMN d: 3= Superior/Outstanding; 2= Adequate/Satisfactory/Good; 1= Unsatisfactory/Marginal	c. POTENTIAL IMPACT ON EACH GOAL IF PROJECT ACHIEVES TARGETS	d. ACTUAL IMPACT ON GOAL TO DATE RELATIVE TO PROGRESS EXPECTED AT THIS STAGE
	b. SECTOR AND PROGRAM GOALS (LIST ONLY THOSE ON WHICH THE PROJECT HAS A SIGNIFICANT EFFECT)		
	(1) Develop a viable agricultural credit institution	3	2
	(2) Increase agricultural production	2	1
	(3)	1	
	(4)		

For goals where column c. is rated 3 or 2 and column d. is rated 1, explain in the space for narrative. The narrative should also indicate the extent to which the potential impacts rated 3 or 2 in column c. are dependent on factors external to the achievement of the project targets, i.e., is there a substantial risk of the anticipated impact being forestalled by factors not involved in the achievement of project targets. If possible and relevant, it also would be useful to mention in the narrative your reading of any current indicators that longer-term purposes, beyond scheduled project targets, are likely or unlikely to be achieved. Each explanatory note must be identified by the number of the entry (col. b) to which it pertains.

012 NARRATIVE FOR PART I-C.1 (Continue on form AID 1020-25 I):

Attached

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PART I-C - Continued

C.2 - GENERAL QUESTIONS

These questions concern developments since the prior PAR. For each question place "Y" for Yes, "N" for No, or "NA" for Not Applicable in the right hand column. For each question where "Y" is entered, explain briefly in the space below the table.	MARK IN THIS COL.
013 Have there been any significant, unusual or unanticipated results not covered so far in this PAR?	Y
014 Have means, conditions or activities other than project measures had a substantial effect on project output or accomplishments?	Y
015 Have any problems arisen as the result of advice or action or major contributions to the project by another donor?	NA
016 If the answer to 014 or 015 is yes, or for any other reason, is the project now less necessary, unnecessary or subject to modification or earlier termination?	N
017 Have any important lessons, positive or negative, emerged which might have broad applicability?	N
018 Has this project revealed any requirement for research or new technical aids on which AID/W should take the initiative?	Y
019 Do any aspects of the project lend themselves to publicity in newspapers, magazines, television or films in the United States?	Y
020 Has there been a lack of effective cooperating country media coverage? (Make sure AID/W has copies of existing coverage.)	N
021 <u>NARRATIVE FOR PART I-C.2</u> Identify each explanatory note by the number of the entry to which it pertains. (Continue on form AID 1020-25 I as necessary):	

Attached

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PART II - IMPLEMENTATION REPORT

II-A - STATUS OF SCHEDULE

022 A-1 - INDIVIDUAL ACTIONS (See detailed instructions M.O. 1026.1). This is a listing of major actions or steps which were scheduled for physical start or continuing implementation in the reporting period as reflected in the Project Implementation Plan, Part I.

(a) PIP ITEM NO.	MAJOR ACTIONS OR STEPS; CAUSES AND RESULTS OF DELAYS; REMEDIAL STEPS	(b) STATUS - PLACE AN "X" IN ONE COLUMN		
		(1) BEHIND SCHEDULE	(2) ON SCHEDULE	(3) AHEAD OF SCHEDULE
	Schedule contained in Work Plan signed in November 1967			
	1. Implementation of actions specified in Work Plan - In effect or under consideration	X		
	2. Fielding new USAID Advisors - Contingent upon implementation of legislative and administrative changes specified in signed Work Plan - Recruitment delayed due to USAID reservations about proposed sources of technicians. Situation now resolved	X		
	3. Improving Loan Program Administration - Advisors present for only 1/2 of reporting period	X		
	4. Increase Loan Volume - Absence of advisors has hampered expansion of program	X		
	5. Training - Lack of suitable candidates nominated	X		
	The fielding of the USAID Credit PASA Team Leader should stimulate positive action toward getting the project under way again.			

