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STRENGTHENING RURAL CREDIT SERVICES EVALUATION

Prepared for USAID/Haiti

by

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INTRODUCTION

The Strengthening Rural Credit Services Project (SRCS) was proposed to have three evaluations. The first was designed to be an early assessment of the implementation plan, the second was structured as a midterm evaluation, and the last was planned as a measure of project performance. The first evaluation was cancelled. The midterm evaluation, provided here, has the major objectives of identifying necessary implementation changes and serving as a basis for a possible follow-up project.

The introductory section of the report describes the evaluation methodology, the project history, and the Bureau de Crédit Agricole (BCA). The following sections are a discussion of major SRCS accomplishments to date and a summarization of issues affecting project performance together with recommendations on what adjustments should be made to mitigate the potential problems.

A. Evaluation Methodology

The evaluation approach was to compare project performance-to-date with the project paper expectations and other judgements about what the project inputs could reasonably be expected to have achieved at this point. Emphasis is on evaluating the use of inputs relative to expectations and on accomplishments in achieving the project purpose, strengthening the capability of the BCA to provide credit. Effectiveness of the project in meeting the more global goal of improving the standard of living can only be measured through a carefully designed study begun before the project. Thus, only qualitative judgements are made on movements toward accomplishment of broad goals.

Data were collected through interviews and from reading available files, reports, and other documents related to SRCS. Interviews were held with BCA, Institut de Développement Agricole et Industriel (IDAI), Development Alternatives, Inc. (DAI) and Agency for International Development (AID) staff (Table I). All BCA personnel could not be interviewed so a sample was selected. The individuals chosen should be representative of the range of BCA experiences. The sample included the Director, former Director, representatives from three of the five operating regions including two regional directors and two subregional directors, and six of the forty-two local agents. Three of the eight sites under construction were visited. Granting of loan funds to two agriculture credit societies (SAC) was observed, one cooperative was visited and the transfer of funds from local agents to regional accountants was observed. Individuals were interviewed at their place of work in order to maximize the availability of data and to provide a comfortable and open atmosphere for discussion.

Bernard Fatton, Director, IDAI, was interviewed because of concerns over possible overlap between IDAI and BCA. Lengthy discussions were held with staff members from DAI, the technical consultants, to gain their perspective on project successes and problems. All AID/Haiti personnel with background on the SRCS were questioned to obtain information on project history, project accomplishments and disappointments, and evaluation expectations.

Special studies commissioned as part of the project were critically reviewed. All other written documents on SRCS were read so that a complete understanding of the project could be obtained.

B. Project History[1]

A significant constraint to rural development in Haiti is perceived to be the availability of credit, particularly for small farmers. The focus in this perception is on availability or some distribution mechanism for credit rather than on the need for credit subsidization. The belief is that rural credit at market interest rates would be productively used if obtainable. Few institutions are providing this distribution function. BCA and IDAI are semi-autonomous public sector institutions which have been providing limited amounts of credit to small farmers. The private market has not been providing formal credit to small farmers other than through some small credit unions. Informal credit has been available from a variety of sources at what are often felt to be usurious interest rates. This credit is almost exclusively used by small farmers for consumption activities rather than to finance agricultural production.

AID provided a significant amount of credit funds in 1977 through the Petites Plantations Caféières (PPC) loan program which was oriented towards increasing coffee production. Credit for this program was channeled through BCA and technical assistance to BCA was provided by the Credit Union National Association (CUNA). An assessment by Cooperative League of the United States (CLUSA) determined that BCA should be capitalized directly and appropriate developmental support should be provided.

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1. This discussion is intended as an overview of the project history and not as a detailed description.

After an evaluation of the above conditions the SRCS project was developed with the goals of increased food production and strengthened rural institutions. The purpose, specified in the project paper, was to "strengthen the capability of the BCA to provide credit, savings, and other related financial services to rural Haitians on a financially viable basis."

Four specific areas of support were chosen for achieving the project purpose. Improved BCA management was to be accomplished through a revised organization structure, a better operating system, a renovated personnel system and better trained staff, and a better physical infrastructure. Second, BCA activities were to be expanded as increased credit was made available and new services were offered. A savings mobilization campaign was to be the most important new service but others were also anticipated. Third, an improved financial structure constituted a major focus with the intent that the BCA could become a self sufficient organization. Finally, long term planning was to be enhanced through better information provided by a series of studies.

The Project Authorization was signed in June, 1981 and the Project Agreement in July 1981. SRCS is scheduled to run three years and to be completed September 30, 1984. An AID grant provided $2,400,000 in foreign exchange and local currency. Actual expenditures were $925,000 as of March 31, 1983. The Government of Haiti (GOH) was to contribute $3,776,000 with the anticipation that $2,110,000 would come from PL 480 generated funds as available and the remainder from GOH sources. The PL 480 generated funds were to provide further capital for BCA and the other GOH funds were to underwrite BCA deficits. As of July 31, 1983, $1,480,000 PL 480 funds have been contributed. GOH treasures support has totaled $80,000 as of the same date.

Five major input categories were to be used in the project. Technical assistance was to be provided in several areas including organization, new operating systems, personnel management, and savings mobilization. DAI has provided 58.75 person months (PM) of personnel inputs as of July 31, 1983 (Table 2)[2]. Major changes from the pre-project plans were extension of the financial advisor and computer specialists involvement.

Training for BCA staff was to be provided through a combination of training seminars, and structured U.S. and Haiti based training. Through July 1983, four seminars, generally involving all BCA professional staff, have offered eleven days of training (Table 3). Seven people received computer training in Haiti and three of them were selected for U.S. training (Table 4).

Commodities including vehicles, office equipment, automated data processing equipment, and radio communication equipment were to be procured. One major change to date has been a decision not to obtain radio equipment at this time. As of July 31, 1983 an automated data processing system, $73,475 in new office equipment, 11 jeeps, 2 Cherokee wagons and 15 motorcycles had been acquired.

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2. Note that these figures include 7.25 PM of effort on special studies.

