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Second Semi-Annual Annual Administrative Report
on Research Contract between
The United States Agency for International Development
and
The Research Foundation of the Ohio State University

for an

ANALYSIS OF PROGRAMS FOR THE DEVELOPMENT
AND IMPROVEMENT OF AGRICULTURAL
CREDIT INSTITUTIONS AND SERVICES

BY

Agricultural Finance Center
Department of Agricultural Economics and Rural Sociology
The Ohio State University
Columbus, Ohio

July, 1965

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I. INTRODUCTION

Background

The research project reported upon herein was initiated on July 1, 1964 under contract number AID/csd-463, dated June 15, 1964. One year has been completed. Two years of the project's stated three-year term lie ahead.

Background information, objectives of the project and a review of the first six month's operation are included in the first Semi-Annual Report, dated December 1964. For clarification, however, the primary objectives of the project are repeated below. Additional subordinate and more specific objectives are stated in Appendix B of the contract:

1. To develop guidelines for the establishment and operation of permanent and effective institutions and systems for providing agricultural credit in developing countries;
2. To develop guidelines for technical and economical assistance in agricultural credit.

The contract provides for three phases of research; each of approximately one year's duration. The first, which is now being completed, consists basically of acquisition, summary, and analysis of secondary materials on agricultural credit in developing countries of the world, along with preparation for second phase work. The second phase is to consist of field research studies in selected Latin American countries. Completion of data collection and analysis and publication of results is scheduled for the third and final phase of the project.

Administrative and Substantive Reports

Separate administrative and substantive reports are being prepared. Substantive reports (interpreted as reports of research results) will be submitted individually as results are forthcoming and will serve as draft

copies of publications for internal AID review. This, then, is an administrative report only, covering the second six months' project operations over the period January 1 to June 30, 1965.

Staff Changes and Status

Mervin G. Smith, Chairman, and Raymond A. Bailey, Professor, of the Department of Agricultural Economics and Rural Sociology serve as project director and associate director, respectively. Richard D. Carter and John O. Early have advanced to research associates, joining Charles D. Curry, Herbert J. Roth and S. Thomas Stickley in this capacity. Ted L. Jones and Francis E. Walker serve as part-time research associates on methodology and data processing. Norman J. Rask, presently with the University of Wisconsin College Contract in Brazil, will join the staff as research associate and Brazilian research team leader later this year.

Research assistants include Donald M. Sorensen, William G. Hoerger, Hsing Yiu Chen and John N. Stitzlein. Eduardo Monterro, now on the Wisconsin Land Tenure Center staff in Bogota, has tentatively accepted a research assistantship on the Colombia and/or Ecuador field research team. It is anticipated that additional assistants will be employed as field activities are initiated.

Consultant Committee Changes and Status

A request has been submitted to AID/Washington for approval to invite two additional men, Jesse W. Tapp and F. Leonard Kerr, to membership on the National Consultant Committee. Mr. Tapp is the retired Chairman of the Board of Bank of America. Mr. Kerr is retired from service with ICA/Washington as Agricultural Credit and Cooperative Advisor. Their addition will add breadth to the representation on the committee and fill the vacancy created by the death of Carl R. Arnold.

Continuing as members of the committee are:

Lester L. Arnold	Farm Credit Administration
Theodore P. Axton	Chairman, Agricultural Committee, American Bankers Association
Ralph U. Battles	International Agricultural Development Service/USDA
Robert A. Feller	President, First National Bank, Findlay, Ohio
Floyd F. Higbee	Farmers Home Administration/USDA
William G. Murray	Professor, Agricultural Economics, Iowa State University

A meeting of the Consultant Committee was held in Columbus, February 25-26, to review research procedures and plans for country field study research activities. The next meeting is tentatively scheduled for the early autumn of 1965.

II. PROJECT ACTIVITIES DURING PAST SIX MONTHS

Analytical Activities

Research work (as distinguished from data collection and procedural work in arranging for country field studies) has centered upon utilization of a broad range of secondary materials relative to agricultural credit in developing countries. The objective, in short, has been to draw guidance from reported past experience into the problems of improving agricultural credit services. As work progressed, products fell into two categories:

1. Recommendations, suggestions and instructions regarding various facets of agricultural credit organization and operations;
2. Component items of information essential to the analysis of agricultural credit programs and determination of relationships between variables.

In short, the first category is an end product, ready now for whatever use it may have. Of necessity it is general rather than specific. It is not expressed in quantitative terms. Its reliability as a guide to future action is not known. It does, however, reflect the collective experience of responsible technicians, study teams and consultants with a variety of agricultural credit programs and problems. Two project reports in this category are in draft form and scheduled for publication in August, 1965:

"A Review and Appraisal of Recommendations for Agricultural Credit Systems in Developing Countries," AFC Research Publication 106

"Observations on the Evolution of Agricultural Credit in Jordan," AFC Research Publication 108

The second category of product consists of an extensive but incomplete inventory of information necessary to the understanding and analysis of agricultural credit needs, programs and performance. Its chief value will only be realized as it is supplemented with primary data from field research during the second phase of the project. There have, though, been valuable by-products.

One of the more worthwhile side products is familiarization of the project staff with many different agricultural credit programs and institutions. Another is identification: both of problems and of additional data needed for their analysis. The most significant product of the work thus far may well prove to be a negative one: demonstration of what and how much is not known about agricultural credit systems and their operation in developing economies.

Based upon the project work just described, general objectives for country field research were formulated. These are detailed in Appendix I but in brief they are: (1) to measure the needs for agricultural credit of major groups and types of farmers; (2) to assess representative institutional approaches to the supplying of credit needs; (3) to identify and assess factors

limiting and factors related to variations in the servicing of farmers' agricultural credit needs.

Major staff attention was given to the determination of data required and criteria to be used in assessing farmer needs and institutional performance. Extensive use was made of data available on credit systems of countries in the Far East in making these determinations. Detailed questionnaires were then developed for field study of farmer needs and potential use of credit, and of institutional approaches in supplying credit. These have been reviewed by the project staff; by field personnel of related projects and by the project consultant committee and are ready for field testing and final revision as soon as the first country study is initiated.

As a result of the work on data identification and questionnaire development and testing, another report is in final draft form. It illustrates an approach to consideration of the influence of external factors upon the credit institution. Publication is scheduled for August, 1965 as:

"The Influence of Selected External Factors Upon the Institutional Structure and Policies of Agricultural Credit Institutions in Latin America," AFC Research Publication 107

In direct connection with the collection and classification of secondary data during the first year's project activities, two additional publications have been completed and are now available:

"Selected Abstracts of Ph.D. Dissertations in Agricultural Credit and Related Fields, 1955-1964," AFC Research Publication 103

"Bibliography of Agricultural Credit, July 1965," AFC Research Publication 104

Procedural Activities

A major portion of project activities during the second six months was directed toward arrangement for country field research studies, originally scheduled to be started in Latin America in July, 1965. Attention was also given to data accumulation and to development of working understandings with

other agencies involved in agricultural credit and related research activities. The main procedural steps over the period January to July, 1965 are chronologically summarized as follows.