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PART II -- Continued

023

II-A.2 -- OVERALL TIMELINESS

In general, project implementation is (place an "X" in one block):

(a) On schedule

(b) Ahead of schedule

(c) Behind schedule

BLOCK (c): If marked, place an "X" in any of the blocks one thru eight that apply. This is limited to key aspects of implementation, e.g., timely delivery of commodities, return of participants to assume their project responsibilities, cooperating country funding, arrival of technicians.

(1) AID/W Program Approval

(2) Implementing Agency (Contractor/Participating Agency/Voluntary Agency)

(3) Technicians

(4) Participants

(5) Commodities (non-FFF)

(6) Cooperating Country

(7) Commodities (FFF)

(8) Other (specify):

II-B -- RESOURCE INPUTS

This section appraises the effectiveness of U.S. resource inputs. There follow illustrative lists of factors, grouped under Implementing Agency, Participant Training and Commodities, that might influence the effectiveness of each of these types of project resources. In the blocks after only those factors which significantly affect project accomplishments, write the letter P if effect is positive or satisfactory, or the letter N if effect is negative or less than satisfactory.

1. FACTORS-IMPLEMENTING AGENCY (Contract/Participating Agency/Voluntary Agency)

024	IF NO IMPLEMENTING AGENCY IN THIS PROJECT. PLACE AN "X" IN THIS BLOCK:		032 Quality, comprehensiveness and candor of required reports	P
			033 Promptness of required reports	P
025	Adequacy of technical knowledge	P	034 Adherence to work schedule	
026	Understanding of project purposes	P	035 Working relations with Americans	
027	Project planning and management	P	036 Working relations with cooperating country nationals	N
028	Ability to adapt technical knowledge to local situation	N	037 Adaptation to local working and living environment	
029	Effective use of participant training element		038 Home office backstopping and substantive interest	P
030	Ability to train and utilize local staff	P	039 Timely recruiting of qualified technicians	
031	Adherence to AID administrative and other requirements		040 Other (describe):	

2. FACTORS-PARTICIPANT TRAINING

041	IF NO PARTICIPANT ELEMENT IN PROJECT. PLACE AN "X" IN THIS BLOCK:		TRAINING UTILIZATION AND FOLLOW UP	
			052 Appropriateness of original selection	
	PREDEPARTURE			
042	English language ability		053 Relevance of training for present project purposes	P
043	Availability of host country funding		054 Appropriateness of post-training placement	P
044	Host country operational considerations (e.g., selection procedures)	N	055 Utility of training regardless of changes in project	
045	Technical/professional qualifications		056 Ability to get meritorious ideas accepted by supervisors	
046	Quality of technical orientation		057 Adequacy of performance	P
047	Quality of general orientation		058 Continuance on project	N
048	Participants' collaboration in planning content of program		059 Availability of necessary facilities and equipment	
049	Collaboration by participants' supervisors in planning training		060 Mission or contractor follow-up activity	
050	Participants' availability for training	N	061 Other (describe):	
051	Other (describe):			

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PART II-B - Continued

3. FACTORS-COMMODITIES

PLACE AN "X" IN APPROPRIATE BLOCK:	002 FFF	003 NON-FFF	004 NO COMMODITY ELEMENT	X	
					072 Control measures against damage and deterioration in shipment.
065 Timeliness of AID/W program approval (i.e., PIO/C, Transfer Authorization).					073 Control measures against deterioration in storage.
066 Quality of commodities, adherence to specifications, marking.					074 Readiness and availability of facilities.
067 Timeliness in procurement or reconditioning.					075 Appropriateness of use of commodities.
068 Timeliness of shipment to port of entry.					076 Maintenance and spares support.
069 Adequacy of port and inland storage facilities.					077 Adequacy of property records, accounting and controls.
070 Timeliness of shipment from port to site.					078 Other (Describe):
071 Control measures against loss and theft.					