TABLE I

INTERVIEWEES AND OTHER DISCUSSANTS

BCA Staff Interviewed at Their Workplace

Wilner Pierre-Louis, Director

Rodini Conte, Former Director

Karl Honoré, Chief of the Information Unit

Fred Joseph, Ssubregional Director, Jacmel

Jean Désinor, Subregional Director, Port de Paix

Gaspard Accidat, Local Agent, St. Marc

Jean-Claude Amédée, Regional Director, Gonaive

Marcel Beaugé, Local Agent, L'Estère

Robert Viaud, Regional Director, Cap-Haitien

Jean-Claude Joseph, Local Agent, Bahon

Michel Pyronneau Local Agent, Dondon and Saint Raphael

Louis Michel Cherilus, Local Agent, Plaine du Nord

Fred Salomon, Local Agent, Plaisance and Pilate

IDAI

Bernard Fatton, Director

DAI

Thomas Stickley, Team Leader

Jean-Jacques Deschamps, Financial Advisor

Oumarou Tiemtore, Computer Specialist

AID

Harlan Hobgood, Mission Director

David Adams, DRE

Michael Baldwin, PVD

Marion Ford, ADO

James Walker, Economist

Shirley Pryor, Economist

Joel Cotten, Evaluation Officer

Nicole Jean-Mary, Training Officer

Louis O'Connor, ENG

Wendy King, ADO

Robert Wilson, ADO

TECINA

Gerald Emile Brun, Vice-President

Daniel Wolf, Engineer

TABLE 2

DAI PERSONNEL INPUTS

(February 1982 - July 1983)

I.	Long Term	
	A. Thomas Stickley, Credit Systems Advisor & Senior Advisor	18 PM
	B. Jean-Jacques Deschamps, Financial Specialist	15 PM
II.	Short Term	
	A. Oumarou Tiemtore, Systems Analyst	13.5 PM
	B. Suha Satana, Savings Mobilization Specialist	3 PM
	C. Roger Poulin, Demand for Credit Consultant	1.5 PM
	D. Glen R. Smucker, Supply of Credit Consultant	1.25 PM
	E. William Rutherford, Personnel Administration Advisor	1.75 PM
	F. Ken Koehn, Savings Mobilization Specialist	0.25 PM
	G. Susan G. Goldmark, Loan Analysis Manual (Team Leader)	1.5 PM
	H. Pascal F. Fotzo, Loan Analysis Manual (Ag. Specialist)	1.5 PM
	I. Jay K. Rosengard, Loan Analysis Manual (Group Lending Spec.)	1.5 PM
	TOTAL	58.75 PM

TABLE 3

SEMINARS

1. Seminar on Decentralized Accounting, Financial Management, and Portfolio Management, 4 days.
2. Savings Mobilization, Financial Managment and Budget Preparation 6 days.*
3. Cooperative and Marketing Workshop, 2 workshops, 2 days each
4. Seminar on Savings Mobilization, Recovery of Loans and Organization of Societies (SAC), 3 days

* Consisted of three separate back-to-back 2 day conferences.

TABLE 4

TRAINING*

(Through July 31, 1983)

1. Computer programming, 7 participants, Damien
2. Computer training, 3 participants, United States, 3 months
3. Coding BCA loans, 38 participants, Damien
4. Personnel management, 1 participant, University of Connecticut, 2 months
5. Development management, 1 participant, University of Pittsburg, 2 months

* Excluding seminars.

TABLE 5

SPECIAL STUDIES COMPLETED*

(February 1, 1982 - July 31, 1983)

1. "Analysis of the Effective Demand for BCA Loans",
   by Roger Poulin, January 1983.
2. "Supplies of Credit Among Haitian Peasants, "
   by Glen R. Smucker, February 1983.
3. "BCA Loan Analysis Manual",
   by Pascal F. Fotzo, Susan G. Goldmark, and Jay K. Rosengard, April 1983.
4. "Management of Human Resources at the BCA",
   by William A. Rutherford, June 1983.

* All have been or are being translated into French

TABLE 6

Comparative Summary of BCA Activity

		FY80[a]	FY81[b]	FY82[c]	FY83[d]
1.	Number of employees	101	105	106	118
2.	Loan Volume	8.362	10.243	13.749	
3.	PP loan volumes[e]		13.830	21.991	30.579
4.	2/3			.741	.770
5.	Loan Portfolio outstanding[e]	11.324	13.189	16.929	19.130
6.	Operating Expenditures	2.299	2.876	3.921	2.362
7.	PP Operating Expenditures		2.747	3.542	4.229
8.	6/7		1.047	1.107	
9.	Repayment rate (percent)		68.3	74.7	80.0[f]
10.	Default rate[g]		15.8	12.6	8.3
11.	Expected defaults (2X10)		1.618	1.732	
12.	Expenditures (6+11)		4.494	5.653	
13.	Expenditures per loan volume (12/2)		.341	.334	
14.	Revenues	1.199	1.057	1.672	2.644
15.	PP revenues		0.923	1.852	2.792
16.	14/15		1.145	.902	
17.	Liquidity	5.593	5.409	4.720	4.345
18.	PP Liquidity		6.412	7.578	7.936
19.	16/17		.844	.629	

20. Number of loans made to SAC	1192
21. Number of members	12620
22. Number of other loans	230

a. As of September 30, 1980 or for the entire year as appropriate.

b. As of September 30, 1981 or for the entire year as appropriate.

c. As of September 30, 1982 or for the entire year as appropriate.

d. As of April 30, 1983 or for the first seven months as appropriate.

e. After deduction for bad debts except for 1980.

f. Assumption.

g. Assumed to be one half of the delinquency rate (1-repayment rate), except for FY 83 which is based on a DAI study.

Eighteen local offices were to be constructed using project funds. The plan was to improve the visible image of BCA in order to encourage savings mobilization and to reduce apparent linkages with the Ministry of Agriculture. As of July 31, 1983 eight were under construction, clear title to land was available on five others, and none were completed. Those currently under construction are expected to be completed by December 15, 1983.

Special studies and attendance at conferences were planned in order to provide planning information and training opportunities. To date four special studies have been conducted (Table 5). Two of the resulting reports are on supply and demand conditions in rural credit markets, one on the BCA personnel system, and one on methodologies for evaluating potential loan clients.

C. <u>BCA</u>

BCA replaced a predecessor organization in 1959. It has operated continuously since 1959, but granted only G1.3 million in loans during 1976. Expansion since has been rapid with G 13.7 million in loans during FY 82.

BCA currently functions on several basic premises. First, priority is given to lending to small farmers, generally those with one to five carreaux of land (equivalent to 3.2 to 15.9 acres). BCA has made a few loans to small farmer cooperatives. It has also expressed interest in promoting lending to small and medium size rural enterprises. BCA is trying to provide loans in rural areas throughout Haiti; to fulfill this mission it has 46 offices with 42 local agents located in all regions of the country.

BCA credit is largely unsupervised, and with few exceptions, loans are made in cash. Decisions to lend are based more on a borrower's ability to repay the loan than on the specific use of the funds that is proposed. Farmers are free to make their own production and credit use decisions. The presumption is that farmers have employed the credit resources well if they can repay the loans.

Lending to small farmers is done almost exclusively through Agricultural Credit Societies. SACs are formed voluntarily with little assistance from BCA and consist of seven to fifteen members. All members of the SAC are jointly liable for the loans and no members can get new loans until the SAC has paid off the entire amount outstanding on its previous loan. The use of peer pressure clearly encourages repayment. SAC presidents also undertake the function of determining credit worthiness of prospective members, thereby reducing BCA operating costs by reducing the need to dedicate time to checking the credit-worthiness of individual SAC members.