January 10-February 5 -- Latin America reconnaissance trip; Smith and Bailey. Purpose: (1) assess feasibilities of countries as sites for field research studies; (2) lay preliminary groundwork for research; (3) collect and promote acquisition of secondary data. Countries visited: Dominican Republic, Colombia, Ecuador, Peru, Brazil, Mexico. Result: tentative selection of Dominican Republic as site for first field study.

January 10-February 5 -- Latin America reconnaissance trip; Stickley. Purpose: (1) collect and arrange for acquisition of secondary data; (2) explore feasibilities for research, with particular attention to ROCAP and SIECA. Countries visited: Venezuela, Costa Rica, El Salvador, Mexico, and Guatemala.

February 23 -- Washington, D. C. conference; Smith and Bailey with José Cabral and others of Inter-American Committee of Agricultural Development (CIDA) staff. Purpose: (1) ascertain scope, content, sites for and operations planned in proposed CIDA Latin American agricultural credit survey; (2) devise means to coordinate field work, avoid duplication and gain complementarity of efforts.

February 25-26 -- Meeting of National Consultant Committee with project staff in Columbus, Ohio. Purpose: (1) review research procedures, schedules and questionnaires (2) review preliminary plans for selection of countries and field study research activities. Members present: L. L. Arnold, R. U. Battles, F. F. Higbee, L. J. Gill. (Storm blocked travel of other members.)

March 18-25 -- Travel to FAO/BID Agricultural Credit Conference in Viña del Mar, Chile; Stickley. Purpose: (1) inform and gain support of

participants for project research activities in their countries; (2) maintain contact and position with CIDA and BID as CIDA agricultural credit project was developed; (3) acquisition of data.

March 1-30 -- Project staff consultations and seminars. Purpose and result: completion of plans for field study research and selection of countries. Proposed memorandum of understanding for field research in Dominican Republic drafted.

April 13 -- Washington, D. C. conference with AID/TCR and Dominican Republic personnel, representatives of Latin American Country Desks, and LA/ID. The general plan of field study research and selection of countries for case studies was presented and discussed. The complete text is shown in Appendix I, but briefly the plan provided for (1) the first field study to be initiated in the Dominican Republic in May, 1965, (2) a second study to be conducted in Ecuador, Colombia and Mexico, with work in the first of the three countries to commence in September, 1965, and (3) a third study to be initiated in Brazil in January, 1966.

Copies of a draft memorandum of understanding covering the proposed Dominican Republic study were submitted for General Counsel approval to TCR/RCD.

May 5-15 -- General plan of field study research revised; Guatemala substituted for Dominican Republic. Rest of plan unchanged.

May 19 -- Revised (Guatemala version) of plan submitted to the Guatemalan Desk and to LA/ID. Plan was cleared by both. Summary of plan was transmitted to AID/Guatemala City with request for approval of project directors' travel to Guatemala to arrange for research study. Request was not approved.

May 28-June 2 -- Project staff conferences. Purpose: Revision of field research plans and selection of alternate country for first study.

Conclusion: Not possible to make determination without on-site investigation of feasibilities.

June 13-27 -- Latin American Travel; Smith and Roth. Countries visited: Guatemala, Colombia, Ecuador, Peru. Purpose: (1) determine feasibilities for research studies; (2) obtain concurrences, and prepare for initiation of research activities in one or more countries at earliest possible date; (3) negotiate and clarify details of memoranda of understanding with all agencies and parties involved. Results: Preliminary memoranda of understanding drafted for field studies in Ecuador, Colombia and Peru. Approval by AID General Counsel is pending as of the date of this report.

Observations on AID Objectives in Agricultural Credit

Project work over the past six months has revealed considerable variation among AID personnel in their concept of AID's policy toward the development of agricultural credit services in underdeveloped countries. Some AID personnel, particularly in Washington, indicate that AID assistance should be extended to the development of efficient and adequate agricultural credit services for all of agriculture in a country, and that this is fundamental to the improvement of total agricultural productivity. Other personnel, more particularly at the Country Mission level, give the impression that AID's interest is restricted to developing programs of supervised farm credit; that major responsibility for development of other agricultural credit services should be carried by the World Bank and the Inter-American Development Bank.

Whether these impressions are correct or not, it is a matter of record that most AID programs of assistance in agricultural credit have been and presently are in supervised credit. Most of the USDA/PASA programs are in supervised credit. While this type of credit service can play a vital role in agricultural development, it has been costly and extremely limited in scope.

Usually not more than one to five per cent of farmers can be included in such a program. These are usually smaller farmers and represent an even smaller percentage of total agricultural production. One of the challenges in this research project is to find procedures and methods for reducing the costs, increasing the available personnel, and expanding the coverage and effectiveness of this type of credit to more significant levels.

Perhaps if AID is to make more rapid progress in developing efficient and adequate agricultural credit services in underdeveloped countries, more attention will need to be given to other types of credit programs and to assisting other forms of credit institutions in improving their services to agriculture. Another challenge in this project is to find methods of providing improved agricultural credit services through existing government agricultural banks, commercial banks, cooperatives, and private sources.

At the present point in this research project there appears to be a need for AID to more precisely define the role of agricultural credit in agricultural development programs, and to more clearly specify the objectives and fields of activity to be given priority in agricultural credit assistance programs.

III. PROJECT ACTIVITIES DURING NEXT SIX MONTHS

The main focus of activities during the coming year will be upon country research studies. Memoranda of understanding have been pending since June, 1965 for studies to be initiated in each of three Latin American countries. August 1, or as soon thereafter as possible, is the stated initiation date for all three country studies. Research teams of project staff members are ready to move directly into active field study operation upon approval and signature of the memoranda.

Experience suggests the probability that something less than all three country studies will materialize and that actual field work will not commence

until a later date than that presently scheduled. An indeterminate amount of field research staff time will thus be available for other work until country studies are started. This staff time will be used in further refinement of procedures and materials for field research and in additional utilization of secondary materials. The latter activity will be directed chiefly to the review and appraisal of materials on other facets of agricultural credit problems than those already included in project reports.

Field Research Activities

Ecuador, Colombia and Peru are the three countries in which field research studies will be carried out during the next six months. Some, or all, of these will continue into 1966. Major work in Brazil is tentatively scheduled to commence in early 1966, but further on-site investigation and negotiation is required before final details of this work are determined. It is intended, however, that one Brazilian farmer survey will be conducted in Rio Grande do Sul in December, 1965.

