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HISTORY OF A.I.D. PROGRAMS IN AGRICULTURAL CREDIT

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NOTE

This paper was prepared for the Spring Review and is included as volume xviii in the Spring Review Set. Because of its historical content, it is also included in the Evaluation Paper series. It takes its orange color from that series. The titles of previous Evaluation Papers are:

1. The Use of Program Loans to Influence Policy.
2. Spring Review of New Cereal Varieties, A Perspective.
3. Extension in the Andes.
4. Utilization of Economic Research.
5. Agricultural Sector Studies, An Evaluation of AID's Recent Experience.

HISTORY OF A.I.D. PROGRAMS IN AGRICULTURAL CREDIT

1950 - 1972

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CONTENTS

* These narratives were completed before December, 1972.

I. INTRODUCTION

What follows is a descriptive history of A.I.D.'s investments in agricultural credit since these programs began in the early 1950s. It is not restricted to credit for small farmers, though some attention is given to that component. Using the incomplete records available for study, a large number of persons helped the author prepared historical summaries of technical and capital assistance in each of forty-two countries. This paper summarizes the summaries. To complement the written record, though to a lesser extent than desirable, a few interviews were held with veterans of the credit experience.* From the written records and the interviews, it was possible to identify the magnitude and characteristics of credit programs and the important changes over time and between regions.

This study is not a full evaluation--it makes no attempt to assess the fundamental assumptions about development strategy on which the programs were designed, the viability or role of credit institutions which Americans helped build, or the impact which those institutions and their lending had on farm productivity and incomes. Other authors writing for the Spring Review have shown that the impact has been less than anticipated, and have challenged therefore some of the assumption about interest rates, subsidies, technologies and other critical policy variables. While it is not possible here to support or answer such challenges, it is possible to point to some weaknesses in A.I.D.'s programming process--weaknesses apparent in the historical record of technical and capital assistance--which might provide part of the explanation and which can be corrected.

* Among those interviewed were John L. Cooper, Ralph V. Battles, Ralph E. Miller, Percy Avram, Dana D. Reynolds, Fred M. Knobel, Carroll T. Berry and Ray Bailey.

II. CHARACTERISTICS

Table 1 provides some basic statistics of the A.I.D. farm credit program. Points are discussed in subsequent sections.

A. Size of the Program

Between 1950 and 1972, A.I.D. put $706,000,000 into farm credit programs of all sorts. This is somewhat smaller than the figure for agricultural credit per se, since it excludes grant and loan funds which were subsequently lent to non-farm agricultural enterprise such as marketing co-ops, processors, off-farm storage, etc. But the difference is not large. Sixty percent of the total was local currency, including counterpart and other assigned currencies generated by import programs. Some $270,000,000 of dollar loans were provided, practically all (91%) since the formal establishment of A.I.D. in 1961. During the eleven full fiscal years of A.I.D.'s existence, it has invested annually on the average $23,000,000 in dollars and another $31,000,000 in local currencies, or $54,000,000 altogether.

To work with farm credit agencies in developing countries, sometimes in conjunction with U.S. capital investments and sometimes not, A.I.D. has sent abroad large numbers of credit agents. We estimate about 870 man years since 1950: seventy percent of them since 1961. As illustrated later (figure 2) this contingent is small in size compared with the number of agricultural experts who were sent to work in fields other than credit--in extension, for example. But that kind of comparison does not tell us much about the adequacy of the team for the advisory job that had to be done. Since 1961, A.I.D. has financed about 55 experts abroad each year working in agricultural credit.

TABLE 1

AGGREGATE STATISTICS ON THE A.I.D. FARM CREDIT PROGRAMS
(Man-years, thousands of dollars, fiscal years)

	1	2	3	4	5
	World-Wide			Latin America	
	1950-72	1962-72		1950-1972	
	$	$	% Col. 1	$	% Col. 1
GRANTS					
Dollars	19,900	5,670	28	8,510	43
Local Currencies	49,610	32,290	65	4,730	10
LOANS					
Dollars	271,760	247,440	91	248,840	92
Local Currencies	365,130	312,610	86	187,340	51
TOTAL	706,490	598,010	85	437,270	62
	Man Years			Man Years	
Advisers					
Direct-Hire	471	325	70	151	32
Contract	401	286	71	248	62
TOTAL	872	611	70	399	46

B. Global Trends

Figure 1 shows the trends of the levels of A.I.D. capital inputs and advisory man-years since 1950. Technical assistance in credit starts to grow rapidly in the mid-1950's, stalls in the early 1960's, then increases rapidly again until about 1968 when the decline that continues to the present begins. Capital assistance does not take-off until the early 1960's, that is, till five years after the start of the technical program (five-sixths of all capital assistance has been provided since 1961), falls significantly in 1970 and recovers two years later. As shown later (figure 3), the global capital trend largely reflects decisions in the Latin American Bureau. Figure 2 is introduced to show the episodic nature of U.S. technical assistance activities. In the figure, the global and Latin American agricultural credit advisory trends are compared with the Latin American agricultural extension advisory trend over the same period. The rise and fall in the relative importance of different agricultural instruments for development, first noted in an extension study conducted by the author in 1970, is clearly demonstrated. What cannot be demonstrated here is whether the phasing is the result of enlightened or impatient programming. The fact that the extension team preceeded the credit team (figure 2) and that the credit advisors preceded the capital input (figure 1) are consistent with some theories of rural development and institution building. There does not seem to have been competition between a credit lobby and an extension lobby, however. Extension was much larger and easily suffered inclusion of a few credit advisors, except perhaps where supervised credit experts challenged preexisting extension operations.

C. Regional Distinctions

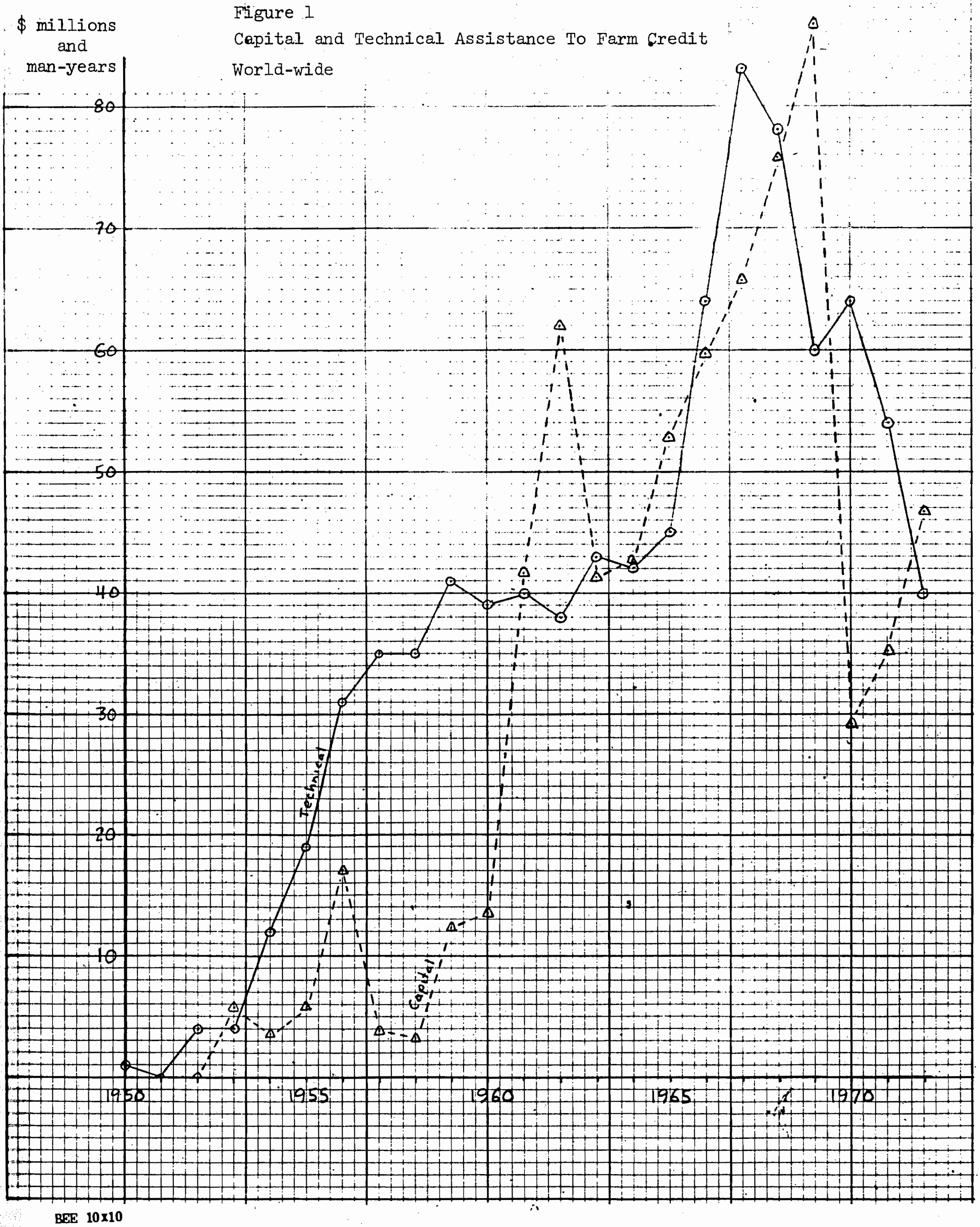
Table 1 indicates the disproportionate importance of Latin American credit programs. Almost half (46%) of all technicians, and almost two-thirds (62%) of all capital assistance, have gone to that one region. Note in particular that Latin America consumed 92% of all dollar loans. The average level of dollar lending annually in that region since 1961, that is since A.I.D. was organized and the Alliance for Progress formed, has been $20,000,000. Figures 3 and 4 show the regional breakdown of capital and technical activity. East Asia ranks second to Latin America in the size of the credit program. Africa accounts for very little. The Near East-South Asia trace needs some explaining. Almost all the capital assistance shown going to that region went to Turkey, and the large bulge in technicians shown for the period 1953-1958 were situated in field posts in Iran. Which means that A.I.D. activities in farm credit in South Asia--Pakistan and India--have been virtually nil--a fact which is obvious in the annual reports dating back to the 1950's.

Figure 5 illustrates another significant difference between Latin America and the rest of the world. It shows the relative size of capital and technical inputs. The Latin American Bureau has put much more money into credit programs than technicians, compared to the rest

Figure 1

Capital and Technical Assistance To Farm Credit

World-wide



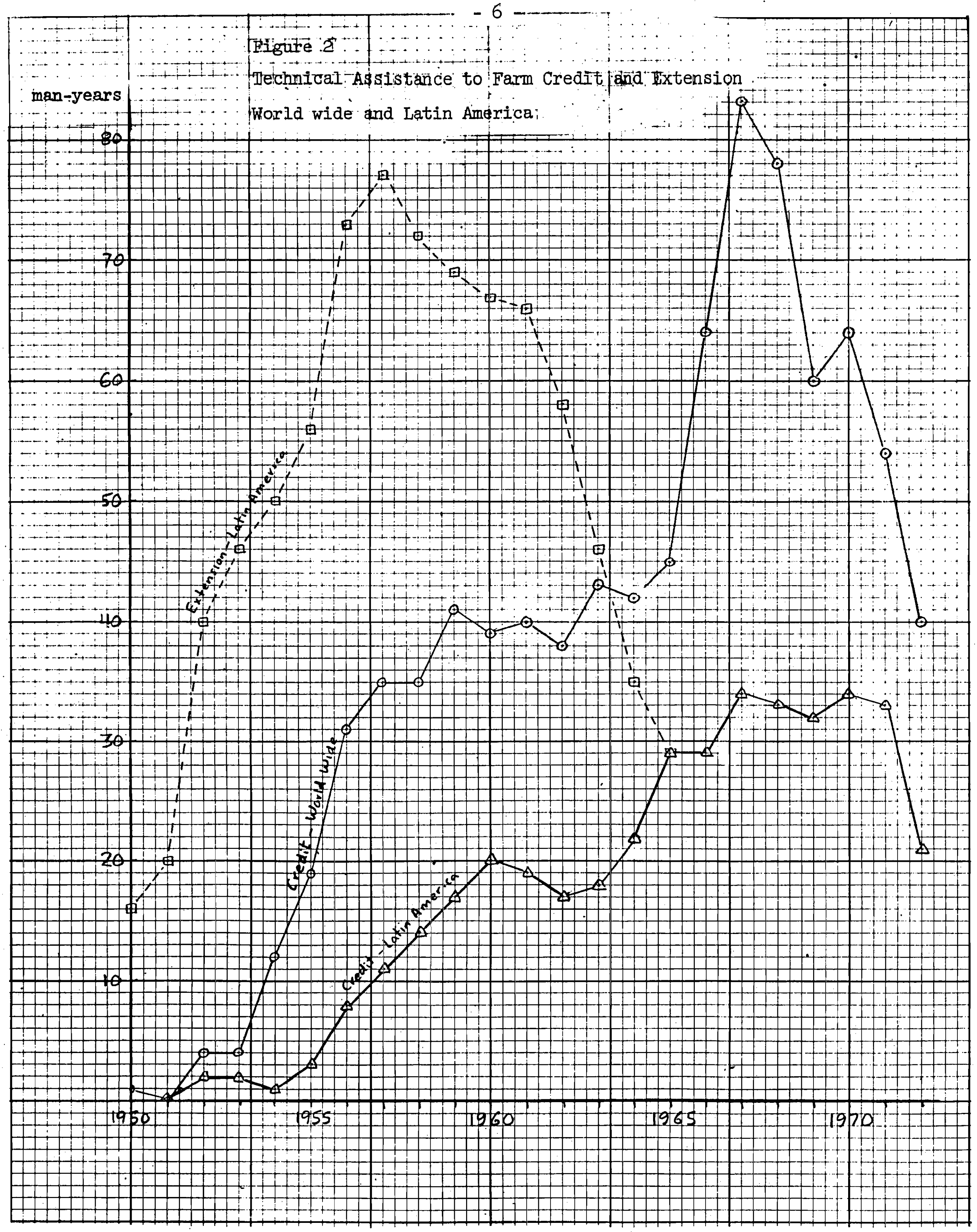


Figure 2
Technical Assistance to Farm Credit and Extension
World wide and Latin America
man-years
80
70
60
50
40
30
20
10
1950
1955
1960
1965
1970
Extension - Latin America
Credit - World Wide
Credit - Latin America