Major Accomplishments

This section is a topical discussion of the major project accomplishments-to-date. The emphasis here is on project effectiveness as measured by impacts, particularly sustainable impacts, on BCA activities and procedures. Thus, this section is evaluative in nature as we seek to provide quantitative and qualitative assessments of the effectiveness of project inputs in achieving the project purpose. An important caveat is that the achievements listed here are the joint result of BCA and SRCS inputs and should not be interpreted as solely the output of project efforts.

A. Financial Management

The original intent of SRCS was to provide one year of technical assistance through short term consultants in order to improve the internal accounting and auditing procedures of the BCA. The technical consultant determined early on that financial management was a more pressing concern than internal accounting procedures. Judgements on the severity of the financial management problems led to the technical expertise being expanded to provide nearly two years of advisory services.

Five main areas of progress in financial management can be pinpointed: a) liquidity rates, b) interest rates, c) reporting procedures, d) studies of repayment rates and e) bad debt account. Liquid assets, cash and money in checking accounts, represented 49.4 percent of the loan portfolio outstanding in 1980 and had declined to 27.9 percent by the end of fiscal year 1982. Liquid assets are much lower than the project paper (PP) expectations for this time (Table 6) and are moving towards the PP goals. Naturally some liquid assets must be kept available but proper management is of key importance in the process of making BCA self sufficient because lower liquidity means greater portions of assets in interest bearing loans. Thus, the revenues from a given level of assets are higher as the liquidity rate is lower.

Liquidity rates have declined after study was undertaken of which regions had excess funds and the ensuing one time transfer of loanable funds to regions which could use the funds quickly. Second, the number of bank accounts in each region was reduced from five to two which permitted the regions to hold smaller total balances for contingencies,thereby decreasing liquidity. Finally, limited shifts of funds between regions to take advantage of different timing of loan demand has taken place. This latter factor offers some further potential, but regions have been hesitant to transfer loanable funds to other regions experiencing peak seasonal demand beause they fear the resources will not be returned when needed again. The decentralized offices must be convinced that resources will be transferred back as needed so that they will be more willing to transfer funds and reduce idle balances. A limitation to transferring funds across regions is that most loans are for one year and not for a crop season, restricting the possibility for interregional transfers of funds. The likelihood of increased excess liquiditity will grow with the savings mobilization campaign and cash management must continue to retain high priority in BCA's objectives.

Interest rates for SACs were increased October 1, 1982 to twelve percent, plus a two percent commission and a two percent loan guarantee. Interest and commissions are discounted from the loan (i.e., paid up front) and the loan guarantee is paid at the loan's termination yielding an effective rate of 18.6 percent on one year SAC loans to SACs. Individual loans pay an interest rate of 15 percent and a two percent commission, both discounted from the loan, and a loan guarantee of 2 percent paid at the loan termination date. Increased revenues for BCA have resulted and improved efficiency in the allocation of scarce credit has occurred to the extent that credit demand is interest sensitive. One problem is that while loan discounting increases interest rates, it discourages early payment of loans; thus BCA needs to develop a system for making it attractive for those in a position to do so, to pay loans early. It should also be noted that interest rates have been simplified as the forced savings soon will be eliminated.

Preparation of quarterly financial reports has been initiated including reporting on actual versus budget activity and on BCA progress toward self sufficiency. The most recent budget analysis was prepared by the BCA staff as opposed to the financial advisor. Clearly the reporting procedures provide BCA with the opportunity to measure its activities and make adjustments as necessary.

Consistent studies of repayment rates by region and over time have provided a basis for evaluating the effectiveness of the organization (Table 6). Partially as a result of these studies, ineffective regional managers have been replaced, some regions have been eliminated, and lending has been partly curtailed in low repayment areas. Preliminary evidence indicates that default rates will decline as a result of improved attention to repayment rates.

A bad debt account was begun during FY 81 and was continued in FY 82. This constitutes an important step in helping BCA understand the real costs of its lending activity and helping BCA focus on reducing delinquency rates. The bad debt allowances are probably insufficient to cover losses at this point but their existence is an initial achievement.

Achievements in financial management have strong potential for sustainability. In each area the approach has been to adjust the procedures for doing things and if the new procedures are followed the benefits will remain once technical assistance is no longer available. Preparation of the current budget analysis by BCA staff is one indication of this ability to sustain the improvements.

Despite improved liquidity rates and better repayment rates, the overall financial position of BCA has not improved. Operating expenditures, loan volume, and revenues have all performed more poorly than expected (Table 6).

Loan volume has lagged behind the PP estimates because of insufficient capitalization. Operating expenditures increased 70.6 percent between FY 80 and FY 82. A 50 percent increase in salaries beginning with FY 82 and increased employment made the budget item for personnel responsible for most growth in expenditures. Revenues grew 39.4 percent between FY 80 and FY 82 because of improved liquidity rates and increased lending, but revenues still declined relative to expenditures. The financial picture should improve during FY 83 as there have been few increases in salaries and the staff has remained constant. At the same time higher interest rates and greater lending should improve revenues. Care must be taken in evaluating BCA's FY 83 performance because the decision to discount loans effective October 1, 1982 causes double interest payments during FY 83.

B. Personnel Management

Each BCA staff member was evaluated by their respective superior and each staff member was questioned about working conditions, BCA policies, and other issues. The result is a comprehensive source of data about worker qualifications and attitudes contained in "Management of Human Resources at the BCA". This report is designed to improve internal personnel relationships and to achieve equitable treatment between field and office staffs. Pay scales is an example, where people have questioned the equity of treatment between field and office staffs. Though this report deals with an important set of problems for BCA, the more basic issues of organizational structure and size of staff are not directly addressed. This more basic question will be dealt with by the next short-term consultant, and the Human Resources report will be an input in designing the proposed organizational restructuring.

Availability of the data has the potential for facilitating policy improvements. The difficulty with the personnel study is that it provides information with no mechanism for implementing change. To his credit the BCA Director made several policy changes in the personnel system based on the report. A special meeting on problems with the BCA credit union was held at the July 26-28, 1983, conference of the staff and may have been partly the result of concerns raised in the report. Follow-up to the report remains necessary to insure that adjustments in salaries for regional versus central office staff and other personnel practices are efficiently structured.

C. Credit Market Information

Three of the special studies provide information on credit markets: two on general conditions and one on how to evaluate individual clients. The general studies were hampered by a lack of data but were designed to provide information that could help BCA assess such things as the potential for loan expansion, the alternative credit sources available to small farmers, and the opportunity costs of making rural loans. They were designed to provide planning information and were not necessarily meant to be of practical usefulness in the daily activities of local agents.