Each of the country studies is designed to contribute to the objectives of the general research program. Each provides for research directed to: (1) identification and measurement of the needs for agricultural credit of major groups and classes of farmers; (2) identification and assessment of various institutional approaches to the supplying of agricultural credit needs; (3) identification and assessment of factors limiting and factors related to variations in the servicing of farmers' agricultural credit needs.

While the country studies are similar in their ultimate objectives, each is designed to provide information on different types of agricultural credit situations. These are more specifically outlined in Appendix II, the draft memorandum of understanding for each country study. Supplemental information on the various country studies is summarized as follows.

Ecuador and Colombia. Work in both countries will be concentrated at the local level in sample areas selected to include representative groups of farmers and lending activities of representative credit institutions. Questionnaires will be administered to samples of farmers and analysis will be made of lender operations in both countries.

In Ecuador, project work will be coordinated through the Agricultural Section of the National Planning Board. Activities of the various agencies engaging in or supporting agricultural credit will be included in the analysis, but the prime focus of attention on the institutional (or supply) side will be upon the supervised credit program of the Banco Nacional de Fomento.

In Colombia, the center of project attention to institutional supplying of credit will be the conventional (as opposed to "supervised" in the widely accepted sense) agricultural credit program of the Caja Agraria. Plans for this work are being coordinated with Dr. Dale Adams' (Wisconsin Land Tenure Center) work in INCORA's supervised credit program with the intent to produce significant comparative data on the two widely-different programs.

Peru. The research planned for Peru differs from that in the other countries in several respects. In a sense it is supplemental to the other studies, as presently conceived; less project staff time will be involved, and the research is of a narrower and more specific scope. Most of the work will be carried on in Lima and will look to examination of the unique features of Peru's approach to the extension of supervised agricultural credit.

At the time of this report, a Regional agricultural credit conference, to be held in Lima in early 1966, is in the planning stage. If it materializes as planned it is expected that a member of the research team in Peru may (on leave of absence) be involved in structuring and conducting this conference. In this case it is hoped that a considerable measure of complementarity would be achieved between conference and general research project objectives, and that additional research staff time could be profitably directed to further analysis of materials produced by participants for and in the conference.

Brazil. As mentioned previously, major project research is not scheduled for Brazil until 1966. It is planned, however, to initiate one phase (or sub-project) of the Brazilian research during the autumn of 1965. This will be an extension (and modification to fit the framework of this general research project) of the work done by Dr. Norman Rask (Wisconsin Land Tenure Center and University of Wisconsin contracts) in Rio Grande do Sul.

The Rio Grande do Sul research will be conducted by Dr. Rask, who has agreed to transfer from Wisconsin and accept employment on the Ohio State University permanent staff as of approximately December 1, 1965. It will include a structured survey of farmer needs and potential for credit, a unique mail questionnaire to lending institutions, and case studies of selected borrower and lender situations. Arrangements for this work and the drafting of an appropriate memorandum of understanding are now in process.

Selection of areas and drafting of specifics of memoranda for the major 1966 research studies will require additional work in Brazil by the project director and/or associate director and possibly by the prospective chief of party. Travel for this purpose has not been definitely scheduled, since it is hoped that it can be combined with travel to initiate other Latin American studies during the summer and early autumn of 1965.

APPENDIX I

GENERAL PLAN OF FIELD STUDY RESEARCH

This appendix consists of a statement of field study research plans as of April, 1965. Although subsequent events have forced changes in the selection of countries and in the timetable, the objectives and general procedures are basically unchanged.

General Plan of Field Study Research

and

Selection of Countries for Case Studies

Contract Between The Agency for International Development of The United States of America and the Research Foundation of The Ohio State University on Project, "An Analysis of Programs for the Development and Improvement of Agricultural Credit Institutions and Services"

This project, initiated July 1, 1964, is described in Article I of the contract as one to ... "review and analyze the substantial fund of experience and knowledge that has been accumulated in carrying out many kinds of credit projects under a variety of conditions in developing countries, in order to identify the factors which have contributed to, and others which have inhibited successful performance as a basis for establishing guidelines for future operations. This will encompass an analysis of programs for the development and improvement of agricultural credit institutions and services."

It has as its two primary objectives: (1) to develop guidelines for the establishment and operation of permanent and effective institutions and systems for providing agricultural credit in developing countries, and (2) to develop guidelines for technical and economic assistance programs in agricultural credit. Additional subordinate and more specific objectives are specified in Item I (Scope of Work) of Appendix B of the contract.

The contract provides for research in three phases, with the first phase consisting of a summary and analysis of all available data, reports and studies of agricultural credit in the less developed countries of the world. The work plan provides for the first year to be spent on Phase I and the first nine months of operation have been devoted to these activities. Functionally however, elements of this summarization process will continue for the duration of the project.

The second phase of the project is scheduled for the second year and, as specified in Item I-A (General Plan of Operation) of the contract,"... will consist of case studies in three countries of Latin America. A Consultative Committee will assist the Contractor in selecting the countries and setting up the detailed hypotheses for the case studies. The programs of development of Agricultural Credit institutions and systems will be studied in depth, as well as the technical and economic assistance of outside agencies. A case study will be made first in a selected country. The procedures and methods for the case studies will be developed in this country. This should be valuable in improving the studies to be made in the other two countries later."

Consistent with the stated Project Description and General Plan of Operation, as outlined above, and based upon (1) prospective contributions to the objectives of the project and (2) feasibility as the site of the initial field effort, it is proposed that the first country case study be conducted in the Dominican Republic; that it be initiated on or as soon after May 15, 1965 as possible; that it be conducted with the objectives and as described in the draft memorandum of understanding, attached.

Basis for Selection: First Country Study - A primary objective of the first country study, from the point of view of the general research project, is to provide a base of quantified, empirical data on credit needs of various representative groups, classes and levels of farmers. These data should have the capacity to be generalized; should be applicable with only verification and necessary supplementation to other countries; should thus minimize project resources required in the determination of credit needs. A second objective is to assess representative institutional approaches to the supplying of credit needs. A third is to test and refine research methodology for subsequent country studies.

In terms of the first objective, the Dominican Republic is both sufficiently diversified and representative for research results to be generalized. It has a diversified agriculture with crops typical of much of Latin America. Its tenure system is representative and includes land distribution and resettlement segments. Levels and distribution of income, literacy rates and level of governmental instability are typical of many other areas, as are markets, transportation and other infrastructure components. These characteristics, coupled with the advantage of its small area in sampling and research mechanics, makes the country better suited than any other, with the possible exceptions of Ecuador and some Central American countries, for the basic determination of agricultural credit needs.