Figure 3

Capital Assistance to Farm Credit

Regional Trends

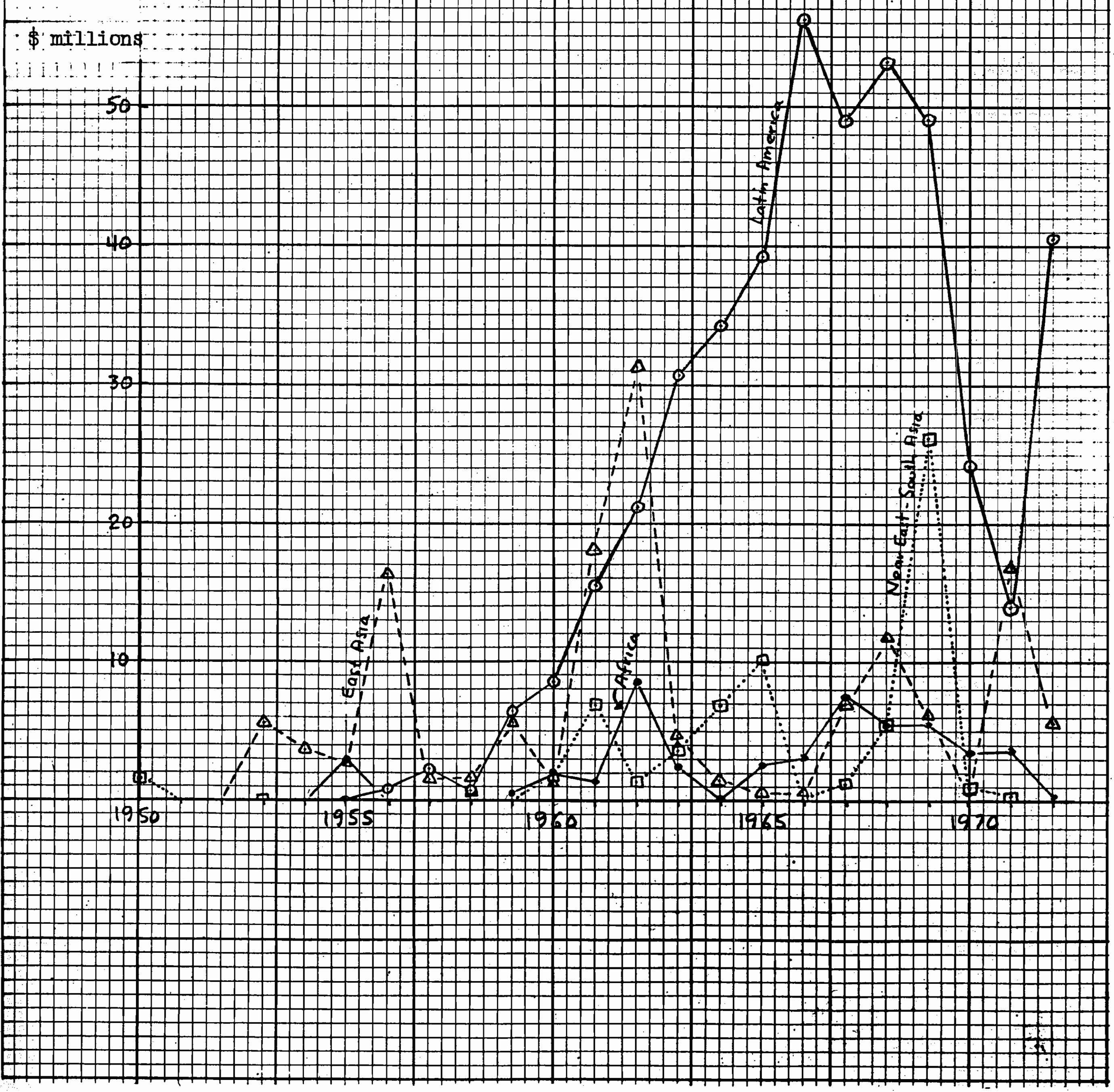


Figure 4

Technical Assistance to Farm Credit

Regional Trends

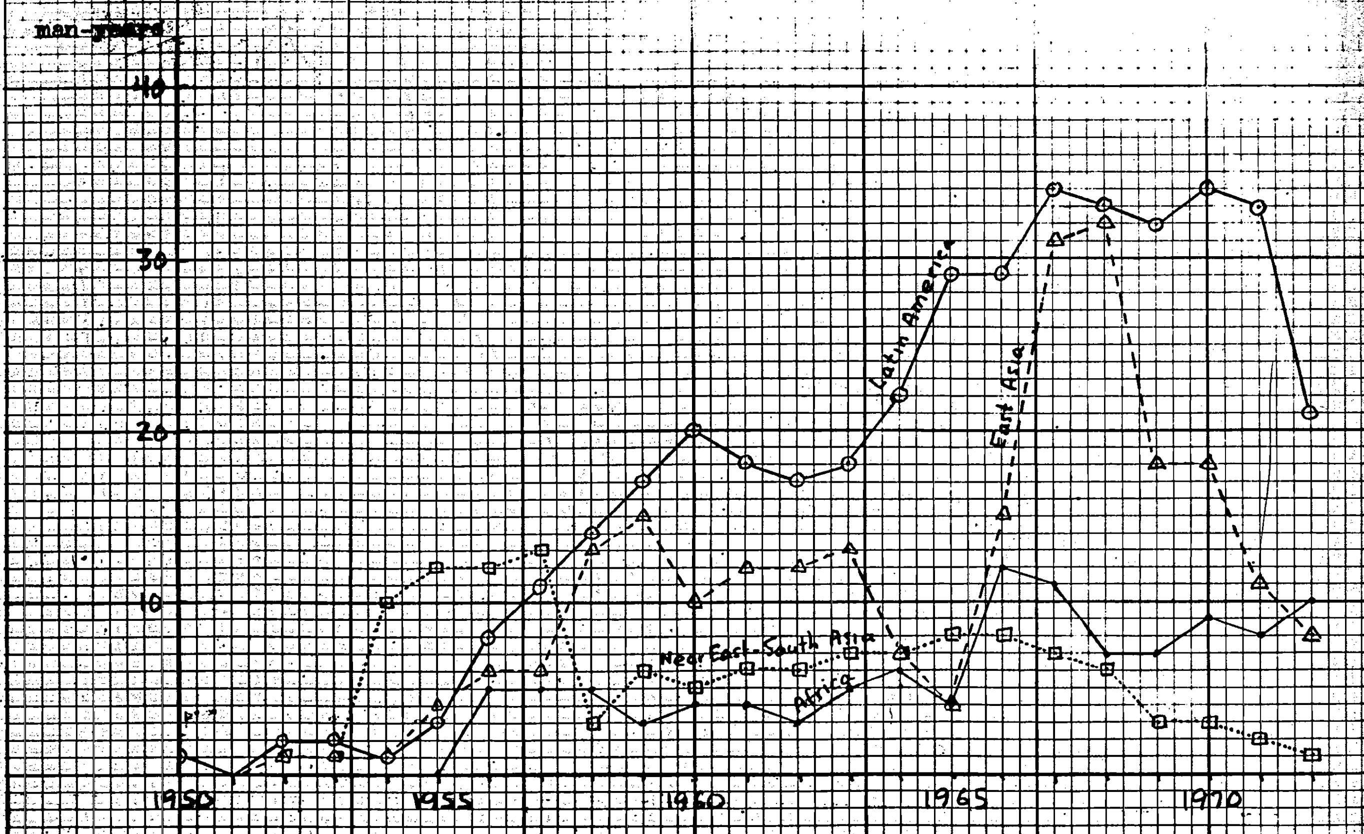
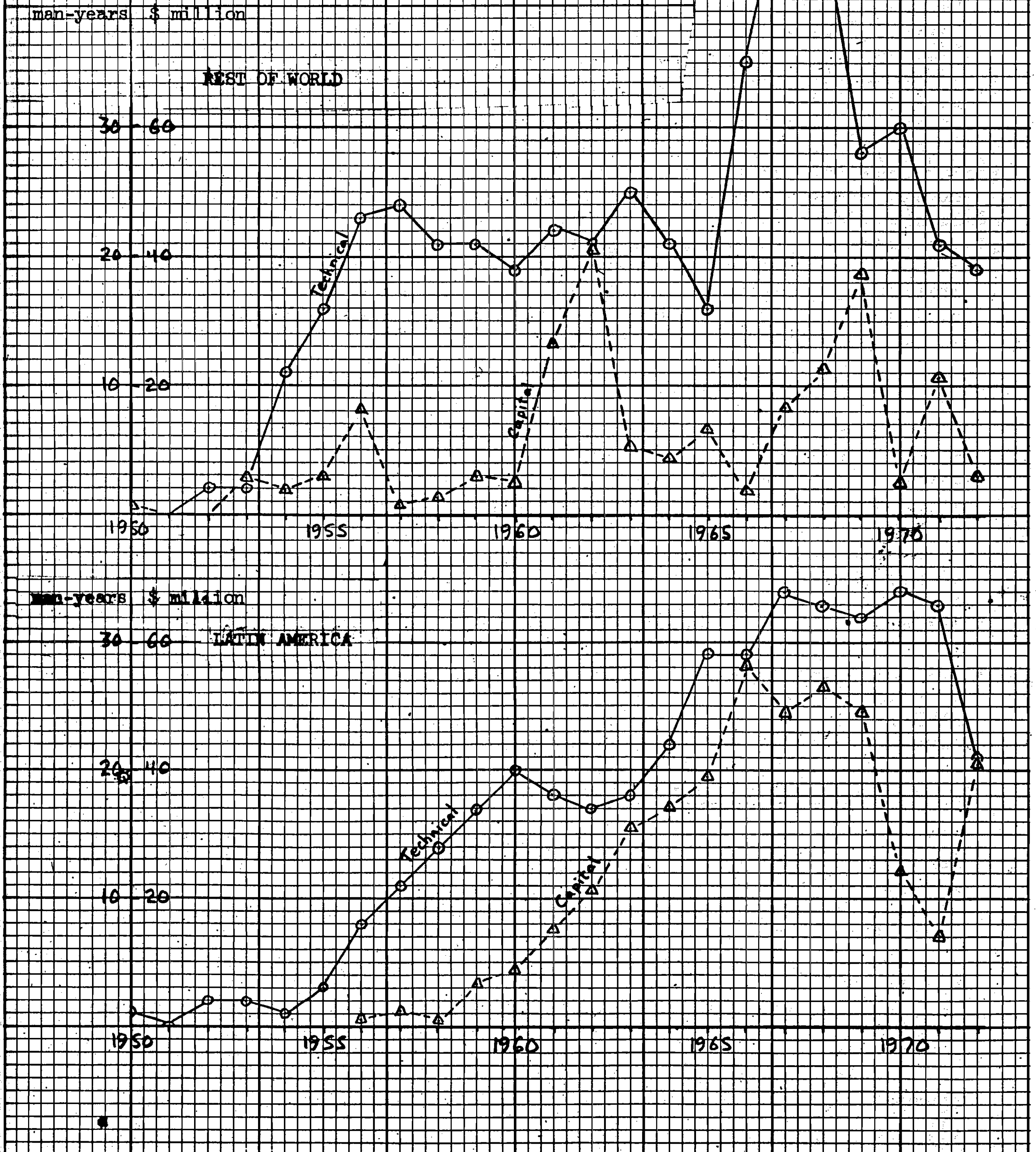


Figure 5

LOAD: Capital To Technical Assistance

Latin America and Rest of World



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of the world. We estimate that, since 1961, Latin America has loaded each technician with $1,200,000 per year, and that the other Bureaus have loaded their technicians with $400,000 per year, a ratio of 3 to 1. The single credit advisor in the Latin American Bureau counseled against this development unsuccessfully in the early 1960s. He argued that the loans needed more supervision, partly to insure adequate training for the technical staff he was convinced were needed to train the farmers. But the capital development office of the LA Bureau apparently concluded that Latins were competent to supervise their own programs.

Whether the differences brought out in figures 3, 4, and 5--for example the greater emphasis given to credit assistance in Latin America than in South Asia, and the relatively few U.S. technicians associated with U.S. capital programs in Latin America, compared to the rest of the world--reflect real regional differences in absorptive capacities, domestic supplies, and government priorities, or differences in opinions about growth held by the staff of the Regional Bureaus, is an important issue that we are unprepared to discuss.

D. Country Programs

Figure 6 shows the number of credit technicians in each country since the program began in Paraguay (in 1943). The Paraguayan assistance project aborted in 1953. The next oldest project is in the Philippines, begun by John L. Cooper in 1951. Cooper came from Japan, where he had served as a lawyer/economist with the U.S. occupational forces working on new legislation dealing with rural credit, farmer associations and land reform. The Philippine project is distinguished by virtue of continuing in one form or another to the present, a longevity which may say something about Cooper's good work and esteem. The third country project was in Iran, where first an A.I.D. (TCA) credit adviser in 1952 and then a large contract team organized by the Near East Foundation in 1954 was stationed. That project terminated in 1966 just before the USAID Mission to Iran was closed. Starting in 1955, there is a proliferation of projects around the world, a fact evident in figure 1 as well.

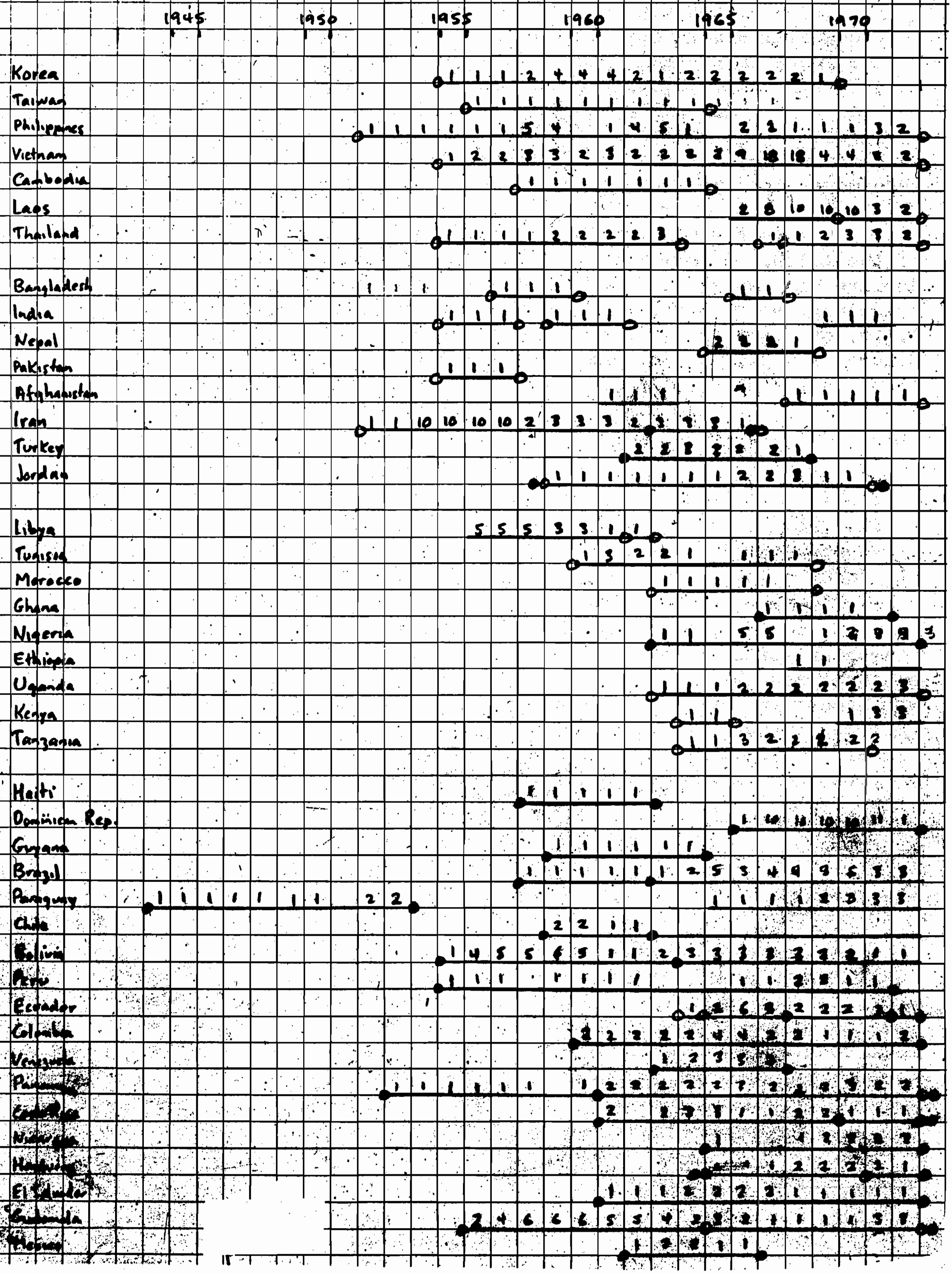
E. Use of Different Instruments

Table 1 suggests the relative importance of the different capital categories since 1950. Before 1962, grants of dollars and local currencies comprised 30% of the total: since then grants comprised 6% of the total. However, though grants have virtually disappeared in the portfolio, the majority of the loans in the 1960's were made with U.S.-owned, counterpart, or assigned local currencies rather than dollars.* With respect to the technicians, Table 1 shows that direct-hire advisers have had the edge over contract advisers, except in Latin America (which took 62% of all contract personnel versus 32% of all direct-hire personnel), and that the mix of direct hire and contract staff does not change much between the two periods 1950-1961 and 1962-1972. Of course, these aggregate estimates hide major differences between countries in the loan-

*The term "assigned local currencies" refers to local monies generated by AID commodity import programs or by private sector repayments, to governments, of AID related loans--which monies, though belonging to government, are allocated only with the agreement of AID. This is capital assistance only in a broad sense--the sense used in this paper. Counting it as AID assistance implies doubling counting somewhere else in the overall AID leger.

Figure 6 Technician Man-Years, By Country

Key:
Coop Activity
Supervised Credit Activity



grant mix (Vietnam is all grant, Colombia is all loan), and the direct-hire -contract mix (Colombia never used contract).

The important regional distinctions in the relative mix of capital and technical assistance has been mentioned. Using the historical trends shown in table 1, one computes that in the period 1950-1961 the load factor was $400,000 per man-year, and in the period 1962-1972 $900,000 per man-year. That change too is consistent with some respectable hypotheses about the phasing of capital and technical assistance in rural development--that one starts with training and institution building and then moves into production programs.

This is the second time the author has alluded to the consistency of the A.I.D. history with acceptable theory. This time however, he will declare his own skepticism. He suspects, but cannot prove, that the principal determinants of some of the major aggregate characteristics of A.I.D. programs in agricultural credit illustrated in the table and figures are (1) that the NESA Bureau has traditionally had more doubts than the Latin American Bureau about the role of credit in rural development and (2) the Latin American Bureau had access in the 1960's to unusually large sums of dollars that could be spent on local costs. The author is not prepared to say, however, the the decisions that were taken, however idiosyncratic and fortuitous, were wrong.

F. Objectives

It was not possible to do a statistical analysis of other important characteristics of the agricultural credit program, for example, percentage of funds assigned to short-term or production loans rather than medium and loan term investments, percentage of funds allowed for consumption purposes rather than prodution, and percentage of funds assigned to small farmer programs. Some of the points are discussed without statistical support in following sections. The point was made earlier that the data shown in table 1 are supposed to reflect only agricultural credit for on-farm activities, and exclude (to the extent possible) credit for marketing, processing and other off-farm agricultural activities.