Indicate in a concise narrative statement (under the heading a. Overall Implementation Performance, below) your summary appraisal of the status of project implementation, covering both significant achievements and problem areas. This should include any comments about the adequacy of provision of direct hire technicians as well as an overall appraisal of the comments provided under the three headings (b, c & d) which follow. For projects which include a dollar input for generation of local currency to meet local cost requirements, indicate the status of that input (see Detailed Instructions).

Discuss separately (under separate headings b, c & d) the status of Implementing Agency Actions, Participants and Commodities. Where above listed factors are causing significant problems (marked N), describe briefly in the appropriate narrative section: (1) the cause and source of the problem, (2) the consequences of not correcting it, and (3) what corrective action has been taken, called for, or planned by the Mission. Identify each factor discussed by its number.

079 NARRATIVE FOR PART II-B: (After narrative section a. Overall Implementation Performance, below, follow, on form AID 1020-25 1 as needed, with the following narrative section headings: b. Implementing Agency, c. Participants, d. Commodities. List all narrative section headings in order. For any headings which are not applicable, mark them as such and follow immediately below with the next narrative section heading.)

a. Overall Implementation Performance.

Attached

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PART III - ROLE OF THE COOPERATING COUNTRY

The following list of illustrative items are to be considered by the evaluator. In the block after only those items which significantly affect project effectiveness, write the letter P if the effect of the item is positive or satisfactory, or the letter N if the effect of the item is negative or less than satisfactory.

SPECIFIC OPERATIONAL FACTORS:

080 Coordination and cooperation within and between ministries.	P
081 Coordination and cooperation of LDC gov't. with public and private institutions and private enterprise.	
082 Availability of reliable data for project planning, control and evaluation.	P
083 Competence and/or continuity in executive leadership of project.	P
084 Host country project funding.	P
085 Legislative changes relevant to project purposes.	N
086 Existence and adequacy of a project-related LDC organization.	N
087 Resolution of procedural and bureaucratic problems.	N
088 Availability of LDC physical resource inputs and/or supporting services and facilities.	N
089 Maintenance of facilities and equipment.	
090 Resolution of tribal, class or caste problems.	
091 Receptivity to change and innovation.	N
092 Political conditions specific to project.	P
093 Capacity to transform ideas into actions, i.e., ability to implement project plans.	P
094 Intent and/or capacity to sustain and expand the impact of the project after U.S. inputs are terminated.	P
095 Extent of LDC efforts to widen the dissemination of project benefits and services.	P
096 Utilization of trained manpower (e.g., participants, counterpart technicians) in project operations.	P
097 Enforcement of relevant procedures (e.g., newly established tax collection and audit system).	P
098 Other:	

HOST COUNTRY COUNTERPART TECHNICIAN FACTORS:

099 Level of technical education and/or technical experience.	N
100 Planning and management skills.	N
101 Amount of technician man years available.	P
102 Continuity of staff.	
103 Willingness to work in rural areas.	N
104 Pay and allowances.	N
105 Other:	

In the space below for narrative provide a succinct discussion and overall appraisal of the quality of country performance related to this project, particularly over the past year. Consider important trends and prospects. See Detailed Instructions for an illustrative list of considerations to be covered.

For only those items marked N include brief statements covering the nature of the problem, its impact on the achievement of project targets (i.e., its importance) and the nature and cost of corrective action taken or planned. Identify each explanatory note.