With reference to the second objective: assessing representative institutional approaches to the supplying of agricultural credit needs, the Dominican Republic also has advantages. It has an agricultural bank system which, with its eleven branches, blankets the country and supplies a dominant share of the outstanding agricultural credit. The bank has obtained both AID and IDB loans with which difficulties have been experienced. Farm loan delinquencies are high, it operates at an annual net loss and does not appear to have yet become an enduring, effective agricultural credit institution. It is, in these organizational and operational characteristics, representative of the governmentally directed agricultural credit institutions in numerous other countries. Assessing the role of this type of institution in supplying agriculture's credit needs is deemed an essential part of the general research project.

Other agricultural credit programs are in operation in the Dominican Republic and will also be studied. The Agrarian Reform Institute is particularly important.

Looking to the third objective listed; testing and refining research methodology for subsequent country studies, the Dominican Republic is again well-suited because of its small size, lesser complexity and proximity to the United States.

Finally, but extremely important as a reason for selection, is the favorable attitude, interest, prospective support and cooperation with the research effort indicated by both AID/Santo Domingo and the Government of the Dominican Republic. All indications are that the climate for initiating and conducting research is excellent.

Second and Third Country Studies - The general objectives of the second and third field studies are:

1. To assess additional institutional systems for and approaches to the servicing of agricultural credit needs of farmers as identified in the first country study;
2. To assess various institutional systems in providing agricultural credit services under different sets of major conditions than those in preceding countries studies.

A major portion of Phase I project research to date has been directed toward the accumulation of comparative information on various forms and types of agricultural credit systems and programs in operation in different countries. Preliminary insights gained in the course of this work indicate that a maximum contribution toward the project objectives can be made by conducting different parts of the second field research effort each of three countries, for reasons presented later in this paper.

It is proposed, therefore, (1) that the second field research study be conducted in Ecuador, Colombia and Mexico; (2) that the combined scope of the study in terms of research project staff resources be approximately

equivalent to each of the other two country studies--namely from 24 to 30 man-months; (3) that work in the first of the three countries be initiated on or about September 15, 1965; (4) that work in the other two countries be initiated at the same or a later date to be determined as the project evolves.

It is further proposed (1) that the third country study be conducted in Brazil; (2) that from 24 to 30 man-months of project research staff time be allocated to the study; (3) that research activities be initiated in Brazil on or about January 1, 1966.

Colombia: Basis for Selection - Consistent with the general project objectives and the objectives of the country studies, research in Colombia will center upon the assessing of the roles, functions and performance of the following institutions and/or systems for supplying credit to agriculture:

1. INCORA, the Agrarian Reform Institute of Colombia and its supervised agricultural credit program.
2. Caja de Crédito Agrario.
3. Specialized credit institutions for livestock and coffee.

The supervised agricultural credit and personnel training programs of INCORA and the Caja each have unique characteristics which warrant investigation and appraisal. The Caja, regarded by some as one of the more successful agricultural credit institutions in Latin America, is large, diversified, and conducts operations in some sectors different from those of the typical centralized institution.

Not only does Colombia present a variety of situations for fruitful investigation but the prospective cooperation and support by the Caja and INCORA is excellent. In addition, there is a definite prospect of attaching FAO and OAS sponsored graduate personnel to the field research studies.

Ecuador: Basis for Selection - Ecuador is a small country which includes a wide range in types and sizes of farming operations. It includes a major group of highland Indians; specialized crop production in the coastal region and diversified farming in the intermediate regions. It, too, has a typical national agricultural bank. It has had a number of international loans and technical assistance programs have been conducted in the country for several years. Many problems have been encountered and success has been limited.

In addition to the Banco Nacional de Fomento and the Caja de Crédito Agrícola, the agricultural credit program of the credit union (Federación Nacional de Cooperativas de Ahorro y Crédito del Ecuador and the Bank for Cooperatives (Banco de Cooperativas del Ecuador) represents an institutional program different from most and with prospects for valuable research results.

It is intended that research efforts here be focused on these latter programs. Indications are that strong support will be given by AID/Ecuador and by the organizations involved.

Mexico: Basis for Selection - There are two particular features of the Mexican agricultural credit programs which are important additions to the institutional programs found in other countries. One is the long-standing agricultural credit program for Ejidos: a specialized form of supervised credit developed to support the agrarian reform programs, administered through the Ejido Bank (Banco Nacional de Crédito Ejidal. The other is the guaranteed fund program to develop expanded agricultural credit services through private banks, administered by the Fondo de Garantía y Fomento para la Agricultura.

It is believed that the opportunities for cooperation and complementary research activities are excellent in Mexico. Both the IDB and CIDA have indicated a desire to coordinate efforts in research. The USDA/AID

Productivity Study group is active in Mexico and encourages collaboration in the research effort. Prospects of cooperation with National organizations and AID/Mexico are also very good.

Brazil: Basis for Selection - Selection of Brazil as the site for the third country case study could be justified on the basis of its size and importance in the South American economy, alone. The long-term technical and economic assistance involvement of the United States in Brazil, with its emphasis on agricultural credit, would also in itself be sufficient justification. Its varied conditions, high rate of inflation and its monetary instability also make it a valuable laboratory for agricultural credit research.

Detailed work plans for the Brazil study are still being formulated. Among its programs and institutions for supplying and improving agricultural credit services, however, the following will probably be considered:

1. The unique programs of ACAR and ABCAR, combining extension services and supervised agricultural credit;
2. The program of CNCR, Brazil's Central Coordinating Agency, to coordinate, supplement and develop agricultural credit activities of existing institutions.
3. The programs and activities of some commercial banks, in developing their agricultural credit services.

The potential for cooperation and complementary activities is excellent in Brazil. The USDA/IADS/ PASA group includes five or six agricultural credit specialists who have indicated interest in cooperation in research. Several college contract groups, and particularly the Ohio State University group at Piracicaba, in Sao Paulo state are especially interested and are available for consultation and collaboration. The Division of Agricultural Economics in Sao Paulo has also expressed willingness to support and cooperate in research. Both IDB and CIDA have also indicated

interest in cooperation. CNCR has volunteered numbers of its personnel for research work. It is possible that a segment of the USDA/AID Productivity Study will be conducted in Brazil, and interest in cooperation has been expressed.