The study entitled "Supplies of Credit Among Haitian Peasants" appears to have been mistargeted and offers little information or potential for usefulness. While providing some case study examples of actual conditions the paper tends only to offer general data on conditions that were already known to exist, such as the fact that informal lenders charge apparently high interest rates. The more important issues would have been what are the real opportunity costs associated with lending to small farmers and how much credit is actually being provided by the various sources.

High interest rates are reported in the study but in many cases may not be excessive; yet this was not investigated. Most of the high rates result for very short term loans where the rates were annualized. Fixed minimum fees for lending often cause very short term interest rates to be high. For example, the commission and discounting of BCA loans could cause the annualized rate of a one year BCA loan paid back very early to reach well above 1000 percent.

The important issue was to study the costs of making loans and then the degree to which loans are usurious could be assessed. It has been said that repayment rates for formal credit in Haiti have historically been below 60 percent (see the Demand study). If informal credit has similar repayment rates then a person lending for one year would need to charge 100 percent to yield a 20 percent interest rate after non-repayments. Rates would need to be much higher for this same lender if loans were made for less than one year. The demand study's conclusion is that high interest costs are probably more the result of high lending costs than usurious practices, and we concur with this conclusion.

The resources available for the supply study were insufficient to measure the overall supply of rural credit. It would have been possible, however, to take a reasonable sample of small farmers and find out all of their credit sources and amounts. This could have been extrapolated to provide some measure of the relative supplies of credit and the overall amount being obtained from usurious lenders. This information could be used to judge the cost to small farmers of high interest rates.

The other general study entitled "Analysis of the Effective Demand for BCA Loans" was a more useful exercise. The author applied the obviously scanty data available to make conservative estimates of loan expansion potential and concluded that BCA loan volume could be doubled to G 85 million over the next three years. Limitations on the ability to expand credit can potentially come as farmers begin to compete for productive resources or as increasing farm supply begins to depress prices. Other than small regional price effects that could occur with intensive one crop lending, neither of the constraints would appear to operate with doubling BCA loans.

The demand study, like the others, suffers because there is no plan for using it. Several policy recommendations are made and limitations on BCA effectiveness are discussed but there is no dialogue for considering the conclusions. Therefore, the report is unlikely to be used to its full potential.

The final study entitled "BCA Loan Analysis Manual" provided questionnaires that can be used to collect information on the credit worthiness of potential borrowers. Separate questionnaires are available for agriculture loans, small and medium size enterprise loans, and cooperatives loans. Case study examples applying the questionnaires are used to identify general areas where loan potential appears the strongest. Lack of information about the data sources and the general applicability of the case studies makes it difficult to assess the usefulness of the case studies. Further, BCA does not use supervised credit and makes decision on whether to make a loan based on the ability of a person to repay even if the crop is lost when deciding whether to make a loan. So case studies of crop potentials would not be useful in current BCA activities.

The questionnaires are generally not very extensive but the limited time of the agents would preclude in-depth analysis of every farmer. Further, the agents do not try to examine each farmer carefully because they rely on the

SACs to determine what farmers are sufficiently credit worthy to deserve joint liability. The loan manual authors correctly conclude that "detailed feasibility studies should be done only for entire SACs".

The most important concern about the manual is that the agents are unlikely to have the skills to implement the questionnaires effectively. The training program to be offered in September will be a first step to prepare agents to use them. BCA should give consideration to having specialists for handling non-farm loans, to the extent they will become important, because the appropriate skills will be very different than for evaluating SAC loans. In depth training of these specialists would be necessary.

D. Training

Seminars and training activities provided through SRCS have been well received by the BCA staff. All people interviewed had positive reactions on the practical benefits of the seminars. One particularly important result has been that the seminars have led to a singlemindedness of BCA. Responses to questions posed by the evaluation team to BCA staff were the same on issues such as self sufficiency and savings mobilization. The consistency of the feedback indicated that the staff was well trained in the plans and purposes of BCA. Thus, the training activities generally appear to be having the desired results.

BCA should continue the training and planning meetings, if necessary independent of the SRCS. The benefits to the organization of proceeding in a coordinated, systematic manner are clear and warrant continuation of the meetings on a scheduled periodic basis.

Automated Data Processing System

The data processing section in the project paper focused on increasing the efficiency of processing the loan portfolio. In the implementation of the system, this continues to be the principal focus. The initial report by Oumarou Tiemtore (DAI) recommended an Ohio Instruments 192K C-3-B+44 computer at the central office and nine 56K C-3-OEM compatible micro-computers at each of the regional offices. This approach was consistent with BCA's decentralized operation structure. A subsequent study by Roger Paradis (Price Waterhouse) was requested by AID/Washington and concluded that given BCA's needs and its effective degree of regionalization, a central computer to handle all data processing at the main office would be sufficient for at least five and probably, ten years. The latter system was adopted. The current system will serve the needs of the central office adequately but the installation of micro-computers in the regional office which are compatible with the central computer will be necessary to support the decentralized loan and savings operations, where most decisions are made at the regional office level.

The system purchased (for approximately $125,000) is a WICAT-100 (512K) with two disk drives, one tape drive, six CRT data-entry terminals and a high-speed (160 lines per minute) printer.

Several hardware problems in the past have delayed system implementation. The system supplier initially specified a memory capacity of only 256K. When the system was set up in March, 1983, it became evident that this was insufficient to allow simultaneous use of all terminals. The supplier then provided more memory at his expense. Additional problems were found with the operating system, as it did not perform according to specifications in the documentation. Subsequently Wicat provided a new operating system which worked better, but was not compatible with programs written for the earlier version of the operating system. The local supplier has made some attempt to correct this problem, though the supplier's ability to assist BCA in the operation of this system is somewhat limited, as the manufacturer provided it with a computer of the same type only after BCA's purchase. The supplier does call the manufacturer when questions arise which cannot be answered locally. When incompatibility problems arose between the system and the printer, the supplier provided a micro-fazer to "translate" between the two systems; eventually the problem is being settled with software changes. By the time of the evaluation however, all hardware was operating satisfactory.

Previous hardware problems have delayed the development of software appropriate to BCA's loan system. Very early on, the choice was made to design a system for BCA's specific lending procedures rather than to adopt a general "off-the-shelf" package and force BCA to modify its system to conform to available software. In general, specially designed software such as this is more expensive than simply buying an available software package. Part of the reason why the software had to be specially designed was the structure of the BCA lending charges. Consideration should have been given to simplifying the interest rate and charges system, desirable in itself, and then accepting an "off-the-shelf" software package. Some changes have occurred after initial work on programming had been done, requiring rewriting of programs. Furthermore, three staff members were sent to the United States for training in programming. Two returned to upper-level management positions in BCA. The person who showed the greatest ability in programming was named as head of the automatic data processing unit where he is responsible for its overall operation in addition to his major role in writing the application programs for the system. Additional people are being trained locally, but are currently unable to do programming on their own. Several data entry operators have been hired on a trial basis and the most qualified will be hired on a permanent basis.