III. ISSUES

A. Apparent Success or Failure

As mentioned earlier, this paper does not attempt to assess the overall effects of the credit program. Frequent reference in USAID reports from most countries about unacceptably high default rates and operational losses, or about defunct member co-ops, support the evidence presented elsewhere in the Spring Review literature that, in the aggregate, small farmer credit institutions and programs supported by A.I.D. demonstrate neither financial viability nor economic justification. Medium and large farmer credit programs supported by A.I.D., however, may have done better than small credit programs: the Rural Banks in the Philippines and the Livestock Bank of Colombia are examples of institutions dealing primarily with these groups, which are allegedly in possession now of low default patterns, sound financial structures, and good images. Moreover, the fact that rural credit institutions that lend to farmers exist in many countries where no such institutions existed previously can be partly attributed to A.I.D. efforts, They provide an institutional base without which future small farmer package programs would not succeed. It is remarkable how many national agricultural banks in developing countries received U.S. aid in substantial volume and in some cases even owe their existence, or their modern organizational structure, to U.S. advisers and U.S. seed capital. This is true everywhere except for South Asia and parts of colonial Africa. Thus, criticism of small farmer credit programs is not necessarily a criticism of the overall agricultural credit program described in section II., and in many ways the larger program apparently rates rather high. We hasten to reiterate that, of course, in only a few countries were U.S. inputs "decisive." In most countries A.I.D. support co-mingled with World Bank, Inter-American Development Bank and other donor contributions, to say nothing of major investments by host governments.

B. Institution Building and Production Programs

The few veteran advisers interviewed insisted that it is essential to build credit institutions gradually through adequate staff training and "organization and methods" development. This should occur before encumbering the institutions with a major production program aimed at large numbers of farmers (an approach that does not preclude the use of seed capital to begin a small revolving loan fund operation in the institution's infancy). There is an ample number of cases to support this position--of credit institutions such as the FaCoMa co-ops in the Philippines and the ABC supervised credit bank in El Salvador which tried or were forced by government to expand their program more rapidly than the management capability could support and ran into deep and almost fatal financial problems within three of four years of the start of the expanded program. The difficulty which the Government of Guatemala and USAID have had in maintaining the schedule of new farm loans agreed in the 1970 $23,000,000 sector loan is another example. In this case, a ten year old supervised credit operation of small size was reorganized, tied to a new promotional agency which was obliged to recruit a large group of "promotores" (agents) from an inadequately trained pool of professional agronomists, and assigned a job the joint staff could not handle in the time set. The Government is looking now for ways to accelerate the institution building process.

But another problem, in part the reverse of the first, is just as serious: institution building which goes on without any demonstrable relationship to or role in production programs. Only in the last decade does one find good examples of integrated production credit programs which incorporated an institution building component designed exclusively to serve the purpose of the production program. The more typical example is the credit institution which is created and brought to maturity with the help of U.S. advisers for the purposes of providing loans, not for raising the level of production. This approach is sometimes described as "institution building for its own sake", an improper description and one that does an injustice to the advisers. None of them were merely interested in building an instituion: they had a developmental purpose in mind. But the purpose was often articulated in terms of the immediate function of a bank--to make recoverable loans--rather than in terms of the expected impact of loans on farm activity. It assumed that credit was essential to farm development, and that lending levels correlated with production levels. The S pring Review is properly challenging that assumption, and it is the failure of some U.S. credit advisory teams throughout the 1950's and, in some countries, in the 1960's to examine that assumption that lays them open to the criticism that sometimes the institutions they were building had excessive opportunity costs or were wasted. The fact that those institutions are now in place, and can be exploited to advantage by a different sort of development model, is another matter.

C. Supervised Credit

The term refers to a farmer service wherein technical assistance is provided along with credit, usually by a single agent. Supervised credit was the earliest institutional concept of credit transplanted by American advisers overseas (a supervised credit program was started in Paraguay in 1943 under the bilateral servicio STICA). It is based on the original model presented by the U.S. Farm Security Administration (FSA) during the 1930's among underprivileged, marginal farmers, in poor rural areas of America. It calls for concentrated attention by the agent to all aspects of a farm family's economy--for the few farm families that an agent is able to handle.

FSA was reorganized in 1946 as the Farmers' Home Administration, and FHA staff either on PASA or transfer to A.I.D. rolls have since played an important part in the A.I.D. technical assistance program in credit. Some of them carried the FSA model with them overseas, a few even carried the FSA and FHA forms for reproduction and use in "comparable" poor rural communities. Overhead costs of supervised credit are necessarily high, given the low client to agent ratio, and this, together with the relatively high risk of default found in small farmer credit programs, threatens the financial viability of the operation and supposedly conditions the typical FHA advisers to accepting operational losses and subsidies as a way of life and an acceptable cost to government and society.

There are U.S. advisers schooled in other farm credit programs which reject the supervised credit model, because they feel subsidy and the delinquency mentality are incompatible with sound banking principles. If there is a small farmer finance problem needing a solution, and the farm operation is not credit-worthy, these "hard-nosed" banker types would recommend that government provide grants or off-farm employment instead of credit. Experience modifies both these doctrines, of course. One FHA veteran went to Vietnam in the mid-1950's and, because the government and USAID needed to show a production impact at the national level, and show it quickly, he had to drop the FHA approach and design a credit program aimed at "viable" medium farmers and giving a high client to agent ratio. When he went later to Brazil, he worked with the national agricultural banking system rather than with the (though not excluding) supervised credit system of ACAR in Minas Gerais State. Similarly, many Farm Credit Administration advisers working for A.I.D., using for the moment the FCA model as an example of the "bankers" approach, have gotten involved in small farmer credit programs with a highly subsidized supervisory component. In one of the interviews I heard the opinion that the supervised credit issue was in any event phony, partly because the FHA has itself moved from the old model to one referred to as "oriented" credit which has a higher client-agent ratio and is compatible with the use of cooperatives, partly because in practice very little supervision was given in any of the so-called supervised credit programs. It existed and exists mostly on paper.

In the forty-two country programs studied for this report, there were twenty-two examples of supervised credit supported by U.S. advisers (excluding "directed" credit, "oriented" credit, etc.). Seventeen of them were in Latin America and none of them in South or East Asia (see figure 6). Only eleven of them survive in A.I.D.'s portfolio in recognizable form. Thus the main breeding ground for supervised credit was in Latin America, and the movement has passed its prime. The latter fact may be easy to explain. Governments and USAID s are looking for ways to reach lots of small farmers quickly, and the traditional supervised credit program cannot do it. It is easy to show that there are too many farmers to be handled by that model even if a much larger number of secondary school graduates could be attracted to the service, adequately trained, and paid.

The fact that supervised credit was stressed in Latin America is partly due to personal factors. Walter Crawford, the original credit adviser with STICA in Paraguay in 1943, was an FSA agent. His boss in STICA was inspired by the FSA approach. When Crawford joined Rockefeller's American International Association (AIA) in 1948 to direct the new AIA rural development and supervised credit program in Minas Gerais, he fell in with a group of Americans some of whom were also veterans of FSA/FHA. This AIA group was later to transport the model to Venezuela. The influence of AIA thus dominates the early history of supervised credit in Latin America. And as shown in the Paraguayan and Brazilian histories, the arrival of A.I.D. financed extension teams, recruited by the U.S. Federal Extension Service (FES) in the early 1950's, may have helped dampen the further spread of supervised credit in those two countries (rivalry in the U.S. between FSA and FES was intense). Elsewhere in Latin America, another private U.S. institution led by ex-FSA staff, the International Development Services Inc. (IDS), was contracted by A.I.D. to initiate pilot credit projects in four countries during the period 1954-1961, and in all the cases the supervised credit model was applied. Aside from the institutional roles of AIA and IDS, it is also true that FHA advisers have tended to be hired for Latin American assignments (many of them are recruited from the Southwest and speak fluent S:panish). But the regional focus was not exclusive. I was told that after the Eisenhower victory in November 1951, a large number of state FHA directors were in need of new employment, many of them were eventually accomodated in the foreign aid agency (then TCA and FOA), and some of these surfaced with their credit ideology intact in the Near East (someone else called this baloney).

D. Cooperative Credit.

Another institutional model with an even stronger hold on A.I.D.'s programsare the cooperatives. One can supervise credit within a cooperative structure, and one can organize farmers in production co-ops to better multiply the impact of a supervised credit agent. Nevertheless the conventional supervised credit model assumes a one to one client to agent contract, and the conventional cooperative credit model assumes nothing in particular about type of supervision other than its importance. In terms of influence, the co-op model is clearly dominant.

One can distinguish two phases of cooperative credit programs in A.I.D.'s history. The first dates back to the early 1950's, in the Philippines and Iran, and a little later in many other countries outside of Latin America. It involved U.S. experts drawn mostly from U.S. government service, the majority from FHA or FCA. They helped initiate, or strengthen, farmer cooperative institutions and, in particular, cooperative credit services, usually at a national level. In many cases the cooperatives predated the American arrival and the Americans adjusted to it. In a few cases the Americans helped create the cooperative system (as in the Philippines, Thailand and Iran). In this epoch it is often impossible to distinguish the "credit and cooperative" adviser from the "cooperative" adviser since despite the nominal difference in the staff position listing, their work was intermixed. "Cooperative" advisers working in cooperative systems offering farm credit are generally included in the data presented in table 1 and figure 1. In 23 country programs, exclusive of Latin America, reviewed for this report, 18 involved cooperative credit programs of this sort (see figure 6). In the 18 Latin American programs, none did.

The other type of cooperative credit program in A.I.D.'s history is the one sparked by Senator Hubert Humphrey's famous amendment to the 1961 Foreign Aid Legislation, which addressed the problem of the poor people in developing countries and said "let us help them follow the path of democratically owned and operated cooperatives." Within a few years, contracted U.S. cooperative organizations were swarming all over Latin America, and USAID plans for countries in that region were rewritten to include large cooperative ventures. A factor distinguishing this program from the earlier co-op phase is that most of the technicians were drawn from private U.S. cooperative systems and the contracting body was not USDA (for FHA and FCA) but Credit Union National Association (CUNA), Cooperative League of the USA (CLUSA), Agricultural Cooperative Development International (ACDI) and National Rural Electric Cooperative Association (NRECA Personnel and activities are excluded in table 1). The reason they piled up in Latin America in the early 1960's was because of the clear similarity between their (and Senator Humphrey's) goals and those of the Alliance for Progress, and because of the vacuum in cooperative, farmer associations in Latin America inherited from the 1950's. They did not concentrate exclusively in Latin America, of course, in fact two of the non-Latin American Country Papers introduced in the Spring Review were written by ACDI personnel (Uganda and one of the Thailand reports). Also, the revised rice credit program in Laos is now under contract with CUNA, and a CLUSA team has visited the A.I.D. Mission in Bangladesh. Nevertheless it is in Latin America that Senator Humphrey's impact was primarily felt.

The bothersome aspect of both types of co-op programs is the high degree of faith associated with them. This is clear in the annual reports and end-of-tour reports written by the advisers. The Spring Review is searching for an acceptable definition of the role of cooperative organization in small farmer credit. In principle, an unassailable case can be made for cooperative credit. In practice the co-op experiences are most dismal. But the record of high member delinquency rates and co-op closures seems to go unnoticed in the cooperative literature. The articles of faith of the basic, transplanted cooperative model, allegedly reflecting U.S. production cooperative programs but, some observers would argue, a distortion or misreading of these programs and unsuited to developing economies, go unchallenged. Nowhere is this failure at self-examination and adjustment on the part of the U.S. cooperative credit experts more evident than in East Asia. There the U.S. cooperative model, which calls for voluntary membership and democratic control, ran smack into the Japanese farmers association model which was compulsory and autocratic. The Taiwan and Korean "cooperatives" were shaped by the Japanese during many decades of occupation. Their record is comparatively good and their image throughout East Asia is favorable. This has brought suffering to U.S. cooperative credit advisers in several countries in the region. Their end of tour reports describe their frustrations in trying to get counterparts in government to relax centralized control of the member farmers' associations and introduce "grass root" elections of local management. The Americans have been remarkably unsuccessful. Their position is compromised by the fact that the farmers associations of Taiwan and Korea are frequently cited in the U.S. cooperative literature as successful examples which help demonstrate the validity of the co-op case. One can select any of the U.S. end of tour reports from Korea in the 1960's and probably sense this basic inconsistency between a relatively prosperous small holder economy with a dominant quasi-government "cooperative" service institution, and the insistence of American co-op advisors that that cooperative model is inappropriate and not in the farmer's real interest.

E. Transplanted Institutional Models

The preceding discussions of cooperatives and supervised credit agencies supports the argument, if it needs more support, against transplants and ideology in foreign aid programs, including agricultural credit programs. In the case of the cooperative model, it may be not only a problem of transplanting American institutions to unreceptive soil but also a problem of misinterpreting the American experience and transplanting a model based more on idealized constructs than reality. American type co-operatives did not flourish when American farmers lived at income and educational levels corresponding to those in the developing world. Why should U.S. advisors assume democratic cooperatives would flourish elsewhere? Also, some of the more successful U.S. co-ops are run by a strong executive authority. The democratic element is introduced through biennial votes of confidence. This is not the pattern some U.S. advisors have tried to introduce in East Asia, where they call for local political control and very little economic management by government representatives. Their argument has appeal in countries where the level of corruption and mismanagement in government is so high as to suggest government interference in coop business would do more harm than good. But this is not the case everywhere.

In the case of the supervised credit model it has already been pointed out that the model is ill-equipped to reach large numbers of farmers, since there are too few agronomists already trained, or in the educational pipeline, and since government could not absorb the huge subsidies required. The FSA supervised credit model may have been more suited to the U.S. during the 1930s and 1940s, since there were more trained workers, since they were supported by radio and reading material, since a large percentage of FSA (or better said FHA) clients are rejects from commercial credit systems and thus proven high credit risks in need of special support in decision-making, and since the rural poverty problem was relatively smaller and subsidy could more easily be handled in the government budget. These factors distinguishing conditions in the U.S. from conditions in subsistence economies go unnoticed in FHA documents commenting on the availability of FHA help for foreign programs. The FHA Special Paper submitted to the Spring Review asserts - "the FHA systems of personnel training, program planning, processing and collection of agricultural loans are especially suitalbe as a pattern for use in developing countries because they have designed and tested for small farming operations similar to those that make up the greatest percentage of farms in these countries" (page 18). It would seem, on the contrary, that planning for 17% of U.S. farmers, or 1% of the U.S. total population, is different than planning for 80% of a country's farmers and (to conserve the use of numbers) 71% of its total population.

A good example of the utility which the U.S. experience was thought to provide to developing countries is found in the six week schedule of the International Conference on Agricultural and Cooperative Credit, sponsored by TCA in 1952 and held on the campus of the University of California, Berkeley. Sixty-four delegates from developing countries met there with American and European academics and other experts. Country reports were presented and discussed, and general sessions on credit problems held. In addition, a large, and from our vantage twenty-one years later, disproportionate share of the conference schedule was devoted to field trips in California and reports on U.S. farm credit systems. The introduction to the Conference Proceedings, Volume 1, states that "while the substantive materials presented by the lecturers deal largely with American practice, this was done consciously in order to enable the delegates to take advantage of the experience of the United States."

But we must not dwell too long on the transplant issue. We have touched here on the worst elements to point out the problems that arise. The 1952 Conference is a partly misleading reference since discussion there was not limited to small farmer issues, indeed there was no such focus. The American experience may have relevance to agricultural credit programs in some communities, for example large irrigated farms in Pakistan or the extensive coffee fincas in El Salvador.
On further analysis, one would probably find that the majority of U.S. technicians were more adaptable than not, more inventive than made to appear. They went to build an agricultural credit program. They did what they could, using some handy guidelines inherited from predecessors in an environment where most of the program variables were already fixed. As discussed in Section H below, there was a real problem with most of these programs. But it was not so much that the advisors arrived with predetermined ideas on what they ought to do, rather that in a very fundamental sense they did not know the best thing to do and received no good guidance.

F. Origin of U.S. Technicians

An issue related to transplant is the influence which an advisor's institutional background has on his plans and performance. It was suggested above that the ratio of FHA to non-FHA personnel among the ranks of credit advisors was higher in Latin America then elsewhere, and that this helped explain why supervised credit got a stronger start in that region. It would be inexcusable if major decisions affecting regional and country programming hung on staffing variables of this sort, if for example the credit union approach was adopted in one country and the full-service farmer's co-op, supported by a cooperative bank, was adopted in a neighboring country simply because CUNA got to the first and CLUSA was left with the second. Random and personal factors do play some role in all decisions. Without clear proof of their quantitative significance, it seems safe to say that such factors, while not dominant, play a larger role in AID affairs than they should.

G. Evaluation and Feedback

Three things can be said about AID's efforts (pre-Spring Review) to learn from the experience of its credit programs. In the first place there has been considerable activity of a sort, which, while not as comprehensive as the evaluation design currently being pressed throughout the Agency, nevertheless compares favorably with activity in other technical fields involving institution building. In East Asia there have been a series of workshops, starting in 1956, which brought AID technicians and counterpart officers from different countries together to discuss mutual problems and probable solutions. The original meeting, the "First Far East Agricultural Credit Workshop" was held in Baguio, in the Philippines. Succeeding workshops were held in different locales in 1958, 1960, 1962, 1965 and 1968, and under a revised format, the "First Asian Conference on Agricultural Credit and Cooperatives" was held in 1970, again in the Philippines. A second conference is scheduled for Tokyo in 1973. Thus multinational meetings on credit started almost as soon as credit activities themselves began in East Asia, which had the most important concentration of AID credit resources outside of Latin America. In Latin America, there was similar activity, though on a far smaller scale. Several workshops were held in 1957, 1962, 1962 and 1966. The 1966 meeting was limited to AID credit officers. In comparison with East Asia the effort is not impressive, but at least it was a start. Unfortunately there appears to have been no deliberate transfer of experience between East Asia and Latin America. I am not aware of corresponding sessions in the NESA and Africa areas, except for a single "travelling" credit seminar in the CENTO countries of West Asia in October and November 1964, and,given the smallness of the credit programs in those regions, if there were no others it would not be surprising. A few officials in the technical office in AID/W (ICA) had tried in the period 1956-58 to organize workshops along the line of the East Asia model in other regions, but except for Latin America, failed to generate enough support.