APPENDIX II

**PROPOSED MEMORANDA OF UNDERSTANDING
FOR
COUNTRY STUDIES**

**Ecuador
Colombia
Peru**

Copy: Not for general distribution

DRAFT

Reference: Contract No. AID/csd-463

MEMORANDUM OF UNDERSTANDING

between

The United States Agency for International Development (U.S.A.I.D.) First Party,

The Research Foundation of the Ohio State University (O.S.U.) Second Party,

and the

Banco Nacional de Fomento and other agencies set forth herein of the Government of Ecuador, Third Party

A. BACKGROUND:

The Ohio State University, through a contract with the United States Agency for International Development (A.I.D.), No. csd-463, is carrying out a world wide research project on "An Analysis of Programs for the Development and Improvement of Agricultural Credit Institutions and Services." This project is designed to develop principles and guidelines useful to A.I.D. and participating countries in the establishment and operation of permanent and effective institutions and systems for providing agricultural credit in developing countries.

The first phase of this research has consisted of an assembly of all available reports, studies and other relevant data and, based upon these data, a comparative study of the evolution, development and operation of agricultural credit in the less developed countries of the world. The second phase involves intensive study within selected Latin American countries of the processes involved in servicing the agricultural credit needs of farmers. Each of these intensive country studies will contribute to the OSU:AID project by providing means for

examining facets of the problem requiring more specific and more detailed information than has been available for the comparative study.

The Government of Ecuador is interested in the OSU:AID project objectives of establishing guidelines to the development and operation of more effective agricultural credit services. It recognizes the need for research directed to (a) the identification of agricultural credit needs of farmers; identification of the potential for the economic utilization of agricultural credit; (b) identification and measurement of the extent to which credit needs are being serviced; (c) identification of the major factors limiting or restricting the servicing of the economic credit needs of farmers and (d) implications of these findings for agricultural credit policies and programs.

In pursuance of the objectives of the OSU:AID project the Banco Nacional de Fomento and other agencies set forth herein of the Government of Ecuador, USAID and the Ohio State University agree to cooperate in research directed toward the analysis of programs for the development and improvement of agricultural credit institutions and services.

B. DESCRIPTION OF RESEARCH ACTIVITIES

The activities in each country in which studies are conducted are designed to contribute to the objectives of the OSU:AID project. They may include part or all of the following activities, and/or additional activities determined to be appropriate to the objectives of the OSU:AID project:

- a. To measure the economic needs for agricultural credit of major groups and types of farmers within selected areas of the country.
- b. To measure the extent to which agricultural credit needs of major groups and types of farmers within selected areas are being serviced.
- c. To measure the extent that differences exist between areas in servicing farmers' economic needs for credit.
- d. To measure the extent that changes have taken place within areas in the servicing of farmers' credit needs.
- e. To identify and assess the major factors limiting the servicing of agricultural credit needs.
- f. To identify and assess the major factors related to variations between major groups and types of farmers in the extent to which credit needs are serviced.
- g. To identify and assess the major factors related to changes that have taken place in the servicing of farmers' credit needs.
- h. To point out implications of these findings for agricultural credit policies, programs and operations.

Results from other studies of the OSU:AID project--particularly those suggesting probable limiting and explanatory factors for performance levels and variations--will be utilized in conducting the country research activities. Counsel of knowledgeable persons in agricultural credit and other organizations will also be solicited and utilized in the research. Insofar as possible, the study will be conducted in such a way that results will be timely, significant, and of maximum value to the OSU:AID project and to Ecuadorian institutions.

It is intended that a major portion of the research effort will be focused upon and conducted at local and area-levels. Results should thus be directly applicable to local program formulation as well as to the setting of national agricultural credit policies.

Farm surveys in selected areas will be required to supplement other sources of information in determining farmers' economic needs for credit. Other surveys may be undertaken in intensive study of the procedures and operations of various individual agricultural credit institutions.

It is intended that personnel of credit and other agricultural institutions as well as educational institutions will be involved directly in these activities and through this experience immediate training by-products of the research will be obtained.

C. LOCATION OF STUDIES

Since a large part of the research in Ecuador will be conducted at local levels, areas will need to be chosen by mutual agreement of the coordinating committee, in which the field-work will be conducted.

The most appropriate areas may be two or more of the areas where the supervised credit program will be started. A thorough analysis of the credit needs of the farmers in these areas would be quite valuable to the supervised credit program as well as to other credit operations. If resources are available and it seems valuable, other areas may be studied as well. It would be desirable for most of the important agricultural credit institutions to have operations somewhere within the areas chosen for study, thus facilitating the study of all approaches to the extending of agricultural credit.

Preparation for the research, assembly of data, analysis of data, and preparation of reports will be made in the headquarter offices in Quito, Ecuador, and in the Agricultural Finance Center at the Ohio State University in Columbus, Ohio.

D. PROJECT TIMING

It is mutually agreed that this project will be initiated on, or as soon as the necessary arrangements can be completed, after August 1, 1965. It is understood that the duration of the project is not absolutely fixed, but it is estimated that it will extend over a period of about one year. Approximately the first six months will be spent in collecting data and the second six months will be spent in analyzing the data and preparing reports.

E. CONTRIBUTION OF EACH PARTY

I. Participating Agencies of Ecuador

1. The Junta Nacional de Planificación y Coordinación Económica will:
 - a. Act as the primary coordinating agency for the studies in Ecuador. It will arrange for the cooperation of other appropriate agencies, particularly the Ministry of Agriculture, the Banco Nacional de Fomento, and the Instituto Ecuatoriano de Reforma Agraria y Colonización.
 - b. Make available background material, relevant data, and assist in securing information needed for the study.
2. The Ministerio de Agricultura y Ganadería will:
 - a. Provide cooperation and help of appropriate personnel,

particularly the extension personnel in areas where the field studies will be conducted.

- b. Make available background materials and relevant data.
- c. Help when needed in providing transportation and personnel for the field studies.

3. The Banco Nacional de Fomento will:

- a. Provide cooperation and appropriate help of the personnel in the research department.
- b. Provide cooperation and help of other appropriate personnel especially those in the areas in which the field studies will be conducted.
- c. Make available background materials, records, and relevant data concerning the procedures and operations of credit programs.
- d. Provide office space, equipment and supplies for the five OSU employees and the bank's personnel working on the project.
- e. Provide clerical and secretarial services and supporting facilities to accommodate the carrying out of the project.
- f. Bear local costs of field travel by the bank's personnel working on the project.
- g. Provide one jeep in each area where the field studies are made for the OSU personnel for the duration of the field work.
- h. Provide for the transportation within Ecuador of all personnel conducting the field surveys.

4. The Agency for International Development, Washington, D. C. through its contract arrangement with the Ohio State University will:

- a. Provide part-time services of the OSU:AID contract director and/or associate director and full-time services of research associates and assistants in numbers and for periods of time appropriate to the project objectives and as mutually agreed.
- b. Bear costs of travel by Ohio State University research staff members assigned to the project.
- c. Provide research staff and facilities of the Ohio State University Agricultural Finance Center at Columbus, Ohio for processing and analysis of data collected.
- d. Through participation of Ecuadorian personnel in the research procedures, provide training in analysis and organization of agricultural credit operations.