Of the 42 programs that need to be written, only seven were running at the time that the evaluation team was in Haiti because of delays in obtaining the computer system, delays in getting the hardware operating correctly, changes in BCA's loan conditions, and diversion of computer trainees to other activities. Delays have also resulted because of several extended power outages. The necessary funds should be spent to mole the generator at BCA operational. The entire system is expected to be operating by year's end.

The director has proposed using the computer system to increase revenues for BCA and to make fuller use of central office staff, by processing data for other institutions. The primary goal would remain the management of BCA's loan portfolio and any other tasks that can appropriately be handled for BCA. However, excess capacity in the system would be provided first to DARNDR and subsequently to other institutions for such activities as payroll, accounting, and processing of agricultural and other types of surveys, etc.

Construction

BCA offices in most rural towns consist of rented residential or residential/commercial buildings, space in DARNDR offices, and occasionally simply the corner of a room in the homes. None of the facilities visited by the evaluation team appeared to have been designed to house a bank or other financial institution. The construction part of the project was planned to use a common design to provide local offices built specifically to meet BCA's needs. Financially the buildings cannot be justified solely on rental savings. Instead, the influence on farmers perceptions about BCA must be the most important reason for new buildings.

Banking offices are located at the front of each of the units and occupy a little less than half the floor space (total approximately 105 square meters). Large windows facing the street are protected by open concrete blocks and iron bars. These offices are separated by a solid cinderblock wall from the living quarters of the agent and his family, located in the back of the bank. The foundations go down nearly a meter into the ground. A cinderblock and cement roof, considerable amounts of structural steel, a stone masonry front, and cinderblock walls, all help to project an image of solidity desirable in a bank.

At two of the three sites visited by the evaluation team, construction was nearly complete. The local agents at both sites (Plaisance-du-Nord and Bahon) commented on increased interest in savings which they attributed to the public's perception of the security offered by a solidly constructed building and of the permanence implied by its construction. In one of the towns (Bahon), borrowers volunteered to provide part of the labor for the construction.

The per unit cost of the eight buildings in Phase I is nearly $40,000. The A&E firm in charge of the project (TECINA) estimates that the contractor (ARTECO) will complete all eight buildings (including one seen by the evaluation team in La Vallée which was barely started as of July 20) by the contract date of December 15, 1983. It should be noted that this is much later than originally proposed in the project paper. Much of the delay is because of BCA failure to provide sites on time to the contractor, though some of the delays occurred as the contractor (the smallest of the 6 pre-qualified bidders) had difficulties in managing eight widely-scattered construction sites. The A&E firm has thoroughly checked and is satisfied with the quality of construction. It feels that delays are less important than finally providing the buildings as called for in the contract. The evaluation team concurs with this assessment, provided the December 15 completion date is met.

Due in part to wide geographical dispersion, demanding construction standards and an expensive design, costs are approximately $33 per square foot, about on par with construction costs in the U.S. If the current contractor bids on the second phase of the project (10 buildings), it is likely that costs will be at or only slightly above those of phase one (because of "on-the-job" learning). Substantial increases in per building costs in the second phase (10 percent) would cause a cost overrun in construction.

One minor problem with the construction activities is that local labor has generally not been used. Greater economic benefits would occur from construction and increased local interest in BCA could be achieved if more local labor was employed in the building phase.

G. Expanded Financial Services

Voluntary savings amounted to roughly one million gourdes on July 31, 1982. In response to project and local agents efforts, there has been an overall increase in savings to approximately G 1.2 million as of July 31, 1983. This campaign included the printing of posters which the evaluation team saw posted at nearly every BCA office (regional and local) visited. Still, the campaign was relatively small compared to the one discussed at the

July 26-28, 1983, Kaliko conference. Major changes in savings will not be observed until after that campaign has time to have an effect.

BCA is also beginning to offer some additional banking services, which until now have only been available through commercial banks in major cities. The evaluation team is only aware of these services being offered on a pilot basis in L'Estère. They include cashing checks for clients, with varying amounts of delay depending on the source of the checks; Haitian Government checks are paid immediately upon presentation. Others are selling certified checks to BCA clients and providing overnight repository to merchants who come the night before to trade in the market. For all these services an appropriate schedule of charges will be developed, though the agent in L'Estère was not aware of what they would be. These activities are seen as services and ways to encourage clients to open savings accounts and to that extent are part of the savings mobilization campaign.

ISSUES

This section is a description of the issues which can eliminate or mitigate success of the SRCS and a possible predecessor project. Some issues discussed here may already be a problem but frequently the issues are only potential problems now. Many of the issues are factors external to SRCS and can only be indirectly influenced by AID. Nonetheless, they can harm project success. Recommendations are provided as appropriate for reducing or eliminating the problems. The items listed as recommendations are in general made to AID and not to BCA. However, recommendations for improved BCA activity are in the text.

A. Project Management/Coordination

SRCS has historically been operated jointly from the Agriculture and the Development, Research and Evaluation offices of AID. Those AID staff directly involved have a clear understanding of their respective responsibilities and are unusually aware of the project's activities. AID/Haiti management at all levels has been supportive of the project officer's activities, and to the credit of the AID staff and DAI team leader, this dual management has generally been successful so this is not a major issue.

In general, however, splitting project management can lead to misunderstanding of responsibilities. We endorse the decision to unify project management in one AID office.

An important reason why the project has been well coordinated is that the DAI team leader has ventured beyond the strict interpretation of his duties to undertake whatever was necessary for the project to succeed. The team leader has also facilitated communication between AID and BCA. To be an effective counterpart to the BCA director, the team leader needs to have a formal involvement in all aspects of the project. The technical assistance portion of SRCS is scheduled to conclude January 31, 1984, eight months before the project concludes. This will hamper relationships and communications between BCA and AID. It will be particularly deleterious if a follow on project is instituted because continuity will be broken.

Recommendation 1: The technical advisory team leader should be extended through the project's conclusion, September 30, 1984. The team leader should have the expanded responsibility as a contractor to oversee all aspects of SRCS. The financial advisor should be continued, on at least on a TDY basis.

B. Self-Sufficiency

BCA self-sufficiency, defined as revenues at least equal to operating expenditures plus defaults, has been a prime goal for BCA and the SRCS. Self sufficiency is necessary because operating deficits erode the capital base and prevent the desired loan expansion. Self-sufficiency also permits sustainability of BCA as it becomes independent of GOH transfers.