It appears that none of the meetings looked at the fundamental assumptions underpinning the credit program,or asked, as the Spring Review is asking, whether institutional credit is necessary to small farmer programs, whether cooperatives are succeeding with institutional credit, etc. But in 1963 a centrally funded research project began to take shape which would investigate some of these issues. The contract (AID/csd-463), signed with Ohio State University in July 1964, was to last just over three years and provide guidelines for (1) the establishment and operation of permanent and effective institutions and systems for providing agricultural credit in developing countries, and (2) technical and economic assistance programs in agricultural credit. Field research took place in 1966 in Brazil, Colombia, Ecuador and Peru and the terminal report was submitted in May 1968. A year later a second contract (AID/csd 2501) was signed with Ohio State for the "Analysis of Capital Formation and Technological Innovation at the Farm Level in LDC's....." It was in part a logical successor to the first contract. Taking the year 1963 as the relevant date, one can say that nine years after the first major expansion of its agricultural credit programs throughout the world (1954), the Agency invested a considerable sum ($637,000 for the "credit" study; $1,029,000 for the "capital" formation study) to capture and utilize part of that experience. Subsequent individual reports by AID/W staff on some of the fundamental issues of farm credit have been added in the last few years including Dale W. Adams, "Agricultural Credit in Latin America: External Funding Policy", 1970; Edgar Owens, "Farmer Cooperatives in

Developing Countries", 1971; and Jiryis S. Oweis, "Agricultural Credit Policy in Developing Countries", 1972. All these studies, in addition to the 1952 Berkeley Conference, (which was financed by AID's predecessor TCA and advertised in part as a review of experience to date), an AID sponsored SEADAG Seminar on agricultural credit held in New York in 1967, and a study of agricultural cooperative programs (sponsored by the Latin American Bureau in 1971), amount to a not unimpressive evaluative exercise and one that was set in motion with little delay after the credit programs began.

The second thing to be said is that the field technicians were not obliged, and failed, to ask the full range of questions concerning credit, including the role issue. The Far East Workshops did not address them, and the First Asian Conference (in 1970) does not appear to have concerned itself with some of the deeper implications of the Ohio State terminal report of 1968. Thus there was a lack of communication between the persons involved in primary research and the operational staff. This is not an unusual state of affairs. Most of us in AID are undoubtedly operating now with a lot of unstated assumptions that may already be under investigation in more academic environment and will eventually earn us criticism for our lack of self-analysis. It is a situation the present evaluation system design, by forcing one to reveal his assumptions, is trying to correct. The lack of such a system hurts, and it hurt the AID credit program.

The third thing to be said is that the feedback mechanism has been absolutely inadequate. The best way to demonstrate this would be to quote the conclusions of the SEADAG 1967 Seminar (see the rapporteur's report reproduced in the Development Digest of April 1971, page 55) or the 1968 Ohio State report (see Appendix A). It is too early to predict the "findings" of the Spring Review, but it is a good guess that much of it was anticipated in 1967 and 1968. The Spring Review is able to better document the points, and extend them from the regional bases to which the South East Asia group or the Ohio State research teams were fixed. Some other issues have become clearer. Nevertheless, there is enough in the 1967 and 1968 reports to give cause for pause in the programming process for small farmer development strategies, especially in Latin America.

Many segments of the small farmer development strategies written by AID in the last few years and incorporated in sector loans and other rural development programs would probably not stand up against a detailed scrutiny reflecting the general concerns of Ohio State. The Guatemala sector loan as originally drafted is a case in point. There it is stated that the bottlenecks to small farmer development are first the lack of credit and second the lack of farm advisory assistance. Many other proposals generated in the Agency attach the same importance to credit. The Agency is not alone. The World Bank has identified small farmer credit as one of two priority areas for the future (with land reform). The author as recently as July 1971 was advising an AID Mission in Africa to embrace a "credit first" policy in an integrated regional development program. The credit solution is a popular one and this Review is likely to deflate that image. The point is that the seeds of concern were already planted in earlier reports. They were simply not acted on.

H. Backstopping

One clear deficiency in AID's management of agricultural credit programs is the almost complete absence of technical backstopping for the field programs. One man (F. Leonard Kerr) was recruited from FCA in 1952 to fill a newly established position as "agricultural credit and cooperative adviser" with the O/Food Division, the central agricultural office till the 1961 reorganization which created the present Agency. Kerr was supported by Ralph Battles, the Assistant Chief of the Research Division of FCA from 1941-1961, and by some other members of the O/Food staff (including Dana Reynolds, his boss, and Dennis Fitzgerald, E. Holmgreen and E.D. White, Reynolds' successive bosses and directors of O/Food). Battles replaced Kerr, after Kerr retired in 1960, and stayed on in O/Food till it was abolished in 1961 when AID was organized. Battles then joined the Latin American Bureau as its untitled agricultural credit expert. He left AID in 1965 and was not replaced. Neither Kerr nor Battles had staff to help supervise the credit program. There were no other credit positions in the Agency, and when Battles went to the Latin American Bureau his services continued to be requested by old associates from O/Food who had surfaced again in other Regional Bureaus (Africa Bureau had a part-time credit man for a few years in the early 1960s).

In short, from 1952 to 1965 there was only one full time, resident, credit expert in AID/W backstopping the world-wide credit programs. After 1965, there was none. Battles' in-box was filled with a tower of undigested documents described as a foot deep. Moments available to Kerr and Battles to review the world-wide experience, seek superior solutions, plan a coherent credit strategy that reflected regional diversity and lessons from other fields of development research, never presented themselves.

Battles helped design the 1964 Ohio State research contract, and may have served part-time as contract backstop officer. Since his departure, the turnover of backstop officers for that contract and for its successor (the present Ohio State contract) has been extraordinarily high. Altogether eleven different individuals have played the part during the six year period covered by both contracts. None of them were experienced in the credit field. The lack of continuity, and the consequent losses in proper interpretation and utilization —

-normal functions of an officer backstopping a centrally funded research project - are predictable. The results were simply not applied. The basic problems are not the turnover and discontinuities per se, but the reasons for them, including the limited number of staff positions allowed for agricultural economics in the Technical Assistance Bureau. The comparison with the World Bank is striking. Large numbers of professionals in the IBRD Washington headquarters are considered expert in the field of agricultural credit. "Before the recent reorganization there were 16 officers in the Credit Division of the Agricultural Projects Department - this figure excludes the man who wrote most of the credit sections of the country agricultural sector surveys that have appeared in the last three years - and a number of livestock credit specialists. Admittedly this staffing situation only developed in the late 1960s (when the IBRD agricultural portfolio began to expand rapidly). Admittedly, also, the IBRD system is different than AID's -- IBRD keeps its experts resident in Washington, sending them out on occasional team visits. The AID system is practically the reverse -- everyone of its experts is in the field and no one backstopping in Washington. AID has to sponsor seminars in the field to bring its credit experts together. IBRD experts see each other daily. One cannot conclude from this comparison that the AID system of field assignments is inferior. But the comparison does illustrate the lack in AID of professional headquarters support for field personnel and the absence of a routine mechanism for reflection and feedback. The situation is particularly bad in the credit field. In extension, by comparison, one part of the backstopping problem does not exist since many of the men staffing the Agency's regional agricultural offices in Washington are extension specialists.

It would be a mistake to suggest that the remedy is to recruit a few credit experts into the Technical Assistance Bureau, the Regional Bureaus, or PPC. Where analysis, evaluation and a design for feedback are needed is less within the credit speciality than in the broader field of professional experience which can properly assess the relative role of credit, and the superior form for a credit delivery mechanism, within an integrated rural development strategy. Economists are not the only class which qualifies, and the sector analysis staff of TAB is not the only place to put them. Until such competence is hired or created, however, we cannot have full confidence that TDY credit advisers, sent to Missions to help with a credit plan for small farmer strategies, will provide anything more than the partly idiosyncratic, personalistic advice that has too often characterized AID's agricultural credit programs in the past, has occasionally led nowhere, and is insufficient for a program presently commanding $54,000,000 in AID's owned or shared resources each year.

IV. SMALL FARMER EMPHASIS

The record indicates that a small farmer bias has characterized the majority of A.I.D.'s credit programs since their beginnings: 35 out of 42 country experiences. This includes programs such as in parts of East Asia where the small farmer emphasis is not stated as such but where all farms are small. It includes 16 out of 18 countries in Latin America even if the latter-day cooperative programs are ignored wherever they played a minor role alongside an A.I.D. agricultural program into which they were poorly or not at all integrated (many of the co-op programs were not administered by the USAID agricultural division). This would imply the traditional A.I.D. agricultural programs were themselves concerned about small farmer issues. Although there has been a surge in interest in small farmers in the last few years, the bias has been there since the origin of these programs.

One must take care however in interpreting a "small farmer bias." Most U.S. advisers have opposed providing credit to groups they classified as marginal, or welfare cases. The distinction is important in Latin America, where there is more heterogeneity in tenure and size of holdings than, for example, in East Asia. The supervised credit programs were not designed for the really poor. It is only with the appearance of CUNA rural credit-union technicians in the mid-1960's that one begins to sense a concern for providing advantages to even the poorest. The historic bias is not so much in favor of <u>small farmers</u> per se, as it is for <u>viable small farmers</u>. By this attitude the experience of the last twenty years reflects the advice of many of the speakers at the 1952 Berkely conference. There too the emphasis was on the larger smaller farmers.

V. SUMMARY AND CONCLUSIONS

During the last twenty years A.I.D. and predecessor agencies have used $290 million dollars, $415 million equivalent of local currencies (including counterpart) and 870 technical man years for farm credit programs. The annual flow since A.I.D. was created in 1961 has been approximately $54 million and 55 man years per year. The great majority of the programs have been directed at small farmers, or at least at "viable" small farmers. Latin America has absorbed much more U.S. assistance than have the other regions. East Asia ranks second, far behind Latin America but with a much higher ratio of technicians to dollars.

This report does not try to evaluate the results, but it is pointed out that the figures refer to all farm credit, and that the overall impact on rural institutional infrastructure and welfare is probably more impressive than the impact on the primary target group - the small farmer. The U.S. technicians have tried with perhaps too much enthusiasm to apply two U.S. institutional models--supervised credit and cooperative credit. But the "transplant" problem is probably less significant than some critics claim. A more serious problem was the absence of any reexamination of the fundamental assumption underlying the small farmer programs--that government-supported institutional credit channelled thru conventional mechanisms was necessary and sufficient to small farmer progress--in spite of rapidly accumulating evidence that many of the programs were not working. When, starting in the mid-1960's, some evaluation studies began to throw doubts on the efficacy of the credit approach, and even of integrated package programs based on credit, the study results were not properly interpreted and fed back into the programming process. The credit technicians in the field, and the programmers in both the field and Washington, were given no professional backstopping. Consequently small farmer sector strategies are being designed currently without the advantage of insights already available.

The most significant conclusion of the report is that there has been and continues to be too little professional attention given to credit issues (beyond organizational and methods matters) to match the relatively high rate at which A.I.D. resources are pushed into credit programs. This makes for both good and bad news: the A.I.D. programs have helped create a potentially useful institutional base, but the institutions have thus far not done the job earlier assigned to them in the attack on rural poverty. It is not enough however simply to transfer some credit technicians to Washington, since the need is to properly identify the role of credit, and the relative advantages of contending institutional and policy models, in the overall small farmer solution.

We must not leave the impression, however, that the remedies are easily found and easily applied, or that the field technicians who helped get these programs going were altogether unaware of the problems they were avoiding and the others they were creating. It is essential to bear in mind that these men were working under conditions which rarely permitted perfect solution: natural catastrophies and political emergencies more often than not determined the course of action. Also, even though they understand that the credit strategy was not wholly satisfactory, they were not shown any alternative that was clearly better and none was then available.

APPENDIX A

Selected Quotes from the Terminal Report on Agricultural Credit Research Project for an Analysis of Programs for the Development and Improvement of Agricultural Credit Institutions and Services (Columbus: Ohio State University, May 1968)

1) "Results of the research made it apparent that credit is only one of an intricate complex of factors necessary to the acceleration of agricultural productivity. Such acceleration demands much more than the provision of a loanable fund to a lending institution and subsequent disbursement of loans to farmers. The (growth) benefit/cost efficiency of such programs is typically extremely low, even in situations where the institutional facilities, the farm sector and infrastructural conditions are comparatively favorable.

A general conclusion of the research is that no credit institution nor any of its problems is ever completely isolated or unique. Rather, it is a part of the total country, and its problems reflect that country's problems. Any weakness in the total structure will restrict the institution's effectiveness and accent the country's problem." (Page 3)

2) "Institutional agricultural credit programs have not been notably successful, either in accomplishing developmental objectives or in meeting the minimum criteria of institutional viability. This research concludes that the major reasons for the lack of success are not primarily in the structure, management or operation of the institutions as such.

This is not to say that structural weaknesses, personnel inadequacies, operating inefficiencies and related malfunctions in performance do not exist. They obviously do exist and various of them were identified, measured and reported over the course of the research project. In the main, however, managerial and operational deficiencies are comparatively minor. Structures and tables of organization are typically top-heavy but not grossly unreasonable. Personnel are often imperfect but are far from incompetent and sometimes are outstanding. Operating procedures, while apparently inefficient at casual observation, are less obviously so when carefully examined in the context of their setting.

Corrections and improvements in these areas can and ideally should be made. Predictably, however, the pay off to such efforts will be far less than dramatic in terms of either development or institutional viability objectives. Replacement of the managerial group, promotion or reorganization of the institution, development of a new set of procedures for local branch operations--complete with revised credit forms;

even the establishment of training programs for branch managers, staff and loan inspectors does not attack the real root of the problem.

A basic related point, repeatedly confirmed by the research, is that the capacity of an agricultural credit institution to serve as an instrument of development is functionally limited. In performing its credit function it can make, supervise and collect agricultural loans. Its capability to perform this function to the attainment of developmental objectives while meeting the minimum "profit and loss" criteria for institutional viability is severely restricted by the limitations of the environment within which it and its borrowers exist.

The conclusion here is that the apparent deficiencies of credit institutions in the performance of their assigned responsibilities and attainment of goals are, in major part, the mirror images of environmental deficiencies and <u>assignment to the institution of excessive responsibilities and functionally unattainable goals.</u> (Pages 4 and 5)

3) "A major problem in formulating credit policy consistent with feasibility limits arises from the fact that the existence of a market, a price and an input supply are far less than sufficient to guarantee profitable operation and credit repayment capacity. Further, that the additional factors necessary for repayment capacity, hence credit feasibility, vary widely, are often difficult to quantify and therefore do not lend themselves to classification and the specification of generalized feasibility standards.

For example, the research confirmed that some minimum size of operation (quantity of productive assets) is required. Similarly, some minimum level of technical quality of assets is required, as is some minimum of human technical and managerial competence.

Various of these minimum levels were quantified for specific, local situations. It is an entirely different matter to specify what the minimum levels are in terms that are applicable to the range of widely varying conditions in which the credit institution must operate. Many criteria were tested (acreage for size of operation; years of education for human competence) and found to be unreliable. The investigations leave little room for doubt, however, that the feasible range within which agricultural credit can be productively employed, paid for and repaid is narrower than commonly assumed.

In summary, relative to policy formulation, it is recommended that:

1. Sufficient analysis be conducted to provide realistic estimates of (a) credit feasibility limits and (b) the costs of and returns to credit services within the credit feasibility range.

2. If the decision is made that the credit program will operate outside the feasible range, that provision be made to identify and finance it as a social investment program." (Page 7)

4) "Despite these limitations the high cost-benefit ratio (1.20) raises serious questions regarding the effectiveness of the development bank as an instrument for fostering agricultural development in a traditional environment.

If the conclusion is valid that the provision of capital through this development bank did not result in net agricultural growth, either or both of two inferences may be drawn. Either (1) net investment in agriculture was not productive or (2) net investment was (potentially) productive, but did not take place.

Other work by the Ecuador research team confirms that some investments were, in fact, unproductive and suggests the desirability of more selective lending, perhaps through closer integration of development bank credit activities with programs produced by national development planning groups. In other cases, however, actual additions of capital to agriculture were productive. Relating this to the performance of the development bank reinforces the suspicion that leakages and displacement of capital occurred; that the actual increase in agricultural investment was smaller than the amount disbursed in loans.