F. OPERATIONS:

1. The general policy for operation of the project will be established by consultation between the appropriate agencies of the Government of Ecuador and the director and/or associate director of the Ohio State University Agricultural Credit Research Center.
2. A representative of the Junta Nacional de Planificación y Coordinación Económica, the Banco Nacional de Fomento, and the Ministerio de Agricultura of the Government of Ecuador will be designated to serve with the senior research associate of the Ohio State University project staff as joint policy coordinators of the project.
3. The senior Ohio State University research associate assigned to the project will be responsible for the technical administration

and operational guidance of the project within the policy framework established by the Memorandum of Understanding including final decisions as to areas to be studied.

4. The joint policy coordinators (Item F 2) will be responsible for compliance of their respective parties to the Memorandum of Understanding.
5. Necessary progress reports on the research will be submitted to each of the cooperating agencies to this Memorandum of Understanding. Format and timing of such reports will be determined by the project coordinators.
6. Each party to this Memorandum of Understanding shall be free to use in other studies and in official correspondence any of the results obtained in the undertaking, giving due credit to the other parties. It is understood that neither party will publish any results without consulting the other. Publication may be joint or independent, as may be agreed upon, always giving due credit to the cooperation and recognition within proper limits the rights of the individuals doing the work. In case of failure to agree as to manner of publication or interpretation of results either party may publish data after due notice and submission of the proposed manuscripts to the other party.

G. FINANCIAL OBLIGATIONS:

This Memorandum of Understanding does not establish a financial obligation on either party to serve as a basis for expenditures. Expenditures made by each party will be in accordance with applicable rules and regulations of the country making the expenditure, and each party will administer the expenditure of its own funds so as to support attainment of project objectives through operating budgets to be agreed upon from time to time.

H. SPECIAL PROVISIONS:

For the purposes of implementing and operating the Project it is mutually agreed that U. S. personnel assigned to this Project will be granted the same rights and privileges granted to U. S. government personnel assigned to the United States Agency for International Development.

I. EFFECTIVE DATE AND TERMINATION:

This Memorandum of Understanding shall become effective on the date of the final signature, and shall continue in force until terminated. It may be extended or otherwise modified at any time by agreement of the parties in writing, or terminated by either party upon 60 days notice in writing to the other party.

No member of or delegate to a legislative body or resident commissioner, and no officer, agent, or employee of either Government shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

Contract No. AID/csd-463

MEMORANDUM OF UNDERSTANDING

between

**The United States Agency for International Development (U.S.A.I.D.) First Party
The Research Foundation of The Ohio State University (O.S.U.) Second Party**

and the

Caja de Credito Agraria Industrial y Minero of The Government of Colombia, Third Party

A. BACKGROUND:

The Ohio State University, through a contract with the United States Agency for International Development (A.I.D.), No. csd-463, is carrying out a world wide research project on "An Analysis of Programs for the Development and Improvement of Agricultural Credit Institutions and Services". This project is designed to develop principles and guidelines useful to A.I.D. and participating countries in the establishment and operation of permanent and effective institutions and systems for providing agricultural credit in developing countries.

The first phase of this research has consisted of an assembly of all available reports, studies and other relevant data and, based upon these data, a comparative study of the evolution, development and operation of agricultural credit in the less developed countries of the world. The second phase involves intensive study within selected Latin American countries of the processes involved in servicing the agricultural credit needs of farmers. Each of these intensive country studies will contribute to the general research project by providing means for further testing of first phase comparative study findings and for examining facets of the problem requiring more specific and more detailed information than has been available for the comparative study.

The Government of Colombia is interested in the general research project objectives of establishing guidelines to the development and operation of more effective agricultural credit services. It recognizes the need for research directed to (a) the identification of agricultural credit needs of farmers; identification of the potential for the economic utilization of agricultural credit; (b) identification and measurement of the extent to which credit needs are being serviced; (c) identification of the major factors limiting or restricting the servicing of the economic credit needs of farmers and (d) implications of these findings for agricultural credit policies and programs.

In pursuance of the objectives of the general research project The Caja Agraria of Colombia, USAID, and the Ohio State University agree to cooperate in research directed toward the analysis of programs for the development and improvement of agricultural credit institutions and services.

B. PROJECT DESCRIPTION

The project activities in Colombia, designed to contribute to the objectives of the OSU-USAID worldwide research project, are:

1. To measure the economic needs for agricultural credit of major groups and types of farmers within a selected area of Colombia.
2. To measure the extent to which (a) agricultural credit needs of major groups and types of farmers are being serviced; (b) differences exist in servicing farmers' economic needs for credit and (c) changes are taking place in the servicing of farmers' credit needs.
3. To identify and assess the major factors (a) limiting the servicing of agricultural credit needs; (b) related to variations between major groups and types of farmers in the extent to which credit needs are serviced and (c) related to changes taking place in the servicing of farmers' credit needs.
4. To point out implications of these findings for agricultural credit policies, programs and operations.

Results from other studies of the OSU:AID research project -- particularly those suggesting probable limiting and explanatory factors for performance levels and variations -- will be utilized in conducting the project. Counsel of knowledgeable persons in agricultural credit and other organizations will also be solicited and utilized in the research.

Insofar as possible, the study will be conducted in such a way that results will be timely, significant, and of maximum value to the worldwide research project and the credit institutions of Colombia. It is intended that a major portion of the research effort will be focused upon and conducted at the local and regional level. Results should thus be directly applicable to local program formulation as well as to the setting of national agricultural credit policies.

Farm surveys in the selected area will be required to supplement other sources of information in determining farmers' economic needs for credit. Intensive study of current and recent past agricultural credit operations will be carried out. It is intended that personnel of the Caja Agraria will be directly involved in these activities and that, through this experience, immediate training by-products of the research will be gained.

C. LOCATION OF STUDY

Since a large part of the study will be at the local level, an area will be chosen in which the field work will be conducted. One likely area is Tolima. Various types of farming are found in this area and a number of important credit agencies are operating in this area. Also other complementary studies have been made in the area which will add strength to this study. If this area is not feasible for study at time of the initiating this project some other appropriate area will be selected.

Preparation for the study, assembly of data, analysis of data, and preparation of reports will be made in the Caja Agraria offices in Bogota, Colombia, and in the Agriculture Finance Center at the Ohio State University in Columbus, Ohio.

D. PROJECT TIMING

It is mutually agreed that this project will be initiated on, or as soon as necessary arrangements can be completed, after August 1, 1965. It is understood that the duration of the project is not absolutely fixed, but it is estimated that it will extend over a period of about one year. Approximately the first six months will be spent in collecting data, and the second six months will be spent in analyzing the data and preparing reports.