106 NARRATIVE FOR PART III (Continue on form AID 1020-25 I):

Attached

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PART IV -- PROGRAMMING IMPLICATIONS

IV-A -- EFFECT ON PURPOSE AND DESIGN

Indicate in a brief narrative whether the Mission experience to date with this project and/or changing country circumstances call for some adjustment in project purposes or design, and why, and the approximate cost implications. Cover any of the following considerations or others that may be relevant. (See Detailed Instructions for additional illustrative considerations.) Relevant experience or country situations that were described earlier can simply be referenced. The spelling out of specific changes should be left to the appropriate programming documents, but a brief indication of the type of change contemplated should be given here to clarify the need for change. For example, changes might be indicated if they would:

1. better achieve program/project purposes;
2. address more critical or higher priority purposes within a goal plan;
3. produce desired results at less cost;
4. give more assurance of lasting institutional development upon U.S. withdrawal.

107 NARRATIVE FOR PART IV-A (Continue on form AID 1020-25 I):

Attached

IV-B -- PROPOSED ACTION

108 This project should be (Place an "X" in appropriate block(s)):

1. Continued as presently scheduled in PIP.
2. Continued with minor changes in the PIP, made at Mission level (not requiring submission of an amended PIP to AID/W).
3. Continued with significant changes in the PIP (but not sufficient to require a revised PROP). A formally revised PIP will follow.
4. Extended beyond its present schedule to (Date): Mo. ___ Day ___ Yr. ___. Explain in narrative, PROP will follow.
5. Substantively revised. PROP will follow.
6. Evaluated in depth to determine its effectiveness, future scope, and duration.
7. Discontinued earlier than presently scheduled. Date recommended for termination: Mo. ___ Day ___ Yr. ___
8. Other. Explain in narrative.

109 NARRATIVE FOR PART IV-B:

Attached

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PAR CONTINUATION SHEET

This sheet is to be used for any Narrative Sections for which sufficient space has not been provided on the form. Identify each narrative by its Part and Section Designation.

008 NARRATIVE FOR PART 1-A1. Purpose of Project

This is an institutional development project with the immediate objective of assisting Nigeria to create a viable agricultural credit institution(s) and the ultimate objective of increasing agricultural production by providing farmers with the credit needed to adopt improved practices and produce and market a larger volume of agricultural products.

The principal AID development objectives in agriculture include stimulation of increases in agricultural production and maximization of agricultural exports.

To achieve these objectives AID assistance in agriculture includes the development of viable institutions capable of providing the services and support to the agricultural sector necessary for sustained growth. The viable institutions needed for sustained growth in agriculture include research, education, extension, credit, and marketing.

Through agricultural credit, provided for specific production purposes and on terms suited to the nature of the production process being financed, farmers are provided with both the incentive and the means to purchase improved inputs and thereby increase production. Agricultural loans properly made and utilized are repaid from part of the additional income created by the loan leaving the farmer a profit while the country benefits by additional foreign exchange earnings from exported products and from additional production for domestic use. Credit may be regarded as an acceleration of the agricultural development process. Most improved methods increase production by use of purchased inputs and these improved practices are more likely to be adopted if farmers have credit to purchase the inputs recommended.

2. Performance and Effectiveness of Project Implementation

Five USAID credit advisors arrived by November 1965 to assist and advise Nigerian agricultural credit organizations. Four were assigned to the Western Nigeria Agricultural Credit Corporation (WNACC) and one to the Fund for Agricultural and Industrial Development (former Eastern Region). They remained for one two-year tour and were not replaced when they departed in mid-FY 1968. The Eastern credit advisor was evacuated in mid-CY 1967.

A Work Plan which clearly demarcates areas of responsibility and which outlines corrective measures for several project problems was negotiated with the Western Nigeria Agricultural Credit Corporation in the final months of CY 1967. As a result, a new credit law incorporating many of the needed legislative changes is under consideration and many of the recommended administrative practices have been implemented. The operational strategy of the Mission has been to delay new advisors until progress was made in implementing the legislative and administrative changes specified in the Work Plan. The recruitment of a team leader has been started under a USDA/Farmers Home Administration PASA with an ETA in the second half of FY 1969.