Self-sufficiency is incompatible with some BCA operating guidelines such as pursuing capital spreading versus capital deepening, providing preferential lending to small farmers, and making credit available throughout the country. Each of the factors, though desirable, does have the effect of increasing BCA costs per loan volume. Thus, while the need to reduce costs is apparent, if self-sufficiency is to be attained the orientation of BCA makes it very difficult. BCA can only conceivably reach self-sufficiency with a very efficient, stream-lined organization. The PP plan was for administrative expenditures to be 15 percent of loan portfolio by the project's end, but during FY 82 they were 23.2 percent of the portfolio.

Labor is the most obvious place to reduce costs. BCA is management heavy with only 42 of its 118 employees being district or local lending agents. The central office staff of 38 is clearly excessive for an organization with decentralized lending practices and a staff of 118. Regional offices also include a management and support staff on average nearly equal to the number of agents, as up to five levels of management from the director to the district agent exist for the operating staff. It appears that revenues in some regions would not even be sufficient to cover the operating expenses of the region without considering contribution to central office support. In sum, self-sufficiency can only come with a reduction in management and support staff through elimination of positions, collapsing of some management levels, and some transfer of people to agent positions in the field.

Repayment rates must continue to be raised if self-sufficiency is to be achieved. Many activities have been responsible for improved repayment rates over the past several years. The idea of term life insurance for borrowers equal to the volume of the loan was suggested at the recent BCA conference. If death occurs the loan would be automatically repayed. This should be pursued to further reduce non-repayment, with the cost of such insurance added to the loan commission paid by borrowers. The actual insurance system could be organized by an outside firm.

An important caveat must be made because focus on self-sufficiency precludes BCA from undertaking many development or distributional functions. Examples of such functions would be transferring new technologies or lending to farmers with less than one carreau. These activities probably need to be subsidized and BCA will be unable to do that for the foreseeable future.

C. Interest Rate Policy

Self-sufficiency is also dependent upon proper interest rate policy to insure adequate revenues are generated to at least cover expenditures. Interest rates also play the important function of rationing credit to its best use.

Selection of the appropriate interest rate is the key to providing sufficient resources and efficient use of capital. The interest rate should be the marginal cost of lending capital to farmers which at minimum should be the sum of a real interest rate (usually thought to be about 3 percent), the expected inflation rate, the default rate, and marginal operating costs per loan amount. The actual inflation rate has been as high as 18 percent in the past several years but USAID/Haiti economists believe that close links to the U.S. economy means that the current Haitian rate is probably much lower. The default rate is about 8.3 percent and operating costs are on average nearly one-third of loan volume (less defaults), though the marginal operating cost per loan volume are undoubtedly lower. Even with a sizeable reduction in operating costs these factors suggest that the marginal cost of lending capital to farmers is probably at least 25 percent. Thus, serious consideration should be given to increasing the interest rate further.

Interest rates set at the appropriate level would permit costs to be covered, provide for growth in the lending base to cover inflation, and allow for three percent growth in inflation adjusted lending capital. This growth in real capital would sustain more lending but is insufficient for BCA to expand to meet the loan demand as the real base would only double in twenty-four years at three percent annual expansion. Growth from internally generated funds cannot be BCA's only source if more farmers are to be served.

D. External Support

The previous two issues led to the conclusions that operating deficits will erode the BCA capital base and internally generated funds cannot be counted on to provide sufficient growth of the base. This means external support is necessary to expand capital and, at least in the short run, to finance operating deficits.

When the PP was written it was anticipated that BCA deficits would be incurred and then financed by the GOH. The GOH treasury support was expected to be $1,666,000 during the project life. Contributions have been substantially below planned levels as only $80,000 was granted in FY 82 and all transfers were terminated September 1982. Jean-Jacques Deschamps, DAI, recently calculated that 77 percent of the shortfall in lending relative to PP estimates is attributable to lower GOH contributions. The other 23 percent is attributable to greater losses than expected.

The GOH has provided $1,480,000 in PL 480 generated funds in the past two years and has budgeted $1,000,000 for FY 84. This represents $370,000 above expectation for PL 480 generated funds, if the FY 84 commitment is met. These PL 480 funds were targeted to increase the capital base but have in practice funded the operating deficit. The capital base has expanded only about five percent in real terms during the project life.

Recommendation 2:

AID should utilize the available means to encourage the GOH to meet its commitment to fund the BCA operating deficit.

Alternative sources including private sector loans and international organizations, have been approached to obtain additional support. Previous contacts with private banks have been unsuccessful thus far. The Bank of Boston has indicated a willingness to reconsider providing loans through the

PRE Bureau Guaranty Program, if the BCA lowers operating costs. The World Bank did contribute $350,000 several years ago and another $250,000 is expected soon. Funding of the BCA's operating deficit by the GOH will clearly affect decisions of internationl funding agencies in terms of providing additional loan capital for BCA.

Recommendation 3:

DAI technical consultants should prepare appropriate documentation by June 1984 so that BCA can try again to obtain lending capital from private sector banks. AID should support BCA borrowing from private sector sources through loan guarantees and other available means. Efforts should be maintained to obtain funds from other international donors including the World Bank and the IDB.

E. Savings Mobilization

The Savings mobilization campaign is being promoted under the assumption that it will generate lendable funds at no costs for BCA. This appears unlikely because processing the paperwork, computerizing the information, and providing account statements will be costly, even if local agents currently have excess time available. As the BCA loan and savings programs expand over the next several years, the costs of the savings program will be much greater as the agents have alternative uses of their time. Bernard Fatton told the evaluation team that IDAI was not interested in handling small savings accounts because of the high costs associated with obtaining funds in this way.

BCA will lose money on savings generated. If all savings are immediately loaned out current charges will yield an 18.6 percent interest return. Interest paid on savings (6.0 percent) and defaults (8.3 percent) will probably cost about 14.3 percent leaving only a 4.3 percent margin to cover costs of collecting savings and processing loans. Besides this, all savings cannot be loaned out because balances will need to be kept in local offices and funds will move slowly to places where they can be lent. Perhaps 80 percent of savings can be loaned back out and this will further reduce the already insufficient margin for operating costs to 2.24 percent. This is insufficient to cover the marginal costs of collecting the savings and relending the funds so an operating loss will be incurred with the savings program. The loss can be reduced or elimiated as operating costs are lowered, default rates lowered, or interest rates are increased.

In sum, savings mobilization will lose money and therefore need to be subsidized from other sources. The campaign is still desirable because it will expand the lending capacity of BCA and will provide services to rural people including a safe place to store money and an opportunity to obtain an interest return. Also, in an opportunity cost sense savings mobilization may be a low cost mechanism for generating loanable funds[3]. But some external agency must subsidize the costs of savings mobilization, or the interest rate must rise, or costs must be reduced. Otherwise the BCA capital will erode and safety of the savings will deteriorate.