E. CONTRIBUTION OF EACH PARTY

1. The Caja Agraria will contribute the following:

- a) Cooperation and appropriate help of the personnel in the research department.
- b) Cooperation and appropriate help of other personnel, especially those in the area in which the field study will be conducted.
- c) Make available background materials, records, and relevant data concerning the procedures and operations of credit programs.
- d) Provide office space and equipment for the two or three OSU employees and the Caja Agraria personnel working on the project.
- e) Provide clerical and secretarial services and supporting facilities to accommodate the carrying out of the project.
- f) Bear local costs of field travel by Caja Agraria personnel working on the project.

- g) Provide one jeep and its operating cost for OSU personnel on the project for at least the duration of the field activities.
 - h) Provide for the transportation of all personnel conducting the field survey.
2. The Agency for International Development, Washington, D. C. through its contract arrangement with The Ohio State University will contribute the following:
- a) Part-time services of the OSU-AID contract director and/or associate director and full-time services of research associates and assistants in numbers and for periods of time appropriate to the project objectives and as mutually agreed.
 - b) Bear costs of travel by Ohio State University research staff members assigned to the project.
 - c) Research staff and facilities of the Ohio State University Agricultural Finance Center at Columbus, Ohio for processing and analysis of data collected.
 - d) Through participation of Colombian personnel in the research procedures, provide training in analysis and organization of agricultural credit operations.

F. OPERATIONS

- 1. The general policy for operation of the project will be established by consultation between the Caja Agraria and the director and/or associate director of the Ohio State University Agricultural Credit Research Contract.
- 2. A representative of the Caja Agraria will be designated to serve with the senior research associate of the Ohio State University project staff as joint policy coordinators of the project.
- 3. The senior Ohio State University research associate assigned to the project will be responsible for the technical administration and operational guidance of the project within the policy framework established by the Memorandum of Understanding.
- 4. The joint policy coordinators (Item F2) will be responsible for compliance of their respective parties to the Memorandum of Understanding.
- 5. Necessary progress reports on the research will be submitted to each of the cooperating agencies to this Memorandum of Understanding. Format and timing of such reports will be determined by the project coordinators.

6. Each party to this Memorandum of Understanding shall be free to use in other studies and in official correspondence any of the results obtained in the undertaking, giving due credit to the other parties. It is understood that neither party will publish any results without consulting the other. Publication may be joint or independent, as may be agreed upon, always giving due credit to the cooperation and recognition within proper limits the rights of the individuals doing the work. In case of failure to agree as to manner of publication or interpretation of results either party may publish data after due notice and submission of the proposed manuscripts to the other party.

G. FINANCIAL OBLIGATIONS

This Memorandum of Understanding does not establish a financial obligation on either party to serve as a basis for expenditures. Expenditures made by each party will be in accordance with applicable rules and regulations of the country making the expenditure, and each party will administer the expenditure of its own funds so as to support attainment of project objectives through operating budgets to be agreed upon from time to time.

H. SPECIAL PROVISIONS

For the purposes of implementing and operating this Project it is mutually agreed that U.S. personnel assigned to this Project will be granted the same rights and privileges granted to U.S. Government personnel assigned to the United States Agency for International Development.

I. EFFECTIVE DATE AND TERMINATION

This Memorandum of Understanding shall become effective on the date of the final signature, and shall continue in force until terminated. It may be extended or otherwise modified at any time by agreement of the parties in writing, or terminated by either party upon 60 days' notice in writing to the other party.

No member of or delegate to a legislative body or resident commissioner, and no officer, agent, or employee of either Government shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

Contract No. AID/csd-463

Caja de Credito Agraria
Industrial y Minero

Date

U. S. Agency for Inter-
national Development

Date

Ohio State University

Date

DRAFT

Reference: Contract N° AID/csd-463

MEMORANDUM OF UNDERSTANDING

Between

The United States Agency for International Development (USAID) First Party,
The Research Foundation of the Ohio State University (O.S.U.) Second Party,

and the

Banco de Fomento Agropecuario, The Servicio de Investigación y Promoción
Agraria, and the Oficina Nacional de Reforma Agraria of Peru, Third Party

A. BACKGROUND:

The Ohio State University, through a contract with the United States Agency for International Development (AID), N° csd-463, is carrying out a world wide research project on "An Analysis of Programs for the Development and Improvement of Agricultural Credit Institutions and Services". This project is designed to develop principles and guidelines useful to AID and participating countries in the establishment and operation of permanent and effective institutions and systems for providing agricultural credit in developing countries.

The first phase of this research has consisted of an assembly of all available reports, studies and other relevant data and, based upon these data, a comparative study of the evolution, development and operation of agricultural credit in the less developed countries of the world. The second phase involves intensive study within selected Latin American countries of the processes involved in servicing the agricultural credit needs of farmers. Each of these intensive country studies will contribute to the OSU:USAID project.

by providing means for examining facets of the problem requiring more specific and more detailed information than has been available for the comparative study.

The Banco de Fomento Agropecuario, SIPA and ONRA of Peru are interested in the OSU/USAID project objectives of establishing guidelines to the development and operation of more effective agricultural credit services. They recognize the need for research that would indicate methods and procedures for providing more adequate credit services to farmers as well as how to reduce the cost of such services.

In pursuance of the objectives of the OSU/USAID project, the agencies set forth herein of Peru, USAID and the Ohio State University agree to cooperate in research directed toward the analysis of programs for the development and improvement of agricultural credit institutions and services.

B. DESCRIPTION OF RESEARCH ACTIVITIES:

1. General

The activities in each country in which studies are conducted are designed to contribute to the objectives of the OSU/USAID project. They may include part, or all of the following activities, and/or additional activities determined to be appropriate to the objectives of the OSU:USAID project:

- a. To measure the economic needs for agricultural credit of major groups and types of farmers within selected areas of the countries.

- b. To measure the extent to which agricultural credit needs of major groups and types of farmers within selected areas are being serviced.
- c. To measure the extent that differences exist between areas in servicing farmers' economic needs for credit.
- d. To measure the extent that changes have taken place within areas in the servicing of farmer's credit needs.
- e. To identify and assess the major factors limiting the servicing of agricultural credit needs.
- f. To identify and assess the major factors related to variations between major groups and types of farmers in the extent which credit needs are serviced.
- g. To identify and assess the major factors related to changes that have taken place in the servicing of farmers's credit needs.
- h. To point out implications of these findings for agricultural credit policies, programs and operations.