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Further assistance to the States of Eastern Nigeria will depend upon an assessment of the situation which will be made after the internal conflict in Nigeria is resolved.

The project to date (in "hold" status since November 1967 when the last advisor departed) has been of limited effectiveness from the standpoints of training Nigerians in efficient credit procedures and increasing credit available to farmers. While loans made to farmers increased and administrative procedures improved during the advisors' tours, training of Nigerians progressed slowly, the amounts of credit disbursed were small, and Nigerian administrative procedures hindered the development of an efficient program. Some of the major reasons the advisors were only marginally successful in improving the two credit organizations were the following:

1. A shortage in the agricultural credit institutions of personnel trained in both credit and agriculture;
2. Unsuitable administrative practices;
3. Unwillingness on the part of Nigerian officials to adopt recommended changes; and
4. Inability of the advisors to fully adapt FHA agricultural credit practices to the Nigerian situation.

However, these problems (the ensuing comments refer to the Western State) are closer to solution today than when the advisors left in CY 1967. Agricultural credit personnel are being trained at the Akure School of Agriculture; many of the recommended administrative practices have been implemented; a new credit law is under consideration; and the programmed USAID advisors are expected to have more experience of the type which will enable them to adapt proven credit practices to local conditions.

The ultimate objective of the project - to place more credit in the hands of primary producers - remains highly relevant in the context of a Nigerian economy dominated by agriculture and USAID efforts to boost agricultural production. Credit, properly supervised, can be an effective method of introducing improved farming practices and increasing production. Combining U.S. expertise in Agricultural credit and Nigerian manpower and capital appears to be an excellent method of, over time, having an important positive effect on Nigerian agricultural production.

3. Anticipated Results Compared to Costs

The effectiveness of an agricultural credit institution can theoretically be measured by comparing the net value of the increase in production resulting from the use of credit with the total cost (public and private) of providing the credit. Consequently, the effectiveness of an agricultural credit program depends not only on the efficiency with which the institution is managed but

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on profitability of the inputs financed by the use of credit. The research and analyses needed to determine the total return (public and private) on investment in money and personnel in agricultural credit institutions in Nigeria have not been done.

It seems, however, a reasonable goal that when fully developed the total annual costs of administering a supervised agricultural credit institution should not exceed 15 percent of the amount of loans outstanding. In the present WNACC-USAID Work Plan the projected ration of administrative costs (including costs of personnel in training) to amount of new loans made declines from 32 percent in 1969 to 23 percent in 1973. In the same period the ratio of administrative costs to year-end amount of loans outstanding is projected to decline from 32 percent to 16 percent. Administrative costs include costs of loan supervision and education of farmers and would be higher than for credit institutions making industrial or commercial loans. If a nominal figure of, say, 5 percent were added for the imputed cost of the money loaned, the total annual costs of an agricultural credit program administered by an efficiently managed institution would be around 20 percent of the money loaned. If the costs of borrower education in improved farming were not charged to the credit institution the total cost of the program as a ratio to money loaned might be as low as 10-12 percent per year.

Agricultural credit institutions are, therefore, profitable to the economy (and also to farmers) if the borrowed funds are used by farmers in such a way that the net value of production created by and loan is more than 20 percent of the amount of the loan. That is credit is profitable to the economy and to the farmer if the inputs purchased with the loan return the farmer more than 20 percent.

In Nigeria improved practices are usually not recommended to farmers if the net value increase in production is less than 50 percent. Improved practices involving the use of purchased inputs which return the farmer (and the economy) a net of more than 50 percent of the cost of the purchased inputs include fertilizer for cocoa, maize, and groundnuts, improved high-yielding varieties of cocoa, maize, and oil palm, and spraying of cocoa for black-pod disease. Similar high returns are found for improved practices on other crops.