It would be surprising if displacement did not occur through substitution of low cost development bank loans for borrower equity or for former borrowings from sources lending at higher market rates. Such substitution, along with both direct and indirect diversion of loan proceeds, is difficult and costly to control, even with strict supervision and policing of loans. Either leakages or high control costs appear to be necessary costs of the maintenance of differential interest rates for agricultural development loans." (Pages 8 and 9)

5) "Study of non-institutional lenders of agricultural credit in Ecuador indicates that this is an excessively maligned group which has a legitimate place in the system: particularly in servicing the small, high-risk, operating credit needs of farmers in the lower strata of the "feasible credit" range. Their interest charges--as variously expressed and levied--are by conventional standards high, but generally consistent with risks and costs attendant to the extension of credit at their level of operation. It is suggested that, at this level, they may well be better equipped than institutional lenders to service credit needs of farmers."(Page 10)

6) "At the termination of the project, these researchers are left with a profound respect for the magnitude and complexity of the problem of effectively utilizing agricultural credit as a development tool. They are left with a comparable respect, on balance, for the performance in dealing with these problems of the hundreds--perhaps thousands-- of people with whom they have worked and come in contact.

They are left, too, with certain subjective concerns relative to assistance programs in agricultural credit to which specific reference has not previously been made. They are concerned that what might be described as a body of agricultural credit mythology has somehow been established. That its powers and relevance are exaggerated. That "supervised credit" is too readily and too generally propounded. That the absolutely low interest rate, "because poor farmers cannot pay more", has virtually become dogma. That despite admonitions to the contrary direct transplantation of domestic programs and standards still occurs. That credit policy decisions are too frequently made under pressures which preclude objective appraisal of their feasibility. These concerns have been implicit in the content and thrust of this terminal report." (Pages 10 - 11)

APPENDIX B

COUNTRY SUMMARIES

LATIN AMERICA

Note

The material inside is as accurate as a poor set of historical records allow. The major sources were project E-ls, staffing patterns, miscellaneous reports, end-of-tour reports, interviews, and, for the last few years, PARs. Technicians are shown in a fiscal year if they were in residence 5 months of the year. All monetary figures are in dollars. The local currency data is usually shakey and there is the definitional problem surrounding the inclusion of government owned currencies, generated by AID import programs, over whose assignments AID has some control. These assignments are included in the tables: sometimes they are shown separately, more often they are lumped in the general local currency column.

MEXICO

by
Herman L. Myers
LA/DP

Technical cooperation began in Mexico in 1946 with the Inter-American Agricultural Institute. Starting in 1952, AID's predecessor agencies gradually extended fields of assistance to education, health, industry, labor, and geology. The program averaged about one million dollars per year, tapering off to a steady $700,000 in the last several years.

In 1962, with the change in AID programming, technical assistance projects were phased out in favor of large, impact-type, loans in agriculture, housing, and education. Recognizing that the impact of traditional technical assistance projects was long term and not specifically aimed at benefits to lower income groups, and, given the influence of the then recent Castro coup in Cuba, the emphasis of programming in Mexico shifted to projects directed at affecting income of small farmers and workers. Ambassador Mann, then recently arrived, gave strong leadership to this shift and was instrumental in generating interest in this new approach among the higher levels of the Government of Mexico. An analysis by AID using Bank of Mexico data, had pinpointed the low income and high unemployment situation in Mexican agriculture and had recommended agricultural credit as the specific type of program to most quickly affect productivity and income of the small farmer, excluding the subsistence-indigenous farmers in the Sierras. Special programs for these farmers, together with the extensive irrigation projects already funded by the Government, were supplementary to the proposed sector program.

After discussions on the various alternative designs of the project, it was mutually agreed to supplement the resources of the Guarantee and Development Fund for Agriculture, Livestock and Poultry, a trust fund - "FONDO"- in the Bank of Mexico. The FONDO, established in 1954, acts as a rediscount agency for agricultural loans of private and, more recently, public lending institutions. These discussions were between the Ministry of Agriculture, Central Bank, AID and The Embassy.

Request for the program by the GOM was based on a requirement of $60 million, in three equal tranches, to assist small farmers to obtain investment credits. The GOM agreed to provide matching credit for current expenses of fertilizer, seeds, and other annual expenses. The U.S. credits were to be additional to loans and assistance provided to small farmers from the two existing government agriculture banks. In 1962 and later in 1965, $20 million tranches were negotiated between the GOM and the U.S., with the IDB and the IBRD supplying the remaining requirements for small farmer credits. Thus, AID loans acted as a pilot operation, the success of which permitted the GOM to apply for similar credits from the multilateral credit agencies.

Major innovations of the program included: (1) emphasis on productivity which made credit available for wells, farm structures, land leveling, herds, machinery, and other capital investments; (2) limiting loans to $16,000 to full-time, low-income low-asset, farmers; (3) encourage private banks to utilize their loan funds initially as partial credits and to gradually provide loans on commercial terms to small farmers; (4) limiting the rate of interest charged to farmers to 6% by means of a two-step loan; and (5) prohibiting the use of the credit for the production of coffee, tobacco, or cotton, which were considered to be in world surplus.

The program did not immediately catch on. The private banks did not have large amounts of liquid funds and had profitable historical alternatives in loans to commercial and industrial enterprises; land could not, in most cases, be used as security on loans; private banks had no experience with small farmers and employed few, if any, technical experts capable of appraising applications; the GOM extension services employed less than 200 technicians, many of which concentrated on large-scale commercial agriculture causing the FONDO to increase its technical staff from 60 in 1962 to 184 in 1966; and the FONDO needed time to build staff, organization, and policy. Thus, it took about 18 months for the program to gain momentum. By the second year after the funds became available, the monthly rate of loans to farmers reached over $1 million, and by the end of the program, the monthly rate was $2 million.

In addition to technical assistance from the highest levels within the Bank of Mexico to assure constant evaluation and redesign, AID provided technical assistance from its full-time advisor, a part-time loan technician for almost a year, and a record-keeping specialists during the first year of the program. The part-time technician may actually have set the program back because of his discussions with private bankers on the benefits which might accrue to the program if guarantees were to be given to the banks by the States or Federal Governments. Providing such guarantees would have erased any necessity on the part of the private banks to distinguish between good and bad risks among the farmers, would have meant the rate of return to private banks was entirely too generous, and would eventually have led to eliminating private banks as a conduit to the farmers. It took a great deal of effort on the part of the FONDO and government officials to return to a meaningful discussion with the private banks devoid of guarantee.

MEXICO

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62	1				20,000		
63	1	1					
64	1	1					
1965	1				20,000		
66	1						
67							
68							
69							
1970							
71							
72							

GUATEMALA

by
E. B. Rice
PPC/PDA

AID agricultural programs began in Guatemala in the early 1950's. The first assistance in agricultural credit began in 1955 as part of a special colonization program that was staffed through a U. S. contract with International Development Services (IDS), located on the South Coast, and not under the administration of the bilateral agricultural servicio SCIDA. The major IDS project, named Rural Development (Project #005), included contract finance for up to 6 U. S. credit technicians annually during the period 1956-1963. The peak years were 1958-60 when the overall IDS rural development team numbered 19. A subsidiary IDS project, Supervised Agricultural Credit (Project #073), provided seed capital for a revolving loan fund, vehicles and other commodities, and budget support for the Guatemalan supervised credit staff. Until 1962 the U. S. credit technicians were attached to the National Agrarian Bank (NAB), in a special, new supervised credit unit. Around thirty credit agencies were established, most of them in the settlement zones. The sixty-odd Guatemalan credit agents concentrated on medium term production and housing credit for the small and middle sized farmer/settlers. The majority of the IDS credit technicians were stationed in the field. Of the $1,640,000 and local currency AID grants made to the supervised credit program, half ($800,000) went into the loan fund. Government contributions to the loan fund were supposed to be much larger.

Delays in government contributions (which caused delays in U. S. disbursements), and an apparent unwillingness on the part of NAB to adjust its policies and operating norms to accommodate low interest, longer term loans for poor farmers who needed supervision, led AID and the IDS staff to start planning for a transfer of the supervised credit function to the Ministry of Agriculture. In 1960 the staff and the portfolio were reorganized under a new bilateral servicio, SCICAS, reporting to the Ministry. Subsequent injections of U. S. capital were proposed, but the IDS contract was phasing out anyway and when SCICAS eventually secured $2,500,000 of new funds in 1963 they came not from AID but the Inter-American Development Bank (BID). A U. S. direct hire agricultural credit technician (Paul A. Holden) arrived in November 1962, to serve as advisor to SCICAS (replacing the IDA staff) and remained in that capacity for five years, till June 1967. In effect, however, the dominant donor and audit presence in the supervised credit operation moved from AID to BID.

Quite apart from the principal supervised credit project, AID provided in 1959 a $5,000,000 loan for credit to rubber farmers. This loan was an outgrowth of a rubber research and development project that had begun on the South Coast in 1942. A number of U. S. direct hire horticulturists were associated with the rubber project between 1942 and 1965, when it was terminated. During the major period of loan disbursements, 1961-1965, the equivalent of one man year per year can be attributed to promotional and extension activities connected to the use of the rubber loan fund. A few small farmers received loans, but the vast majority of the dollars financed large farm enterprise.

AID began in the middle 1960's to concentrate on the development of agricultural cooperatives. The coops sponsored by the Mission were usually invested with credit functions, and derived some of their seed capital for revolving coop-credit funds from SCICAS. Holden was active in the promotion of coops. Also, starting in 1964, there has been an almost continuous presence in the Mission of cooperative advisors, usually under contract, usually involved among other things with the promotion of cooperative credit. Two separate cooperative programs have evolved. One, with CUNA assistance, stimulated the growth of credit unions. FENACOAC, the National Federation of Savings and Credit Cooperatives, was formed in 1964. From that date until the end of 1969 CUNA was contracted to both advise and manage the Federation. The second USAID grant project began in October 1970 with the arrival of two agricultural cooperative technicians under contract with ACDI. FENCOAR, the Federation of Agricultural Cooperatives, was formed in October 1972 by the three AID assisted multi-purpose regional cooperatives operational at that time. Affiliated coops of both Federations have been particularly successful in extending credit to member farmers in the western highlands--the traditional Indian small-holder area of the country. The coops have been assigned $2,000,000 of the $23,000,000 FY 1970 agricultural sector loan. A second loan of $4,000,000 to be assigned entirely to the two Federations is presently under discussion. It testifies to the increased importance the Mission attaches to coops as a vehicle for reaching large numbers of small farmers.

The $23,000,000 sector loan (loan #018) is the primary component of the Mission's rural development program. The loan supports the creation of two semi autonomous government units--DIGESA (extension/promotion) and BANDESA (farm credit--the successor to SCICAS)--which together are to provide an extension/credit program for small and medium farmers throughout the country. Much of the loan is being used to finance the purchase of fertilizer and other agricultural imports, which are relent to farmers by BANDESA under the supervision of newly trained DIGESA field agents (except for funds assigned to the coops). Of the $23,000,000 some $16,000,000 is attributed to credit or credit related promotional programs.

GUATEMALA

SUMMARY OF A.I.D. INPUTS

(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56		2	570				
57		4	570				
58		6	230	770			
59		6			5,000		
1960		[illegible]					
61		5					
62	1	4					
63	2	2					
64	2						
1965	2	1					
66	1	1					
67	1						
68							
69							
1970					16,000		
71		3					
72		3					

EL SALVADOR

by
Martha Horsley and Max Williams
PPC/PDA LA/DP

The history of institutional agricultural credit in El Salvador dates back to 1860; however, until thirty years ago the principal recipients of credit were large farmers. In 1943, the Federacion de Cajas de Credito Rural (Farmers Loan Banks) was organized to promote agricultural credit for small and medium-size farmers; and, in 1961, an autonomous agency of the Ministry of Agriculture -- the Administracion de Bienestar Campesino (ABC) -- was created to make and supervise loans to small farmers. AID and its predecessors have assisted the development of both of these institutions, primarily the latter, and have also given some support to the cooperative and credit union movements. The World Bank and the Inter-American Development Bank (IDB) have also provided external financing.

During most of the 1950s, an AID agricultural economist assigned to SCASA, the bilateral agricultural servicio, served as a part-time advisor to the Cajas de Credito (E. William Ranck, June 1951 - September 1958). In late 1960, SCASA was phased out, and the next year the new ABC supervised credit program was initiated. This program was capitalized with $653,000 of AID PL 480 Title IV funds and a $2.0 million loan from the IDB. In FY 1962, a direct-hire agricultural credit advisor came on board, and he and his successor (Ernest J. Sanchez, July 1961 - September 1966; Joe C. Gurule, August 1966 - June 1972) worked in a liaison position as credit advisors with the ABC until 1972 (see Cooperatives and Agricultural Credit Project No. 086). Sanchez for his last two years and Gurule for all of his years were members of the USDA PASA team. Another team member, designated as agrarian reform advisor, also worked on the ABC programs (James Schwinder, October 1963 - July 1967). In FY 1964, AID made a loan (No. 004) of $8.9 million to the Central Bank of El Salvador for agricultural credit. About $5.3 million was allocated to the ABC for supervised credit; the ABC had plans to expand its staff of field technicians of 120 and to service up to 12,000 small farmers and agricultural cooperatives by FY 1966. Another $1.64 million was allocated to the irrigation and soil conservation program (META) of the Ministry of Agriculture (MOA); of this amount, $75,000 was used to purchase U.S. earth-moving equipment and the remaining was relent through commercial banks and the ABC to small and medium farmers for the construction of irrigation, drainage, and soil conservation work. Finally, $1.9 million was relent to dairy and beef cattle producers for the improvement of their herds and related activities (MOA/MEGA program). The remaining funds in the loan were used for contracting technical assistance, including an AID livestock man in FY 1965-66. By mid-1966, the $8.9 million loan was virtually all disbursed; however, serious problems had arisen in regard to the ABC loans delinquency rate which was about 50 percent overall and considerably higher for sub-loans to cooperatives. No subsequent loans to ABC have yet been made.

Starting in FY 1964, the Regional Office for Central America and Panama (ROCAP), located in Guatemala, brought in CUNA International to assist the development of credit unions, the majority of which are in non-rural settings. AID financed a U.S. credit union specialist in El Salvador for a number of years, and in FY 1971, the mission gave a $2.0 million development loan (see Credit Union Development project 153, Loan #016) to FEDECASES, the local Federation of Credit Unions. These inputs have not been included in table 1 because of the low rural content of the programs.

The agricultural credit system in El Salvador has been studied by numerous AID consultants over the years. In FY 1966, two short-term USDA specialists assisted in reorganizing the ABC finance office and internal audit section. In 1966, another USDA consultant (Ralph Pope) was brought in to advise on management aspects of the supervised credit program, and later that year, a team of four from AID/W (Frank Kimball, Arthur Coutu, Samuel Hassman, and William Owens) went to El Salvador, Mexico and Colombia to evaluate the AID-financed agricultural credit loans in those countries. In early 1969, consultants on the Robert R. Nathan agricultural sector analysis study team considered agricultural credit as well as other aspects of the sector. Later that year, J.S. Reagan of the U.S. Farmer's Home Administration (FHA) conducted a review of the ABC Finance Office operations; and credit consultant, Denny Sullivan, also of FHA, wrote a report on his TDY assignment with the AID mission during Gurule's home leave. In early 1972, Kenneth Krause of the USDA/ERS wrote a report on the structure of financial institutions serving agriculture in El Salvador to assist another AID agricultural sector review and FHA Administrator James V. Smith made a short visit to the country. Finally, in October 1972, Dale Adams of Ohio State University completed a review of El Salvador's agricultural credit system with suggestions for future AID assistance to small farmers. Six other short term credit advisors not identified here visited El Salvador between 1970 and 1972. The Mission is currently considering proposals for further capital assistance to ABC or a successor institution.

The AID program in El Salvador has benefited both small and large farmers but with more assistance going in support of the small farmers. Up until recently, the ABC concentrated its efforts on small farmers and provided intensive supervision; thus, the initial roll-overs of the $5.3 million AID funds were directed exclusively at small farmers. Now, however, the ABC is authorized by the General Assembly to make large loans in order to use the profits to cover supervised small loans; also, loans under $120 are no longer permitted. The AID funds in support of the META program have reached small and medium farmers and those in support of the MEGA program have gone to medium and large farmers. Although initially it was the large farmers who profited from the cooperative movement, FEDECASES has tried to encourage participation by the small holder; and the small holder is the target beneficiary of the AID-funded agricultural credit.

EL SALVADOR

SUMMARY OF A.I.D. INPUTS

(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61	1						
62	1			650			
63	1						
64	2				8,900		
1965	2						
66	2						
67	2						
68	1						
69	1						
1970	1						
71	1						
72	1						

HONDURAS

by
E. B. Rice
PPC/PDA

The USAID Mission and its agricultural programs began together in 1951. The emphasis in agriculture throughout the first decade and a half was on research, extension and livestock services - in fact the first U. S. credit technician to be assigned to the major agricultural banking institution, the Banco Nacional de Fomento (BNF), arrived in Honduras in 1968. Two types of USAID credit programs began to develop in the mid-1960's, one involving BNF's credit activities for small farmers, the other involving credit unions and coops, also directed at small farmers. Both programs, previously coordinated by different divisions of USAID, are now partially financed by a $9,500,000 agricultural loan signed in April 1969. In 1971 USAID project management for the two activities was merged and assigned to the Rural Development Division.

Visiting U. S. teams had reported on BNF operations in 1956 (U. S. Federal Reserve) and 1960 (Stanford Research Institute). The first U. S. team to study exclusively the agricultural activities of BNF (International Development Services, Inc.) visited Honduras between November 1964 and June 1965, when its report, "An Agricultural Credit Program for Honduras" was released. USAID financed the IDS study, but assumed then that primary technical and capital assistance to BNF would continue to come from the Inter-American Development Bank. (The latter had made a $2,500,000 loan for small farmer production credit to BNF in 1962 (Social Progress Trust Fund)).