Our belief is that savings mobilization should be encouraged despite the operating losses that will result. A necessary step to encourage savings is to convince rural people that the BCA is safe and that they can earn money by saving. The identification card system that is currently the only new motivation for saving is insufficient to motivate much savings and certainly has no effect on marginal behavior. That is, it may prompt a small account but does not encourage all resources to be deposited at BCA.

3. In theory, resources obtained from farmers who formerly were hoarding them have the same economic costs as resources obtained through increasing the money supply.

Recommendation 4:

AID should finance a matching program wherein savers at BCA will receive ten cents in savings for every one dollar deposited. The matching program should be for a limited time period (perhaps six months) and then must include the stipulation that the resources remain deposited for one year.

The approach recommended here effectively increases the first year interest rate by 10 percent. The approach is to build the habit of saving by creating a large motivation to deposit at BCA and expect that people will continue saving at BCA once the year is over and they have observed that the savings system works.

F. Efficient Use of Studies

Four special studies have been undertaken under the auspicies of DAI. The BCA Director referred to the studies on several occasions during the recent conference. Effective with the conference some policy changes were introduced in the personnel system in order to overcome difficulties raised in the personnel evaluations. There have been uses made of the studies, but continued efficient use must be encouraged and appropriate technical assistance must be provided to insure that the findings are incorporated into BCA practices.

Recommendation 5:

AID should finance duplication of the four studies so that they can be distributed to all BCA professional staff. Future studies should be prepared for all staff to receive.

Recommendation 6:

The DAI team leader should accept primary responsibility for insuring that study findings are being reflected in BCA planning and procedures.

A two month study of BCA organization and structure is planned to end November 1983. The study was to have been conducted earlier but concerns within BCA about the study implementer and problems with his availability led to the late timing. The result is, that unless the technical assistance contract is extended, there will be no follow up support for implementing reorganization recommendations. Further, the organization technical assistance was merged into one visit rather than the previously planned two. Resources are not available for the organization expert to follow-up and help implement his recommendations. Yet organization and staffing issues are the key to self sufficiency.

Recommendation 7:

The status of BCA reorganization should be assessed during December 1983. If necessary, follow-up, short term technical assistance should be provided to facilitate the imperative reorganization.

G. BCA/IDAI Relationship

Concern about possible duplication of effort between BCA and IDAI has been expressed, beginning before the PP. Both organizations are lending to small farmers, but their lending approaches are very different. BCA uses unsupervised credit while IDAI has supervised credit. The main advantages of BCA's approach is the lower costs and the fact that BCA leaves the farmer free to make his own production decisions. Supervised in-kind credit leaves IDAI open to changes that bad inputs were the main reason for a crop failure. BCA appears to have a better repayment record despite using unsupervised credit. IDAI's primary advantage is the technical support it provides to farmers. BCA relies on the Ministry of Agriculture to support the farmers with technical assistance, but in fact little is being provided.

BCA loans almost exclusively to small farmers and IDAI has only about one-third of its portfolio with small farmers. BCA loans through SACs while historically IDAI has loaned to individuals, though IDAI is moving towards SAC-type lending. IDAI has a significant and growing large farmer portfolio and one-half of its portfolio is loans to business enterprises.

BCA is seeking to provide lending throughout most of the country. IDAI makes most of its loans in narrow geographic areas where irrigation is available and conditions can be more easily controlled. Supervised credit would not be feasible across the wide areas where BCA operates.

BCA and IDAI will continue to operate side-by-side in providing loans to small farmers. This does not appear to cause major problems if both institutions expand sufficiently to incorporate economies of scale in lending. The most important scale economy will be captured if each agent is fully occupied. Economics of scale in central office staff and management are less important if the staffs are approproately pruned.

The two institutions together service no more than five perrcent of the small farmers. Both could expand dramatically without causing competition for resources or without competing for customers. Thus, their simultaneous expansion is not reason for concern until both institutions are much larger.

H. Diversification Sohemes at BCA

Up to now, BCA has concentrated on one activity exclusively, providing loans and other financial services to small farmers. Recently, however, BCA has begun to get involved in a number of non-traditional activities which potentially 1) make fuller use of BCA's central office staff and 2) increase the resource base of BCA. Starting July 1, 1983, BCA took over the insurance coverage for its staff and nearly 1,800 employees of the Ministry of Agriculture. BCA plans to use excess capacity in its computer system to provide automated data processing services to other government agencies. It has expressed interest in acquiring the Bon Repos grain storage facility in order to support storage of borrowers' crops and to allow for their sale several months after harvest when prices are higher. A feed mill has been proposed to be built in conjunction with the storage facility. BCA also proposes to transform the SACs into communal level cooperatives, designed to participate in marketing programs and cooperative stores. In this section, the issues raised by these proposals to involve BCA in areas other than providing credit to small farmers, will be examined.

In general we conclude that BCA's long experience, in all regions of the country has given it special expertise in providing agricultural credit to small farmers. The experience of its staff can best be used by building on this base and improving the efficiency of its credit operation as the volume of loans is expanded and repayment rates are improved. On the other hand, many of the areas in which BCA is proposing to diversify would, if pursued, require different skills, training, and background than what is available within the institution, and also will require considerable initial capital investments which would reduce funds available as small farmer loan capital. Operating losses will also absorb BCA capital. As a result we believe that BCA is jeopardizing its function as a lender to small farmers by opening its capital to the risks of these non-credit activities. BCA should seriously re-evaluate its plans in these areas and proceed only if careful feasibility studies support the proposed projects.

Separation of the computer function into an operating division places the BCA capital and operations at less risk than the other schemes and, in fact, would probably reduce expenditures immediately. The difficulty with this proposal is that BCA would receive reduced computer services from a separate operating division and must balance this loss against the lower expenditure.

Insurance. BCA perceives the insurance program as being beneficial in that it could decrease the expenditures on employees' health insurance. This is feasible to the extent that self-insurance for BCA's employees can be done at a lower rate than the premiums paid in the past to private insurers. Including all Ministry of Agriculture employees increases the volume of funds and, in theory, at least by providing a larger pool of insurees, should reduce risk.

There are two potential dangers that this program poses to BCA . The first danger is that the premium level may be set too low to cover costs, leading to a continual loss on the operation. In fact, when BCA took over the insurance operation, the first step was to lower rates. Further the premium receipts must be kept in a contingency liability fund. The second danger is that the high variance in payouts associated with the relatively small pool of people could cause significant losses at times, even if the system were self supporting over time. If these losses are taken out of BCA's loan capital, they will reduce BCA's ability to provide loans to small farmers. At a minimum the insurance system should be an autonomous institution separate from BCA to protect BCA capital from risks in funding. An outside firm should also be obtained to help determine the appropriate rates and to provide other aspects of setting up this insurance program.