For the period 1969-1973 the total administrative costs of the Western Nigeria Agricultural Credit Corporation relative to the supervised agricultural credit program are estimated at about \$1,475,000. AID costs for FY 1969-FY 1973 are estimated at about \$655,000. Therefore, total AID and WNACC costs for FY 1969-FY 1973 are projected at about \$2,130,000. By the end of FY 1973, it is expected that about 225 WNACC personnel will have been trained in agricultural

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credit. The cost per man trained is about \$9,500 per man. As a part of the training process, loans totalling about \$4,200,000 will have been made by FY 1973 to about 11,000 individual farmers and loans of about \$1,470,000 made to cooperatives and other farmers organizations. In 1973 WNACC should have a fully trained staff making new loans in approximate amount of \$2,000,000 a year and servicing a total loan portfolio of about \$4,000,000. Loan volume can be expected to increase relative to administrative costs after 1973.

Total credit needs are, of course, difficult if not impossible to estimate. There are some 350,000 cocoa farmers in Nigeria and recommendations have been made that by 1975 some 100,000-125,000 acres of cocoa should be replanted or newly planted. If a loan of \$45 per acre were made for replantings or new plantings, credit requirements would be more than \$4,500,000 for this purpose alone. Operating loans of only \$100 per year extended to only 200,000 cocoa farmers a year would require \$20,000,000 a year. For operating expenses and for development, legitimate repayable credit needs in Western State may reach \$30,000,000 annually by FY 1973 when AID participation in this project is scheduled to end. The scale of the project, as now planned, will not meet all legitimate agricultural credit needs in Western State and it is not necessary that it do so. The scale of the project is, however, large enough to have a significant impact on agricultural credit needs and on agricultural production. The scale is large enough to set up a viable credit institution which in addition to supplying a significant portion of credit needs can be expanded and can serve as a demonstration to other lenders.

4. Continued Relevance, Importance, and Significance

This project continues relevant, important and significant to the development of the country and to the furtherance of U.S. objectives. In fact, as progress is made in the development of agricultural education and extension projects the lack of developed agricultural credit institutions becomes more obviously a constraint on agricultural development. Most modern improved methods recommended to increase agricultural production require use of inputs which must be purchased by farmers. Efficient credit institutions are therefore needed to obtain the rapid adoption of these improved methods by farmers.

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012 NARRATIVE FOR PART 1-C.1

(1) Goal: Develop a viable agricultural credit institution

Creation of a viable credit institution requires not only a need and a demand but also a willingness and ability of appropriate officials to establish the legislation and administrative practices necessary. Administering a well-designed organization depends upon the availability of trained, capable staff, knowledgeable of both technical agriculture and credit, receptive to new ideas, and possessing supervisory ability. These three areas - suitable staff, good administrative procedures, and proper legislation - have been restrictions in the past to building an effective agricultural credit institution. Shortage of loan funds has not been a restrictive factor. Future success appears more likely as measures already taken by Nigerian officials to remove these restrictions demonstrate. The attainable result of this project can be an organization able to administer the credit program necessary to encourage growth in the agricultural sector of the economy.

Progress to date on this project is rated "2" or adequate in the sense that training and other institutional development activities, while not up to original expectations, have been generally adequate for the conditions faced. Many of the difficulties were not foreseen at the time the first PASA Credit Advisory Team was fielded in 1965. As a result of their experience new administrative procedures have been recommended and the most important ones adopted, different lending techniques will be tried, and a new credit law is being drafted.

(2) Goal: Increase agricultural production

Agricultural credit, properly supervised, can be an effective method of introducing improved farming practices and increasing production. To date, the small number of loans and small amounts of credit extended have obviously had little effect on production and little effect on production was expected at this time. However, the potential still remains. Certainly, credit alone will not automatically increase production, but in combination with adequate prices, availability of superior inputs, and an improved marketing system it is an important factor. In the West, for example, an increase in production incentives for farmers would undoubtedly increase the demand for credit. The problem is not one of creating a demand for production credit as such but rather meeting the existing latent demand which would appear if an efficient credit program were to begin functioning. The effect on the goal "Increase Agricultural Production" is rated "2" or adequate to conform to the format for OII, Part I-C,C.1. It would be more meaningful to say that increases in agricultural production are not important at this stage but are the ultimate reason for building an effective lending institution.