In 1967 discussions began that involved direct AID support, and a $9,500,000 loan was authorized in June 1968 (loan #018). The loan was signed in April 1969. Of the total, $4,500,000 was assigned to food grain and livestock production credit for small and medium farmers, $3,000,000 was assigned to BNF's central grain storage construction project, $1,500,000 was assigned to agricultural coops for grain production credit and storage facilities, and $500,000 was assigned to agro-industrial credit. USAID has had a substantial influence on BNF procedures and agricultural activities in the last few years, encouraging the reorientation toward smaller farmers, basic food crops, and price stabilization of basic grains. A U. S. supervised credit advisor under a USAID contract with Agricultural Cooperative Development International (ACDI) has been attached to BNF since 1970. (Reinaldo W. Santos).

USAID has provided annual budget support and fairly continuous advisory aid to two cooperative federations (FACACH - a savings and loan federation and FECOAGROH - an agricultural cooperative federation). Few AID Americans were involved - the jobs were handled mainly by Honduran staff, financed by the USAID with technical assistance provided by the ACDI and a fairly large contingent of Peace Corps Volunteers. The $1,500,000 loan component assigned to agricultural coops will be largely managed by FECOAGROH, aided by ACDI professional guidance.

HONDURAS

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63							
64							
1965							
66							
67		1					
68		2	70		6,000		
69		2	110				
1970		2	110				
71		2	90				
72		1	120				

NICARAGUA

by

Martha Horsley and Max Williams
PPC/PDA LA/DP

AID assistance to agricultural development in Nicaragua began in the early 1940s under OFAR auspices culminating in 1950 with the establishment of an agricultural servicio, an organization which was jointly financed with the Government of Nicaragua (GON) and which attempted to build up a local cadre of technicians for agricultural extension, education and research activities. The servicio was terminated in June 1958, and from that time until the mid-1960s AID assistance to agriculture was minimal. From the mid-1960s until the present AID has given approximately 10 man-years in technical assistance and $10 million in capital assistance for agricultural credit. The major part of this credit has gone to low and middle income farmers.

Three government agencies in Nicaragua have provided agricultural credit at one time or another. The most important of these is the National Bank of Nicaragua (BNN) which started a Rural Credit Program in 1959. Next in importance would be the National Development Institute (INFONAC), a government sponsored agency founded in 1954 which finances various development ventures including agricultural production. The third is the Institute of Agrarian Reform (IAN) which was created in late 1963 to deal primarily with land titling and colonization programs; it also ran an AID financed supervised credit program for a short period of time. Nicaragua has received funds for agricultural credit from several international institutions other than AID. Such funds include $8.0 million to BNN and INFONAC from the U.S. Export-Import Bank for livestock in 1959, $1.5 million to the BNN from the IBRD for livestock in 1956, a total of $7.6 million to the BNN from the Inter-American Development Bank (IDB) for the Rural Credit Program in 1963 and 1966, $9.1 million to the BNN from IDB for livestock in 1965, and $2.33 million to INFONAC from IDB in 1964 for irrigation, livestock development and other agricultural projects. The IDB is considering on additional loan of $3.2 million to the BNN for the Rural Credit Program for 1973. Central Bank regulations require that credit for cotton production and cattle fattening be secured from abroad through commercial channels.

In 1964, an AID financed Rural Development Survey Report recommended the expansion of credit facilities to low-income farmers, and in November of that year a USDA/PASA agricultural credit advisor (Ray Deschamps; November '64 - August '65) joined the mission and drew up a "Proposed Supervised Credit Program for Nicaragua" which recommended establishing a supervised credit program in IAN. In FY 66, AID gave a $2.0 million loan (No. 015), which included some funds for technical assistance, to IAN to set up such a program to extend credit to an estimated 30,000 farmers not reached by the BNN Rural Credit Program. In 1968, direct administration of the supervised credit program was transferred to the BNN and $1.0 million of the loan was deobligated. In FY 69, AID made a loan (No. 022) of $9.4 million to the BNN for Basic Crops Production. The loan was to be disbursed in tranches subject to satisfactory GON performance on tax collections and was to provide foreign exchange for the importation of agro-chemicals: fertilizers and pesticides. An advisor (Eddy F. Zink, February '69 - January '73) has been working with the BNN in meeting AID requirements for loan disbursements, in preparation of procurement documents, and in record maintenance and reporting services related to the loan. Implementation of the loan, however, has been slow (only 55 percent has been disbursed to date) for two reasons -- an overestimate of demand for agro-chemicals in the original loan proposal and AID restrictions on release of funds which the BNN has no control over. In addition to these two factors, disaster conditions -- caused by a severe drought in 1972 and the recent earthquake -- even further complicate the implementation problem. In October 1972, two AID technicians (Robin Gomez from AID/W and Phil Church from the AID Regional Office for Central American Programs) went to Managua to study the problem and recommended that new conditions precedent related to production credit levels and marketing facilities for basic crops (corn, rice, sorghum, and beans) be formulated. In FY 72, AID and the GON began to prepare for an agricultural sector study which would take place with the assistance of a U.S. contract team in FY 73. This study would, among other things, explore the need for small farmer credit and recommend approaches to delivery.

During the period FY 63-70, AID gave some grant assistance to the development of cooperatives and credit unions under the project Community Action and Cooperative Development (No 056). The development of sound cooperatives to handle agricultural marketing and supply and rural credit unions were objectives of this project, but it is difficult to estimate how much of a total grant assistance of $337,000 was actually spent for these purposes rather than for the promotion of cooperative housing and rural electric cooperatives which are also project concerns. A cumulative estimate of $100,000 in local currency support, plus the provision of one U.S. advisor under CUNA contract for credit union development, is shown in the attached table. In 1968, a cooperative department was established in the BNN and since that time AID has financed the services of a cooperative advisor (Alvarez, FY 69 - 70; Luis Polanco, Feb. 71 - Dec. 72). This advisor was originally financed under project 056 but was switched to a new project, Institutional Cooperative Development (092) in FY 71. According to a paper on the Rural Credit Program (p. 49) written by Carlos Rene Raminez in September 1972, AID also financed the cost of four cooperative promoters in 1971 and three in 1972. These latter technicians we assumed to be locally recruited and are therefore not included in the attached table. In any case, the Mission is planning to phase out the credit union program over the next few years.

NICARAGUA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63							
64							
1965	1						
66					1,000		
67				100			
68		1					
69		2			9,400		
1970		2					
71		2					
72		2					

COSTA RICA
by

Martha Horsley and Max Williams
PPC/PDA LA/DP

The United States began technical assistance in agriculture to Costa Rica during World War II. This aid was formalized in 1948 through the Interamerican Technical Service for Agriculture (STICA), which was jointly financed with U.S. and GOCR contributions, and was expanded in the mid-1950s. A total of $22.25 million in loans for directed agricultural credit was extended during the period FY 61 - FY 71 and all of these funds were used for small and small-to-medium size farms. External financing for medium and large farmers has been obtained from the Inter-American Development Bank and the World Bank.

In 1961, the AID Mission launched a program designed to expand agricultural credit availabilities for small farmers; it provided a development loan (No. 003) in the amount of $5 million and two credit technicians to the National Bank of Costa Rica (NBCR). The NBCR is the largest of four government-owned commercial banks which, with the Central Bank, form the closely regulated National Banking System of Costa Rica. The two credit technicians, recruited through International Development Services, Inc., were assigned to the Department of Rural Credit which was set up within NBCR in 1961 to administer (through some 49 Rural Credit Branches) a broad program of directed credit. Training of Costa Ricans to staff the Department and the branch offices was an important component of the project. In FY 62, AID terminated support of the technicians but it was anticipated that the Inter-American Bank/Social Progress Trust Fund, which assumed responsibility for technical assistance in land reform and supervised credit at the Bogota Conference on Agricultural Credit, would continue their services. The development loan was conceived of as the first of three tranches totaling $15 million. In FY 63, AID extended another agricultural credit loan for $5 million (No. 005) as planned; and in FY 67, a third loan (No. 017) was made. These two loans were also made to the NBCR. Each tranche reached about 15,000 new applicants, and one of the conditions of the second and third loans was the employment at bank expense of two American credit specialists (Charles Swet and George Bowman, FY 63-65) who could assist in the organization and administration of an expanded supervised program. In FY 68, a direct-hire, agricultural credit advisor (Paul Holden, FY 68-71) was brought in to work with the NBCR on the third agricultural credit loan and on the development of a reporting system and farm planning program.

In 1969, AID contracted with the Associated Colleges of the Mid-West to carry out credit and marketing studies as part of a major U.S./Costa Rica joint effort at analyzing the agricultural sector. In FY 71, an Agricultural Sector Loan amounting to $16.4 million was authorized for Costa Rica. Of this amount, $7.25 million was programmed for small farmer credit as follows:

a) \$3.5 million for an Agricultural Credit Fund which is relent through the four commercial banks of the National Banking System to small farmers. Funds cannot be used to support coffee, cotton, cane, beef and bananas which are considered to be low-risk commodities.

b) \$750,000 for an Incentive Guaranty Fund to be established in the NBCR. This fund is intended to make it possible for small farmers, who for one reason or another have not used bank credit or modern production techniques, to join with other farmers in a group which will receive credit from the banking system and technical assistance from the Ministry of Agriculture to produce and market a specific commodity. These small farmers will not have to repay the credits granted if the value of his harvest, as a result of having applied the modern technology, does not exceed the value of his previous harvest using traditional methods. The banks are protected against loss by recourse to the Incentive Guaranty Fund.

c) \$3.0 million for a cooperative credit fund. (In addition, four Chilean credit technicians recruited by CLUSA have been assigned to the Cooperative Department of the NBCR and are being financed under the loan: Lufti Giadach, Leon Ramirez, Sergio Tupper, and Luis Monchaca.)

The \$3.5 million allocated to the Agricultural Credit Fund was quickly drawn down--much of it for milk production, rice, and corn; and at present the Mission is considering another loan for \$3.5 million in FY 73.

Beginning in 1964, the Regional office for the Central American Program (ROCAP) initiated a regional project for rural credit union development, drawing on CUNA International for technical assistance. In FY 66, the AID Mission in Costa Rica began to absorb some of the local costs of the project and, in particular, the cost of the resident U.S. credit union advisor (? FY 65-66; Frailey FY 67-69) and several local employees. In 1969, most of the U.S. technicians' activities were localized with some residual activities being performed by Holden.

As mentioned above, all of the AID agricultural credit funds have been used to finance small or small-to-medium farmers. The maximum net annual income for a loan applicant under the agricultural sector loan credit fund, for example, is \$3,750. Under this same loan, the four Costa Rican Commercial banks accepted an obligation to increase their own-financed small farm credit by 5 percent a year in order to prevent substitution of AID loan finds for domestic funds in the small farmer program.

COSTA RICA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61		2			5,000		
62							
63		2			5,000		
64		3					
1965		3					
66		1					
67		1			5,000		
68	1	1					
69	1	1					
1970	1						
71	1				7,250		
72							

BEST AVAILABLE COPY

PANAMA

by
Martha Horsley and Max Williams
PPC/PDA LA/DP

United States agricultural assistance to Panama began as early as 1940 in rubber development. During World War II, assistance was extended to include a broader program; but with the close of the war this program was discontinued. In 1952, the U.S. helped establish the Inter-American Service for Agricultural Cooperation (SICAP) in Panama, a joint administrative organization through which a major portion of U.S. technical assistance in agricultural extension, research, and education was channeled. Since that time, the AID mission has supported a number of programs in agricultural development, but performance in both crop production (with the exception of rice which has received strong price supports) and livestock production has been poor. Several AID loan have included funds for agricultural credit, and technical assistance to promote credit activities has been offered to the cooperative and credit union movements.

Agricultural credit in Panama is distributed through the Instituto de Fomento Economico (IFE), the National Bank, and private commercial banks. IFE, which was established in 1953, is an autonomous body governed by seven members -- with the Minister of Agriculture acting as chairman -- and charged with planning, financing, and distributing agricultural credit to small and medium farmers. Despite its terms of reference, IFE has operated largely as a commercial institution until quite recently when a higher percentage of its credit has been directed to small farmers. Most of the external financing of agricultural credit has been provided by the Inter-American Development Bank (IDB) which, in the early and mid-1960s, extended two agricultural credit loans to IFE for a total of $5.4 million and one agricultural credit loan for $3.5 million to the National Bank. In 1969 and 1972, additional funds totaling $7.7 million were made available to IFE by the IDB for farm and livestock improvement for small and medium-scale producers. The IBRD is planning to provide $4.5 million in external financing for livestock credit to the National Bank in 1973.

The arrival of a U.S. agricultural credit advisor (Purdy, Sept. '53 - March '58) in 1953 to work with the newly established IFE marked the beginning of AID interest in reaching the small farmer in Panama. No loan funds for agricultural credit, however, were provided until FY 65 when $965,000 of a $2.4 million Agricultural Development Loan No. 010 was made available to the Ministry of Agriculture and IFE to set up a revolving fund for livestock development -- breeding, stock water, and pasture improvement -- for producers operating small, family-type farms in six priority regions: Alanje, Tonosi, Santa Rita, Sardinilla, Montijo and Toabre. In FY 66, two USDA/PASA consultants (Stephen Huges and Ralph Battles) wrote a report on supervised credit in Panama; and in FY 69, another consultant (Paul Holden) wrote a report on agricultural credit in Panama pointing out that the 55 percent of the population dependent on the agricultural sector was receiving less than 10 percent of total credit. Also in FY 69, approximately $1.7 million of a $3.5 million AID small-farmer loan (No 034) was allocated to IFE for small farmer credit, about 60 percent going for livestock and 40 percent for crops.

These and other intermittent efforts at increasing agricultural productivity seemed to have little meaningful effect, and the AID mission became increasingly concerned with Panama's poor performance in crop and livestock production. Funds under loan No. 034 were, therefore, used to finance an agriculture sector study which would provide the analysis and development of policies needed for a comprehensive sector program. In 1971, Charles P. Swett wrote a report, Agricultural Credit in Panama which formed part of the Sector Study Commission Report, and in 1972, a USDA consultant (Jorge Duque) wrote A Survey Evaluation of Loans to Small Farmers in an attempt to measure on-farm response to agricultural credit. During this time also, a direct-hire agricultural economist (Ed Daniel, FY 70 to present) was primarily concerned with AID assistance in agricultural credit. Although the volume of agricultural credit increased by an annual rate of about 20 percent from 1960 to 1970, the agricultural sector assessment showed that only 10 percent of agricultural producers received credit in 1970. Current AID plans are, therefore, to provide a Small Farmer Improvement-Phase II Loan (No. 041) in FY 73 for $7.8 million, of which $3.7 million ($2.5 million for production credit and the remainder for vehicles and field salaries) will be used for a supervised credit program, and an Agricultural Sector Loan in FY 74 which may also include some funds for credit.

Over the past 15 years, there have been several AID grant technical assistance projects to encourage and assist the growth of cooperatives and credit unions in Panama: Development of Cooperatives (Project No. 917, started in FY 56); Credit Unions Development (Project No. 103, started in FY 65) and Rural Development-Cooperatives (Project No. 108, started in FY 67). Although cooperative credit has not gained much of a foothold in Panama, part of the rationale for the cooperative program has been to provide a basis for a farm credit program. A direct-hire agricultural credit and cooperative advisor (Jenner; September '59 to March '64) was funded under Project No. 917; a cooperative specialist (David Bremmer; January '67 - June '70) as well as several short-term consultants provided through the Cooperative League of the U.S.A. were funded under Project No. 108. The latter are not included as inputs here since they were primarily concerned with cooperative legislation, management and training and not with cooperatives as channels for credit per se. By 1968, there were 143 active cooperatives with a membership of about 16,000 as compared to 8 with a membership of 1,000 in 1961.

AID assistance to the credit union movement in Panama has been almost entirely with the assistance of CUNA International. Armando Teran, a Panamanian, was funded by AID in FY 61-62 to work with the credit union movement; Teran is now manager of the Panamanian Credit Union League Federation. Alphonse Verduzco, another CUNA contract technician, acted as regional credit union officer for Central America from FY 62 to FY 65. He was stationed in Panama and financed under the AID Regional Office for Central American Programs (ROCAP). Starting in FY 66, Project No. 103 evolved into a Panama-based Regional Credit Union Office for all of Latin America funded through CUNA by the LA Bureau in AID/W. By 1972 the program covered 14 countries and included 12 technicians -- 4 U.S. and 8 third country nationals. (In the attached table, it is assumed that the equivalent of one CUNA contract technician has been provided to the credit union movement in Panama since FY 61). The program is concerned with (1) rural credit unions, (2) cooperative finance, and (3) technical assistance to national credit union federations. In the spring of 1973, the Regional Credit Union Office will be transformed into a tertiary-level Confederation of all credit union federations in Latin America. This confederation will continue to receive some grant funding. AID has also given some capital assistance to the credit union movement in Panama. In FY 71, a $1.8 million loan (No. 037) to the Federation of Credit Unions was made; $138,313 of this amount was earmarked specifically for agricultural credit. Another loan to the Federation of Credit Unions has been proposed for FY 73; this loan would be for a total of $2.0 million, all for rural credit.