<u>Automated Data Processing</u>. Except for peak periods in processing loan and savings information, the data processing system may have capacity beyond BCA's own requirements. If this is the case, BCA intends to partially support data processing by doing some contract processing for outside users. If excess capacity is, in fact, found to exist after the system is adequately handling BCA's own work, it might make sense to do contract processing for other institutions. However, BCA has no comparative advantage in providing computer services and should consider setting up the computer center as a separate operation within the Ministry. If BCA operates the system possible problems that could occur are:

1) failure to obtain high enough rates from DARNDR and other institutions to make any substantial contribution to lowering BCA's overall data processing costs;

2) failure to obtain prompt payment from other government institutions making use of data processing services;

and 3) possible delays in processing BCA jobs if peak demand periods for use coincide with peaks from other users.

BCA should not begin processing other users data until at least six months after the system is working for all BCA needs in order to determine how much excess capacity exists. If the decision is to service other users, BCA should evaluate the profitability of its computer operations every three months to see if undue delays are being caused for BCA and to see if the outside work is sufficiently profitable. BCA should investigate separating the computer system into an autonomous agency within DARNDR. The final evaluation of SRCS should carefully consider the usefulness of BCA's centralized computer system and the advisability of adding compatible micro-computers at the regional level.

Marketing. According to BCA, one reason farmers fail to repay loans is because of the low prices they receive at harvest time. On-farm holding is said to be difficult, in spite of possible advantages resulting from post harvest price increases (in some years) because of heavy losses from insects, rotting and mildew. A modern storage facility composed of 22 large grain storage bins exists at Bon Repos, about 14 kms. away from Port-au-Prince on the North-West road. This facility was originally financed by USAID (ADS-1) and has never been in operation.

As the central element of a marketing programs, BCA proposes to put the Bon Repos facility into service at a cost for repairs and equipment of approximately $300,000 . The cost of purchasing the corn to fill the silos would be well in excess of one million dollars. Inclusion of a feed mill has also been proposed in the program. It is believed by BCA that a project of this type would raise the profitability of agricultural production for BCA borrowers and at the same time produce an operating profit for BCA and provide another way to employ part of the central office staff. To date, no feasibility study has been done on the costs and benefits of putting this facility into service.

There are a number of questions associated with the Bon Repos project and the associated marketing program. First, the Organic Law establishing BCA makes no provision for BCA to engage in activities other than the provision of credit to small farmers. Second, its institutional experience and individual staff skills have focused on providing agricultural credit; the lack of experience in the operation of a storage and marketing facility would make successful operation by BCA difficult. Third, even if careful study revealed that the project is feasible and is desirable in the sense that farm income would be increased, it would be inappropriate for BCA to have equity participation in an institution to which its borrowers were selling their products. Some other branch of the Ministry of Agriculture could more efficiently manage such a project.

Merger of SAC's into Communal Cooperatives. Since 1966 BCA has been making loans, not to individual farmers but almost exclusively to SACs. The by-laws established by BCA state that each society is supposed to be "changed into a cooperative after its social capital has reached G1,000 and after they have been in continuous operation for three years."[4]

Conte goes on to say, however:

> "While the "society" was initially set up to be transformed into a standard cooperative after three years, after more than fourteen years of operation, there is no sign, not even a tendency on their part to evolve into a cooperative in the classic sense. Quite the contrary, it has been found that the best societies are those which group together only ten or so members. At this time one could say that the concept of an orthodox cooperative has been superseded."[5]

4 Rodini Conte, "L'Evolution du Crédit Agricole en Haiti," Revue de la Société Haitienne d'Histoire et de Géographie, vol. 39, No.133, December 1981, p. 49.

5 Ibid., p. 51.

It has been proposed that several SACs in each rural village be brought together as regroupement de sociétés (RG) and that these RGs from all the villages in a commune form a cooperative. These cooperatives thus would have as their base unit the SAC, not the individual members.

The organizational structure of these multipurpose communal cooperatives is to consist of 5 non-paid directors and 3 members of the vigilance committee elected by the SACs, a hired manager and other employees. The cooperatives' principal activities, at least initially, would be marketing, provision of inputs, and operation of consumer cooperative stores. For the time being, loans from BCA would still be made directly to each SAC. However, eventually, it is being proposed that loans be given to the communal cooperatives themselves and broken down by the RGs to the SACs.

Field visits brought the evaluation team in contact with two cooperatives which had been set up by individual small farmers for specific purposes (storing and milling corn and marketing coffee) determined by the types of crops the farmers themselves were producing. These are the kinds of cooperatives currently active in Haiti. Like the SACs, one of the reasons they appeared to be functioning satisfactorily is their relatively small size and the generally close geographic proximity of the members to one another.

There are a number of questions that need to be answered before any major amount of effort is devoted to setting up a nationwide system of communal cooperatives based on the SACs. The first is, whether the farmers themselves perceive a sufficiently strong need for whatever services these multipurpose cooperatives would provide to warrant the effort that would be required to set up such a system. Second, what would be the initial source of the funds needed to provide whatever services are to be provided by the coopertives?

Third, in most situations, cooperatives are small primary organizations, formed by individual people working together toward attaining a common goal. As described, these communal cooperatives would be tertiary institutions, based on organizations (the SACs) rather than individuals and with facilities which by necessity would be located at a considerable distance from the farms of most SAC members. Fourth, if the SACs are generally performing satisfactorily from the point of view of BCA (i.e., they are assisting BCA in providing and repaying loans), it would be in BCA's advantage to retain them in their present state. Most agents told the evaluation team that they could personally handle about twice as many loans as they are now if more money were available. Therefore, there is no current need to work through cooperatives. Where large, secondary and tertiary organizations have been given the task of disbursing and obtaining payment of loans, problems with correct distribution of loans and return of loan repayments to the lending agency have frequently arisen. Finally, if farmers really have need of the kinds of services that such cooperatives could provide, then the appropriate agency (in this case, the Service de Cooperation of the Ministry of Agriculture) should assist farmers in their organization.

Concluding Remarks

Substantial progress in making the BCA a viable organization has been made through the joint efforts of the BCA staff and the SRCS project. The project has been successful thus far and the achievements are a firm foundation for further accomplishments in the remainder of the project and potentially a follow-on project. A number of issues, generally arising from the environment in which SRCS operates, can serve to lessen the accomplishments of SRCS and damage the BCA organization. Several of the issues raised in the evaluation could conceivably seriously hamper the effectiveness of BCA in meeting its primary goal, providing credit to small farmers. The most important of these are if BCA fails to move towards self sufficiency through a combination of higher interest rates and lower operating costs and default rates, and if BCA continues in its tendency to diversify into noncredit activities. Because it is the only institution with the infrastructure to provide credit to small farmers throughout Haiti, BCA and AID together must seek ways to overcome these potential problems.