Results from other studies of the OSU:USAID project--particularly those suggesting probable limiting and explanatory factors for performance levels and variations--will be utilized in conducting the country research activities. Counsel of knowledgeable persons in agricultural credit and other organizations will also be solicited and utilized in the research. Insofar as possible, the study will be conducted in such a way that results will be timely, significant, and of maximum value to the OSU:USAID project and to Peruvian Institutions.

2. Specific

- a. It is intended that a major portion of the research effort in Peru will consist of an examination of the supervised credit

program in Peru as to 1) the relationship of the various agencies involved in the program, and 2) the identification of and the cost of the services provided by the various agencies to the supervised credit program. Differentiating the services of education and farm management from the actual extension of credit makes the supervised credit program in Peru unique in its approach. Examinations of the importance of each of these services and the relative cost of providing these services in the extension of credit are considered to be an important part of needed research on agricultural credit.

- b. To determine the kinds of data that need to be collected and the types of analysis of such data required to provide efficient and adequate agricultural credit services. The Banco de Fomento Agropecuario has already done considerable work in this area in order to 1) reduce the cost of loan operations, 2) reduce the time required for processing loan applications and 3) reduce the losses involved in making agricultural loans. Further analysis of the already collected data will be made and additional data will be collected if it seemed necessary and appropriate.

Most of the work connected with the research would be done in Lima, however, some fieldwork may be done in selected areas of Peru. The analysis of data, and preparation of reports will be made in the headquarter offices in Lima, Peru, and in the Agricultural Finance Center of the Ohio State University in Columbus, Ohio.

It is intended that personnel of credit and other agricultural institutions as well as educational institutions will be involved directly in these activities and through this this experience immediate training by-products of the research will be obtained.

C. PROJECT TIMING:

It is mutually agreed that this project will be initiated on, or as soon as the necessary arrangements can be completed, after August 1, 1965. It is understood that the duration of the project is not absolutely fixed, but is estimated that it will extend over a period of about one year. Approximately the first six months will be spent in the collecting of data and the second six months will be spent in analyzing the data and preparing reports.

D. CONTRIBUTION OF EACH PARTY:

I. Participating Agencies of Peru

1. Servicio de Investigación y Promoción Agraria (SIPA) will:

- a. Provide cooperation and appropriate help of its personnel in studying the supervised credit program.
- b. Make available background materials, records, and relevant data concerning their procedures and operations in the supervised credit program.
- c. Provide for transportation and expense of any SIPA personnel working on the project, and help when needed in providing transportation for OSU personnel in the field,

2. Oficina Nacional de Reforma Agraria (ONRA) will:
 - a. Provide cooperation and appropriate help of its personnel in studying supervised credit program.
 - b. Make available background materials, records, and relevant data concerning their procedures and operations in the supervised credit program.
 - c. Provide for transportation and expense of any ONRA personnel working on the project, and help when needed in providing transportation for OSU personnel in the field.

3. The Banco de Fomento Agropecuario will:
 - a. Provide cooperation and appropriate help of the personnel in the research department.
 - b. Provide cooperation and help of other appropriate personnel especially those in the areas in which the field studies may be conducted.
 - c. Make available background materials, records, and relevant data concerning the procedures and operations of credit programs.
 - d. Provide office space, equipment and supplies for one or two employees from OSU and the bank's personnel working on the project.
 - e. Provide clerical and secretarial services and supporting facilities to accommodate the carrying out of the project.
 - f. Bear local costs of field travel by the bank's personnel conducting any field surveys.
 - g. Provide transportation where any field studies are made for the OSU personnel for the duration of the field work.
 - h. Provide for the transportation within Peru of all personnel conducting any field surveys.

II. The Agency for International Development, Washington, D. C.
through its contract arrangement with the Ohio State University
will:

- a. Provide part-time services of the OSU:AID contract director and/or associate director and full-time services of research associates and assistants in numbers and for periods of time appropriate to the project objectives and as mutually agreed.
- b. Bear costs of travel by Ohio State University research staff members assigned to the project.
- c. Provide research staff and facilities of the Ohio State University Agricultural Finance Center at Columbus, Ohio for processing and analysis of data collected.
- d. Through participation of Peruvian personnel in the research procedures, provide training in analysis and organization of agricultural credit operations.

E. OPERATIONS:

1. The general policy for operation of the project will be established by consultation between the appropriate agencies of Peru and the director and/or associate director of the Ohio State University/ Agricultural Credit Research Center.
2. A representative of the Banco de Fomento Agropecuario, the Servicio de Investigación y Promoción Agraria, and the Oficina Nacional de Reforma Agraria will be designated to serve with the senior research associate of the Ohio State University project staff as joint policy coordinators of the project.

3. The senior Ohio State University research associate assigned to the project will be responsible for the technical administration and operational guidance of the project within the policy framework established by the Memorandum of Understanding.
4. The joint policy coordinators (Item E 2) will be responsible for compliance of their respective parties to the Memorandum of Understanding.
5. Necessary progress reports on the research will be submitted to each of the cooperating agencies to this Memorandum of Understanding. Format and timing of such reports will be determined by the project coordinators.
6. Each party to this Memorandum of Understanding shall be free to use in other studies and in official correspondence any of the results obtained in the undertaking, giving due credit to the other parties. It is understood that neither party will publish any results without consulting the other. Publication may be joint or independent, as may be agreed upon, always giving due credit to the cooperation and recognition within proper limits the rights of the individuals doing the work. In case of failure to agree as to manner of publication or interpretation of results either party may publish data after due notice and submission of the proposed manuscripts to the other party.

F. FINANCIAL OBLIGATIONS:

This Memorandum of Understanding does not establish a financial obligation on either party to serve as a basis for expenditures. Expenditures made by each party will be in accordance with applicable rules and regulations of the country making the expenditures and each

party will administer the expenditure of its own funds so as to support attainment of project objectives through operating budgets to be agreed upon from time to time.

G. SPECIAL PROVISIONS:

For the purposes of implementing and operating the Project it is mutually agreed that U. S. personnel assigned to this Project will be granted the same rights and privileges granted to U. S. government personnel assigned to the United States Agency for International Development.

H. EFFECTIVE DATE AND TERMINATION:

This Memorandum of Understanding shall become effective on the date of the final signature, and shall continue in force until terminated. It may be extended or otherwise modified at any time by agreements of the parties in writing, or terminated by either party upon 60 days notice in writing to the other party.

No member of or delegate to a legislative body or resident commissioner, and no officer, agent, or employee of either Government shall be admitted to any share or part of this agreement or to any benefit to arise therefrom.

Date

Banco de Fomento Agropecuario

Date

Servicio de Investigación y Promoción Agraria

Date

Oficina Nacional de Reforma Agraria

Date

U.S. Agency for International Development

Date

Director of OSU:USAID Project
Ohio State University