Information is not readily available on the modal size of farmer engaged in the cooperative and credit union movements which have received some technical assistance from AID; however, the bulk of all agricultural credit in Panama has gone for livestock development and has been skewed toward the larger farm and ranch operations. It is likely that the cooperatives and credit unions are similarly skewed. All of the AID loan funds for agricultural credit to IFE have been explicity targeted at the small or small-to-medium farmer. Subloans under Loans #010 and #034 together averaged about $400 each, with loan #034 specifically aimed at farmers with annual sales of less than $1,000. To date, however, small farmer credit has promoted horizontal expansion (i.e. increase of land base) rather than vertical expansion (i.e. lower unit costs or increased yields).

PANAMA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54	1						
1955	1						
56	1						
57	1						
58	1						
59							
1960	1						
61	1	1					
62	1	1					
63	1	1					
64	1	1					
1965		1			970		
66		1					
67		2					
68		2					
69		2			1,700		
1970	1	2					
71	1	1			140		
72	1	1					

VENEZUELA
by
E. B. Rice
PPC/PDA

AID's only major agricultural project in Venezuela -- excepting wartime rural development activities (under IIAA) which terminated in 1946 -- was for supervised agricultural credit and included a $10 million loan signed in September 1962 and the services of five resident technicians during the period 1962-1967. The loan (#003) was made to the Banco Agricola y Pecuario (BAP) and was based on a supervised credit plan designed by a semi-official, local rural development technical assistance agency named Consejo de Bienestar Rural (CBR) which was in turn advised by the then Rockefeller Latin American assistance agency (AIA). CBR had run a supervised credit program between 1948 and 1954 and was brought back into the functional area at AID's urging at the beginning of the Alliance for Progress period. BAP, the major institutional lender to agricultural enterprise in the early 1960s, had no other supervised credit activities at the time of the loan. The five U.S. technicians played advisory roles until the loan was fully disbursed in CY 1967. The five included two AID direct hire staff (V.J. Prasisto, 1962-1963, Agricultural Advisor; and Stephen C. Huges, Sept. '63 - Dec. '65, Agricultural Advisor) two contract technicians (Harold J. Christ, Jan. '64 - June '67, Agricultural Credit Advisor; and Herman Charneco, Aug. '64 - Feb. '66, Cooperatives and Marketing Advisor), and one USDA PASA employee (Ray Deschamps, July '66 - '67; Agricultural Credit Advisor). Christ and Deschamps helped also in their last year with plans for reorganization of public agricultural credit institutions. A number of consultants from USDA's Farmers Home Administration made short visits to Caracas during the period.

VENEZUELA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63	1				15,555		
64	1	1					
1965	1	2					
66	1	2					
67	1	1					
68							
69							
1970							
71							
72							

COLOMBIA
by
E. B. Rice
PPC/PDA

A USAID project in support of supervised credit programs aimed at small and medium farmers began in 1959 and continues to the present. Under the bilateral agricultural servicio, STACA, a pilot project in supervised credit for livestock enterprises was designed in collaboration with officials of the Caja Agraria, the semi antonomous agricultural bank. PL 480 local currencies valued at approximately $1,000,000 (reduced later to $700,000) were loaned to the Caja to help initiate the project (an $8,000,000 dollar loan in 1960 (DLF # 208, AL loan # 016) to the Caja for farm settlement was unrelated to the supervised credit program, was disbursed relatively quickly, and did not require U.S. technical aid.) A six month consultant in 1960 successfully urged that the project switch from livestock to general farming. In February 1961, Eddie Daniel began an eight year tour at the Mission as agricultural credit advisor to the supervised credit program. Daniel started with a small Colombian staff provided by STACA and the Caja, under the auspices of the Caja, at Espinal, in Tolima province, near Bogota (project # 918). Plans were laid to expand to six areas, but the experiment was overtaken by other events.

New land reform legislation in December 1961 led to the creation of INCORA, the present land reform agency. In May 1963, USAID (STACA had terminated) provided a $10,000,000 loan to INCORA (Loan # 027) in support of supervised credit activities among small farmer beneficiaries of the land reform program The embryonic Caja supervised credit staff shifted to INCORA. Daniel was principal advisor. Recruitment begin immediately for three additional U.S. credit advisors under PASA with USDA Farmers Home Administration, but only two arrived (the PASA team leader position was never filled) and both left after unexpectedly short tours as credit training advisors posted to the field (Dwight E. Denbo, September 1964 to June 1966 in Valle; Jose G. Gurule, January 1965 to August 1966 in Tolima.) The PASA had been financed by INCORA from $200,000 set aside from the loan for the purpose. Another $100,000 was assigned to vehicles. The rest was used for on-lending to farmers. A second loan of $8,500,000 signed in February 1966 (Loan # 046) provided additional funds to INCORA for supervised credit but no additional U.S. advisory staff. Daniel left in July 1968.

A new USDA PASA was organized in 1968 to provide economists to the Ministry of Planning. One among the five USDA advisors was labelled agricultural reform specialist and assigned to work primarily with INCORA in evaluating the credit program (James Schwinden, August 1968 to August 1972). During this period, USAID made a series of program and agricultural sector loans to the government, some of which provided large sums of local currencies generated by the commodity imports for an expansion of the INCORA credit program and, in 1971 and 1972, for new small farmer lending activities undertaken by the Caja. A reorganization of the government's agricultural institutions in

1968 began a process of coordination between them, including INCORA, Caja and ICA, the research/extension service, which is still improving. Thus new lending to Caja or INCORA inevitably involves the other institution (indeed Caja has always served as banker for INCORA's credit programs). Nevertheless the renewed relationship with Caja signifies an attempt on the part of USAID to expand the channels by which credit is made available to small farmers. One of the other USDA economists (Eldon E. Brooks, June 1968 to the present) was posted to the Caja in 1972.

A second and shorter-lived livestock credit project coincided with the supervised credit project during the period 1960-1967, which is the span of years during which James O. Bleidner served as livestock advisor at the Mission (November 1960 to December 1967, when he was reassigned). Bleidner followed Merle R. Campbell (June 1959 to December 1960), who helped start the STACA supervised credit project while it was designed for livestock farmers. Bleidner prepared and helped supervised two large loans for the livestock Bank: $4,000,000 signed May 1964 (Loan # 038) and $8,000,000 signed May 1966 (Loan # 048). These loans benefited medium and large scale enterprises in various parts of the country.

COLOMBIA

SUMMARY OF A.I.D. INPUTS

(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59			100			700	
1960	1	1			8,000		
61	2						
62	2						
63	2				10,000		
64	2				4,000		
1965	4						
66	4				16,500		
67	2						(approx)
68	2						5,000
69	1						5,000
1970	1						5,000
71	1						5,000
72	2						15,000

ECUADOR
by
E.B. Rice and Rita Sweeney
PPC/PDA

Mission interest in agricultural credit began in the early 1960s, long after other U.S. agricultural programs were developed (1942). But since the early 1960s the Mission has initiated proposals for a remarkable variety of credit programs, dealing separately and at different times with at least four major Ecuadorian institutions (National Credit Union Federation, Cooperative Bank, National Development Bank and the Central Bank). In 1965 grant funding began in support of the relatively modest but well publicized and still continuing Directed Agricultural Production Credit program based on farmer credit unions in the Sierra (Andes). In 1965 a $1,200,000 development loan was authorized to the Cooperative Bank. A second loan of equal size was authorized in 1970. In 1965 also a contract study team presented a report calling for AID support for a proposed supervised credit operation in the Sierra by the National Development Bank (BNF). Such a project had been alluded to in Mission plans since 1960. Eventually formulated as a loan for $3,300,000 the proposal was discussed for three years with BNF. It surfaced again as a production credit program to be managed by the C entral Bank for cooperatives in the coastal basins of Ecuador at approximately the same dollar level, $3,600,000. This loan has been joined by a larger one, $7,200,000 for agricultural diversification into cacao and short cycle oil crops in the coastal basins, both of which loans were assigned to a special Trust Fund in the Central Bank. The $3.6 million loan project is now disbursing to cooperatives.

The DAPC program is an outgrowth of a 1962 USIAD contract with the Credit Union National Association (CUNA), a contract terminated in 1972. The principal focus of the contract was to create viable credit union operations, mostly in urban areas, and to link them in a national federation (Federación Nacional de Cooperativas de Ahorro y Crédito (FECOAC)). A subproject dealt exclusively with farmer associations, however, and the DAPC program which emerged during the next five years has been used as a model for CUNA farmer oriented projectes in other countries. The overall contract funded the services of at least one American technician throughout the period (Table 1 estimates one CUNA man year for DAPC from 1964-1969), several credit union experts from other Latin countries, a large local staff of extensionists and other helpers, vehicles and other commodities, and participants. By 1972 17 farmers' cooperatives had been empowered with credit union type savings and loan functions under DAPC. Their record as an instrument for small farmer finance and improvement has impressed some but not all observors.

The Cooperative Bank was first discussed in an AID financed feasibility study in 1963. Passage of requisite legislation and other matters consumed two years before the $1,200,000 loan (loan #024) was signed. An American cooperative banking contract technician worked with the new institution's staff from 1965 to 1970. In that year the second "tranche" of $1,200,000 (loan #031) was signed. Disbursements proceded slowly for both loans. The CB is authorized to make loans to a wide variety of cooperative enterprises. A large percentage of its loans have been made to agricultural cooperatives, however, and a large but undetermined share of those resources have been relent to farmer members.

Mission negotiations with BNF, the principal government entity lending to agriculture during the 1950s, date from around 1960. However, the first material steps toward channeling U.S. funds for farm credit through BNF were a USDA supervised credit consultant visit in late 1962 and a three-month, $32,000 contract with International Development Services for a feasibility study of the proposed supervised credit operation in late 1964 (report dated March 1965). To qualify for financial support, BNF was expected to convert entirely to an agriculturally oriented bank and to establish a supervised credit division. Following a short, consultant visit in September 1965, a USDA PASA credit advisor (Milton A. Stinson) was brought on board in November (a large USDA PASA team was forming at that time to handle most of the Mission's agricultural programs) to work directly with BNF. Simultaneously a three-man team from Ohio State University's Agricultural Finance Center, resident in Ecuador on a world wide research grant, (H. T. Rogh, S. T. Stickley, J. N. Stitzlein) was to further explore the proposed lending mechanisms. The team report ("An Analysis of Programs for the Development and Improvement of Agricultural Credit Institutions and Services") helped the Mission formulate a $3,283,000 proposal for "seed capital" to BNF. The loan was aimed at small and medium sized rice and corn farms. IBRD and IDB were expected to join with AID in financing other BNF activities (IDB had provided two agricultural credit loans to Ecuador in 1962/63: the first for $2,500,000 to IERAC, the land reform agency, for the Santo Domingo colonization/credit scheme; the second for $1,900,000 to "Mission Andina" for directed credit in the Sierra). AID-BNF negotiations failed to result in the $3,283,000 loan. Stinson left in August 1967.

The next four years, 1968-1972, record a series of USAID negotiations with the Central Bank, the development of two major loans proposals, an innovative mechanism for disbursing the loans, and, finally, agreement on both loans in 1972. The first, the Land Sale Guarantee Loan for $3,600,000 (loan #032), allocated $650,000 to guarantee of land sales and most of the rest was directed at production credit for cooperatives, mostly in the coastal areas. The second, the Agricultural Diversification loan for $7,200,000 (loan #033), is intended to support a few, select crop production programs in the Guayas basin. About three fourths of the total was assigned to credit operations. This loan was anticipated by an AID/W sector survey team which visited Ecuador in 1969, though the design of the final loan proposal followed more closely Mission and Government of Ecuador proposals. The diversification loan will support individual farmers, as well as types of farmer associations, provided they do not have easy access to other lines of institutional credit.

The Trust Fund has been designed to allow the Central Bank to deal individually with commercial banks and other financial intermediaries (including the Cooperative Bank and the BNF) at flexible rates and terms that were not prespecified by USAID. The Central Bank will not lend to farmers or individual cooperatives; rather it provides capital and shares the risks of public and private banks that elect to join in centrally planned production programs. The purpose of this innovation is to encourage the private financial sector to get involved with rural finance (including artisan credit) under Loan 034.

USAID's future plans have been anticipated by the above paragraphs: to shift the center of gravity of credit to the Central Bank so as to bring private banks into the agricultural arena, and to make a larger number of farmers eligible through cooperatives and credit union projects.

Throughout most of the 1960s, that is during the period of its farm credit enterprises, the AID Mission in Ecuador has distinguished itself by heavily emphasizing programs for low income peoples. The strong cooperative thread running through these years illustrates the bias. Thus all of the farm credit programs mentioned above include small and medium sized farmers, and most of them are targeted deliberately on those groups.

ECUADOR

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63							
64		1					
1965		2	500		1,200		
66	1	5	300				
67	1	3					
68		2					
69		2					
1970		2			1,200		
71	1	1					
72	1				8,300		

PERU
by
E.B. Rice and Rita Sweeney
PPC/PDA

The U.S. agricultural assistance program in Peru began in 1942. The emphasis throughout the 1940's and 1950's was on research and extension programs. A small supervised credit program operated in the Sierra from 1954 to 1961 with the help of three consecutive American technicians, PL 480 grants amounting to $290,000, and staff and other support provided by the bilateral agricultural servicio (SCIPA). That supervised credit program died when the servicio closed out. Another program began in 1961, under the new Alliance for Progress, involving three capital loans of $9,000,000 (1961), $6,600,000 (1964) and $9,000,000 (1966). The loans were made to the Agricultural Development Bank to finance two types of activities: supervised credit programs for small and medium farmers on the coast, and credit for farmers on new settlement schemes on the coast and eastern slopes of the Andes. One U.S. advisor under contract in Peru from 1967 to 1971 led an evaluation unit established in the Ministry of Agriculture to review the supervised credit program.

The ADB was itself established in 1931 and remains to this day the dominant source of institutional credit for farmers. Credit programs operated by the ADB for small farmers did not emerge till the early 1960's, with the exception of some pilot supervised projects linked to ADB but managed by SCIPA technicians in the Mantaro Valley (1954-1959), Vicos (1956-1961), the Arequipa area hit by earthquakes (1957-1961) and, commanding the majority of funds and SCIPA agents, PUNO Department (1956-1961). Three U.S. agricultural credit technicians (Russell G. Ellyson, Sept. 1954 to March 1957; Wilfred G. Purdy, March 1958 to May 1960; and Paul A. Holden, July 1960 to August 1962) worked with the SCIPA staff assigned to these projects (SCIPA Projects #912 (Mantaro Valley Special Area Development), #909 (Agricultural Development Services), and #917 (Agricultural Credit and Cooperative Development)). Incidental attention was paid to cooperatives formation. The project loan funds were largely financed by PL 480 local currencies ($290,000), and most staff expenses other than direct dollar costs were drawn from the bilateral servicio accounts (Table 1 does not include U.S. contributions to the Joint Fund). Though some of these projects of the 1950's have passed into the folklore of supervised credit pilot projects in Latin America, the number of farmers involved was insignificant compared with the alleged needy. When SCIPA was transferred from bilateral to government control, and renamed SIPA, financial support for the pilot operations fell away and the credit programs practically disappeared.

Paul Holden, the third U.S. technician, helped prepare an agreement for a major loan intended to fund credit operations for several thousand settlers. Approved in June 1961 and signed three months later, the loan (DLF Loan #204, "Agricultural Settlement Credit") initiated a new and continuing committment by USAID to support the credit needs of small and medium farmers in Peru. The loan funds were intended to pass through ADB to the new land reform agency IRAC (renamed ONRA in 1964), but some were shifted later to fund supervised credit operations managed by SIPA on the coast and half were eventually deobligated.

A second loan, of $6,600,000 in dollars and $1,000,000 in PL 480 counterpart (AL Loan #029, with subsidiary Export-Import Bank funding of $1,700,000) was signed in 1964 providing funds for credit operations in both the settlement areas and established coastal regions. A third loan, of $9,000,000 was signed in 1966 and directed largely to the coast, that is, to the SIPA supervised credit operation (Loan #047). AID funds were associated with programs outside of the Sierra (though not entirely so) by design, since the Inter-American Development Bank (IDB) was financing SIPA supervised credit operations in the highlands. Most of the loan funds were committed directly to revolving credit -- a 1964 account estimates $14,900,000 of the $18,300,000 (1961/64) DLF, AID, PL480 and ExIm package. Of the credit subtotal, some $6,000 were assigned to SIPA, and $9,000 to ONRA (though $4,500,000 of the subtotal was later deobligated). The rest of the funds helped finance expansion and supply of the SIPA and ONRA establishments.

From the third loan, of $9,000,000, some $250,000 were reserved for a technical assistance contract with North Carolina State University (NCSU) to supply two American agricultural economists to organize and supervise a credit evaluation team for SIPA (Ronald L. Tinnermeier January 1967 to March 1971; and Duance Newman, August 1967 to June 1969) and to pay costs of the Peruvian team. These two Americans, plus an earlier short term NCSU contract technician (J.R. Faison, June 1965 to September 1966) and a small team of farm credit scholars from Ohio State University resident in Peru from April to October 1966 under a regionally funded AID contract, were the only resident Americans professionally linked to the $27,300,000 lending program, except, and the exception is not trivial, for the hundreds of man years provided to SIPA by Peace Corps Volunteers, most of whom served as extension agents and thus loan officers. The absence of substantial U.S. technical support for the loan operations at their headquarters can be partly explained by the early work of Ellyson, Purdy and Holden who helped train the SCIPA staff that were later to manage the SIPA projects on their own.