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021 Narrative for Part I.C.2013

The break in the project, from November, 1967 to the present (January 1969), when no AID advisors were on board, has not seriously harmed the prospects of project success and in some respects may actually have enhanced the probability of achieving original project objectives. During this period several recommended changes in administrative changes occurred and it is possible that USAID's firm stand on fielding new advisors only after certain specified changes were made will mean the credit technicians' advice will be more readily sought and implemented.

014

The internal conflict may be diverting attention away from this project, but the seriousness should be no greater than for other USAID projects.

016

The project is as necessary, now as it was when planned, and earlier termination or modification is not required.

018

Several problems have been encountered in implementing this supervised agricultural credit program. Research would be useful in a) methods of adapting U.S. credit techniques to a developing country; b) the proper administrative structure for a credit organization to serve a less developed country and c) means of obtaining adequate security for loans in areas where land is not individually owned.

019

Any credit recipients who use their loans for constructive purposes and with significant effect on their farming practices, productively, outlook, families, etc., might provide good publicity for the program. People utilizing credit to improve their conditions is an example of the type of initiative a USAID assisted program should generate.

079 Narrative for Part II-B.

- a. Overall Implementation Performance - Project implementation has fallen behind the original schedule. The slow progress by the Western State Government in fulfilling the conditions set forth in the negotiated Work Plan have kept additional USAID-financed advisors from being fielded. Mission concern over the suitability of FIA PASA agricultural credit specialists (resulting from the experience with the first group) has caused additional delays in placing advisors back in the project. The first group of advisors made considerable progress of a preliminary nature in setting up an adequate organization and program, but the project was not far enough along in terms of trained personnel and operating experience for it to sustain its momentum once the technical advice was stopped. The participant training segment of this project has been weak.

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- b. Implementing Agency - The original FHA PASA technicians assigned to this project (referring to the five that arrived in FY 1966) had difficulty in adapting their technical knowledge to Nigerian conditions (028). The chaotic period during which they arrived caused by the local elections may have initially discouraged them and undoubtedly made their job more difficult. For the future, technicians with some cooperative, as well as wide credit experience and more importantly previous overseas experience are recommended. It is believed that with these qualifications some of the problems experienced by the first technician group will be avoided. In particular, it is believed that more emphasis should be placed on loans to or through farmers organizations (including cooperatives) and groups in order to make more effective use of scarce qualified Nigerian credit personnel and improve repayments. This recommendation contrasts with the practice of the former credit advisory team of concentrating on loans to individual farmers. Participating agency backstopping is considered adequate in regard to technical FHA practices.

The factor 040 "other" is rated "N" or less than satisfactory because of the practice of the FHA technicians in reporting difficulties on problems to their backstop agency and frequently failing to inform the Mission of these problems. They also made recommendations on program and policy changes to the backstop office without informing the Mission. The former team in a sense seemed to feel that their first loyalty was to FHA, and Mission advice and guidance seemed to be resented.

Working relations(036) of the original five FHA PASA technicians with cooperating country nationals: for the three field technicians in Western State they were considered good. For the senior advisor in Western State, they were considered less than satisfactory. For the technician in the East, working relations were good with the Ministry of Agriculture and fair with the Fund for Agricultural and Industrial Development.

- c. Participants - The participant training segment of this project has been quite small. No long-term degree participants were included in this program, and of the ten sent (8 - West and 2 - East) for short-term (six months or less) training, four in the West (East - unknown) no longer work with the credit organization. Of those still in the program, two are Loan Officers, one is a Loan Inspector and one is a Loan Secretary. They have experienced some difficulty in using their training but are performing adequately. Additional participants were programmed but suitable candidates were never nominated by the Nigerian Government.

- d. Commodities - There have been no difficulties with commodities under this project. No new commodities are currently programmed. No new commodities have arrived since the last TAPER was prepared in 1966. The commodity element in this project was and will continue to be small.

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106 NARRATIVE FOR PART III

After an initial burst of support for this project, which resulted in studies being made by consultants and the 1964 Western Nigeria Credit Law which incorporated many of the recommendations of the consultants, Nigerian performance in this project has been only marginal. Advisors' recommendations on technical questions were often accepted, but suggestions for changes in administrative procedures were generally ignored. Loan funds were originally slow in being made available and then not completely utilized because of the loan-making "red tape." Credit staff were generally low level with little experience in either credit or agriculture. Logistic support for personnel in the West was often inadequate. Participants were not sent in the planned numbers because nominations were never made.

However, interest in the concept of agricultural credit was and continues to be present and by the departure date of the advisors a satisfactory work plan had been negotiated in both Western and Eastern Nigeria. Several of the modifications in the Western State credit legislation and administrative practices specified in the signed Work Plan have been implemented. Seventeen agricultural credit personnel have returned from two years training at the Akure School of Agriculture with twenty others currently enrolled. Projected loan funds appear adequate. A future problem is likely to be a desire to expand the program more rapidly than the number of capable well-trained people available indicates should be done.

Recent changes along the recommended lines are an indication that host country support is improving. Once the credit team leader has arrived and has been working a short time a better judgment can be made of what role the host organization is playing.

NARRATIVE FOR PART III

085. Certain administrative procedures which hamper the agricultural credit program are written into the existing credit law. To change these procedures it is necessary to pass revised credit legislation. Such revised legislation is under consideration by the Western State Government.

086. Certain program difficulties originate with the administrative structure of the Western Nigeria Agricultural Credit Corporation. Changes have been recommended and several implemented.

087. Many of the recommendations of previous advisors concerned procedural practices which were impeding the flow of agricultural credit out to the farmers. Several improvements are specified in the signed Work Plan. Most of the changes recommended are now in effect, in the process of being implemented, or require legislative changes.

088. Logistic support for loan program personnel has been a problem. Whether it still remains a problem has not been determined. Administrative and loan funds for the program are adequate.

091. Previous technicians reported difficulty in this area, but recent changes along recommended lines indicate that receptivity to change and innovation is improving.

099. Low levels of experience and education have been a serious problem. Technical

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NARRATIVE FOR PART III

education in agriculture and on-the-job training in credit are considered essential. The return of 17 loan personnel from a two-year course at Akure School of Agriculture and the enrollment of 20 others is a positive step. Plans call for more loan personnel to attend Akure and for a continual upgrading through on-the-job training.

100. Proficiency has been lacking, but as experience is gained and better qualified people staff the program the planning and management of the program will improve.

104. Junior level employees have had difficulty in receiving allowances for transport. Their low salaries do not allow them to make up this impediment to effective functioning from their own pocket. This is a continuing problem which will probably only be solved over time as pay and allowance procedures are improved for all civil servants.

NARRATIVE FOR PART IV-A

Future consideration will be given to initiating similar programs in other states, using the experience gained in this Western State project, and preferably through some kind of a Federal agricultural credit organization. However, we know of no plans to make agricultural credit a Federal function at this time.

NARRATIVE FOR PART IV-B

A PIP has not as yet been prepared. Project should continue as presently scheduled in the current Work Plan. Changes may be recommended after the new team leader has been on-the-job for a reasonable time and before the other programmed advisors are fielded. An assessment will be made covering all project areas within six months of the arrival of the team leader. If the project then continues to appear to have a reasonable prospect of success, as viewed by the team leader and Mission personnel, the additional advisors will be fielded.