Missing from this historical summary of material U.S. credit inputs are the elaborate USAID plans from 1962 to 1964 to involve Iowa State University in two vast credit-based projects -- "Agrarian Reform and Agricultural Credit" and "Southern Peru Regional Development". Before those plans could materialize, the Iowa State contract was rewritten to focus on support to the government in general economic and agricultural economic studies, and USAID interest had shifted from potential programs for subsistence small holders in the Sierra, particularly in the Southern Sierra, to crash production programs for viable small and medium holders on the coast (in fact the major ONRA settlement project financed by AID was at San Lorenenzo, a rice growing region also in the coastal area). These shifts forced North Carolina State University, the other and older U.S. agricultural faculty contractor in Peru, to get involved in credit operations, since all operational programs passed to the NCSU project - "Agricultural Institutional Development and Operations" (Project #060). The only piece linking these periods was the supervised credit technician Tinnermeier, who was recruited by Iowa State when the latter was planning for the credit/reform activities, spent 1965-1966 in Cusco in the Southern Sierra and then jumped in early 1967 to the NCSU team to head up the SIPA evaluation unit for the next four years.

Another USAID plan which never materialized was for a several million dollar loan to a proposed Cooperative Bank. This project was run by the community development division in USAID. The focus of technical concern was on urban areas, and it is not possible to identify in Peru, as it is in neighboring countries, important USAID involvement in developing agricultural cooperatives.

Bilateral political difficulties in 1968 forced a suspension of all new loans and halted plans for a fourth farm credit "tranche". The USAID agricultural program through 1971 remained a holding action. In 1972, however, two new U.S. loans with large agricultural credit components were quickly authorized as part of USAIDs response to two major natural catastrophies which struck Peru in 1970 (earthquakes) and 1972 (floods). One loan of $5,000,000 supports Ministry of Agriculture (SIPA) supervised credit operations in areas of the north and north central part of the country devasted by earthquakes. The funds are directed at small and medium farmers and allocated to both crop production and farm capital restoration (Supervised Agricultural Credit, Earthquake Zone; Loan # 054). The second loan, of $5,100,000, supports the Ministry of Agriculture's supervised flood relief credit programs in the northern areas of the country struck by floods earlier this year. The funds will be used for, among other things, rehabilitation of irrigation facilities on large coastal farms, all of which have now been turned from private ownership to collective enterprise under the governments land reform program. No disbursements have been made yet for either loan. There is no technical assistance tied to these programs.

All of the U.S. operations of the 1950s and 1960s, as well as the new loans, can be considered "small farmer" programs for the purposes of the Spring Review.

PERU

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars *	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955	1						
56	1						
57	1			290			
58							
59	1						
1960	1						
61	1				4,500		
62	1						
63							
64					6,600		
1965							
66		1			7,600		
67		1					
68		2					
69		2					
1970		1					
71		1					
72					10,100		

* Net of deobligations

BOLIVIA

by
E. B. Rice and Rita Sweeney
PPC/PDA

The U. S. began agricultural credit programs in Bolivia earlier than in most other Latin American countries and has remained a consistently major donor. In the period 1955 through 1961 a contract with International Development Services, Inc. (IDS) along with annual dollar grants, supported supervised credit operations in several areas, with an emphasis on medium and large scale farming around Santa Cruz and other parts of the eastern lowlands and the valleys. The supervised credit operations, including the revolving fund, were administered in the 1950's by the IDS and Bolivian staff within the bilateral agricultural servicio (SAI) and then were absorbed by the Bolivian Agricultural Bank (BAB) in 1963 after the termination of SAI and reorganization of BAB. U. S. technicians, both direct hire and personnel services contractees, worked with BAB throughout the 1960's. Two dollar loans were made, in 1964 ($3.7 million) and in 1966 ($2.1 million in dollars and $2.0 million in local currencies), to increase the bank's financial base. Other local currency loans were made in 1967 to finance special crop production programs. The latter were partly administered as "directed" agricultural credit programs by the Federation of Credit Union Cooperatives (FENACRE) and those of its member unions based in rural areas. Since 1967 AID has used a variety of financial mechanisms to further expand the capitalization of rural credit and to broaden the base of institutional lenders. Approximately $17,000,000 has been allocated by AID to rural credit in the last six years, most of it to a Special Fund for Economic Development administered by the Central Bank. AID programs complement equally large though somewhat more recent contributions by the Inter-American Development Bank and the World Bank group.

The U. S.-Bolivian agricultural servicio, SAI, was formed in 1948, but its original programs were disrupted by the revolution and subsequent land reforms of 1952/53. The decreases in food crop availabilities and the impending food crisis consequent to these disorders led SAI to initiate crash production programs in areas where an immediate crop response could be predicted, especially among larger farmers in virgin lands around Santa Cruz. The supervised credit division of SAI, run from January 1955 to June 1961 by IDS contractors and including from 4 to 6 American IDS technicians during most of the period, worked only occasionally with smaller farmers, especially with those in the densely populated homelands of the small farmers on the altiplano and long settled valley basins. The revolving fund established for the supervised credit program was built entirely upon annual U. S. grants. The accumulated value of these grants up until the merger with BAB in 1963 was about $2 million. The annual breakdown shown in the table is not accurate (and does not include U. S. grants to SAI's Joint Fund which were assigned to the supervised credit division's operational expenses). IDS technicians were located principally in Santa Cruz, La Paz and Cochabamba. All but one had departed by late CY 1960.

The period 1961 to 1963 was one of transition, as U. S. direct hire technicians replaced contract technicians and the BAB was reorganized and prepared to absorb the supervised credit operation and staff. BAB, founded in 1942, reorganized in 1954, was reorganized again at the time of the merger in April 1963 largely along lines laid down by a USDA advisory team which visited the country in late 1962/early 1963. BAB had been practically the only institutional agricultural lender, and indeed the SAI supervised credit operation during the 1950's had nominally been under the BAB umbrella, although SAI retained effective control. U. S. direct hire technicians worked with BAB during the transition to prepare for the merger, which threatened to swamp the existing BAB structure. The U. S. technicians, one after the other, (Ledro H. Savage, 1961; John W. Shotwell, 1962-1963; Carroll T. Berry, October 1962-October 1968) worked also on plans for a major Alliance for Progress loan to increase the capitalization of BAB. A loan for $3,700,000 was authorized and signed in August 1963 (Agricultural Development Loan #019).

The last of the three direct hire AID advisors, Berry, remained throughout most of the 1960's as principal U. S. advisor to BAB. He was joined by several contracted U. S. advisors (and one USDA PASA technicians, the leader of the 1962/63 TDY team) who served as auditors and, for a period, as bank manager. One of the later auditors was a member of the Arthur Young consulting firm, which prepared a report on the bank for AID in 1966 and which later sent two other long-term contract technicians to Bolivia to help with the AID-supported community development program. There were as many as three contractee U. S. technicians in Bolivia along with Berry at any one time, though the average was two per annum between 1964 and 1971. A second large loan was signed in March 1966, comprising $2,100,000 in dollars and $2,000,000 in local currency (Agricultural Bank loan #028). Two small local currency loans were made the following year to help finance special commodity production credit programs initiated with USAID urging in the mid 1960's, for rice growers at harvest time ($250,000) and for cereal, mostly wheat, producers during the wheat campaign that started in 1967 ($350,000).

Part of the special rice and wheat funds were channelled to FENACRE, the federation of credit union cooperatives, chartered with AID financial and technical support in 1964. The U. S. contractor, CUNA, had helped with the formation of primary credit unions, as well as of the federation. The number of credit unions had expanded rapidly in urban areas, and began to reflect new starts in rural areas about 1966. With AID encouragement, BAB developed mechanisms for financing credit union activities among small farmers, a target group with which BAB had rarely met with success. The crop programs were examples. They were not very successful and were phased out after several years. Since it is difficult to isolate that part of CUNA's activities attributable to the rural sector, U. S. technicians and U. S. grants for budget support of the fledgling Federation are omitted from the table. Only the crop loans are shown.

Another AID project omitted in the table is the one which stationed three successive "agricultural cooperative and credit" advisors in SAI's offices in La Paz from 1957 to 1963 (Lee, Smith and Jordan). They worked entirely on the formation of cooperatives, none of which, apparently, served as a credit intermediary.

Starting in 1967 several new financial mechanisms have been developed to channel funds to the rural sector. The most important is the Special Fund for Economic Development ("Fund" or "Rediscount" Fund) which was created within the Banco Central using reflows from "2 Step" non-agricultural AID loans made in the early 1960's and later. The Bank uses the Fund to refinance other financial intermediaries lending for development activities. It was estimated in late CY 1971 that 40 percent of the Fund's four year peso lending record could be attributed to agriculture. The table below makes a rough guess of $2,000,000 as the sum attributable to USAID for the Fund's regular agricultural operation.

In FY 1972 an $8,000,000 project loan for Agricultural Production and Marketing (#042) provided $750,000 for vehicle and equipment procurement to strengthen the agricultural research and extension services and $7,250,000 for production and marketing credit. The latter funds are administered by the Bolivian Central Bank as the "Agricultural Rediscount Fund" (ARF). ARF funds are being used to refinance selected agricultural credit operations by private banks, including the credit unions, as well as the BAB and other publiccredit institutions. By agreement, the eligible credit operations are limited to specific priority commodities and geographic regions. Institutionally, specific goals of the loan include (a) the creation of a functioning rediscount facility in the Central Bank for channeling credit to agricultural development programs and (b) the development, within the Central Bank, of a capacity for monitoring, analyzing and evaluating plans, programs and activities related to the production and marketing of priority agricultural commodities. Cognizant of the fact that the normal operations of ARF would tend to favor the larger sized production and marketing operations, $1 million of the ARF funds are specifically designated for the support of small farmer and small farmer cooperative lending programs. During this same period, AID has requested and received Government of Bolivia agreement to use a portion of the local currency proceeds of PL 480 (FY 1968, FY 1971) and Program Loan (FY 1972) programs to support rural credit programs.

Despite AID's long history of association with agricultural credit programs in Bolivia, and simultaneously with small farmer problems on the Altiplano and elsewhere in the country, most of the credit projects have been directed at the medium and larger sized farmers. In the several instances where AID promoted small farmer credit, excessive default rates forced SAI and later BAB to all but abandon the projects. Renewed efforts to promote small farmer credit availabilities and efficient utilization represent a part of the current program orientation. These are still dwarfed, however, by the total national credit availabilities for medium and large scale commercial operations largely financed by the other international lending agencies and the private banks.

BOLIVIA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955		1					
56		4		200			
57		5		500			
58		5		300			
59		6		200			
1960		5	approx. pattern	200			
61		1		200			
62	1			230			
63	2			80			
64	1	2			3,700		
1965	1	2					
66	1	2			2,100	2,000	
67	1	2				330	2,000*
68	1	2				450	1,500
69		2					
1970		2					
71		1					1,500
72		1			7,250		

* Special Fund Account: Assumes average annual "reflow" to Fund of $1,000,000 starting FY 67, but all attributed to FY 67.

CHILE
by
E.B. Rice
PPC/PDA

The U.S. was involved with a pilot supervised credit project (Agricultural Credit Project No. 037) from 1958 to 1961, principally located in Chillán and a minor component of DTICA's (the bilateral agricultural servicio) regional development program in that area. Two U.S. supervised credit technicians were supplied under contract with International Development Services (IDS). Ernest J. Sanchez served as project coordinator in Santiago from June 1958 to December 1959; when the contract was rewritten and he was assigned to another job. Luther B. Daniel served from September 1958 to February 1959 in Santiago, and from then till December 1961 in Chillán. The small Chilean supervised credit staff belonged to the Banco del Estado, with which the IDS technicians served as advisors. The experiment remained unconvincing to the Banco executive, grew very slowly till the earthquakes of May 1960 and, according to Daniel, was in a state of near paralysis from then till his departure. The revolving loan fund was capitalized from Chilean sources.

Subsequent U. S. support to country wide farm credit programs has been piecemeal, though in the aggregate reaching a considerable sum before the Mission's agricultural program disappeared in 1970. It has been entirely capital assistance. The principal items are listed below, and dollar values appear in the table. What does not appear are several episodes lasting a number of years each when the Mission and its contractors planned for technical assistance to agricultural credit but the projects never materialized.

1. 1961: $5,400,000 of PL 480 counterpart to expand CORFO's agricultural credit program.

2. 1964: About $200,000 out of a larger grant to IMPROA to lend to rural cooperatives for relending to member farmers. IMPROA was a private Catholic cooperative association which attracted Mission support from 1964 to 1965.

3. 1966: Cooperative Development Bank loan of $3,650,000 (#026) which funded the new coop bank IFICOOP. Of the total, roughly $1,800,000 has been used by agricultural coops for loans to farmers.

4. 1966: $3,600,000 Fertilizer Import Loan (Loan #   ) which would supply fertilizer to farmers on credit, the repayments from which would be handled by IFICOOP for subsequent relending.

5. 1968: Agricultural Sector Loan totalling $23,000,000, of which the dollar equivalent of $11,000,000 in generated counterpart has been programmed for farm credit.

6. 1963-1970: Counterpart generated from the series of six program loans, which started with the earthquake loan in 1963 and ended with loan #041 in 1969, amounted to some $350,000,000 equivalent. Of this sum, $70,000,000 was assigned to agricultural projects and of that an estimated $35,000,000 was used for one or another agricultural credit scheme, including land settlement, irrigation, etc. Simultaneously a PL 480 import program was generating large sums assigned to farm credit. PL 480 deliveries in 1969 and 1970 alone amounted to $24,000,000, and of this sum an estimated $3,500,000 in counterpart equivalent was used for credit. Entries in the table for both program loan and PL 480 local currencies are averaged figures which indicate the long term magnitude of these indirect credit inputs but have no accuracy for individual years. As mentioned earlier U.S. credit experts were not involved in programming these funds or advising on program implementation.

CHILE

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59		2					
1960		2					
61		1		5,400		(approx)	
62		1					
63						5,000	
64			200			6,500	
1965						6,500	
66					1,500	10,100	
67						6,500	
68					11,000	6,500	
69						6,500	
1970						1,500	
71							
72							

PARAGUAY

by
Martha Horsley
PPC/PDA

A U. S./Paraguay jointly funded and administered Cooperative Service for Agriculture (STICA) was set up in 1942 to help improve the competence and efficiency of agricultural technicians engaged in crop and livestock research, education and extension; it was finally absorbed by the Ministry of Agriculture in November 1966. Among the first U. S. technicians to serve STICA were several from the Farmers' Home Administration who helped set up the Credito Agricola de Habilitacion (CAH) in 1943 to teach improved farm practices, provide credit, and promote the development of cooperatives. CAH encountered many problems over the next fifteen years, including lack of funds and poor administration, and by 1958 it had virtually ceased credit operations. In fact, starting with the Banco Agricola del Paraguay, which failed in 1945, Paraguay's development banks dispensing agricultural credit have all had unfavorable collection records. AID has offered substantial capital assistance to Paraguay for agricultural credit, including a total of $10 million in dollar loans plus substantial allocations of PL 480 local currency generations. Earlier concern to reach small farmers with supervised credit, as demonstrated by the CAH program, however, has not been matched since. As pointed out in a 1970 Robert Nathan study of the agricultural sector, virtually no effort has been made to reach these farmers with ten hectares or less.

Walter Crawford, a veteran of the Farm Security Administration and credit specialist serving with STICA, established CAH in 1943. CAH was modeled after FSA (reorganized in 1946 as the Farmer's Home Administration) and was the first institution of its kind in Latin America. Crawford left Paraguay in December 1945 and, three years later, as an employee of Rockefeller's American International Association (AIA), returned to Brazil to initiate and direct AIA's new supervised credit program in Minas Gerais (ACAR). The author is uncertain whether and by whom Crawford was replaced as advisor to CAH, but assumes that one U. S. man year was devoted to this important pilot program throughout the 1940's.

In 1949, a credit specialist (Edwin Astle; May 1949-February 1952) was assigned to CAH under the STICA Supervised Credit Project (no. 5), and he was succeeded by two other credit technicians (Dameron, March 1952-September 1953; Vales, March 1952-March 1955). These technicians were in large part responsible for training Paraguayan credit supervisors for CAH. At the peak of its operation CAH provided supervised credit to about 7,200 small farmers annually. In the early and mid-1950's enthusiasm for CAH waned, and the U. S. team became more interested in setting up extension and other services under STICA. (In Brazil, in the same period, AID extension advisors arrived en masse to work with ACAR and other state extension agencies and these as well failed to support the supervised credit components of the extension system.) In 1957, AID's predecessor agency made a $1.0 million loan to the GOP for agricultural credit for the Mennonite Colonies in Paraguay.

The closing of the Banco del Paraguay in 1960 and the inactivity of CAH left farmers with almost no source of credit, and in 1961 an AID agricultural credit consultant (Frederick L. Kerr) made a study of the situation and wrote a report entitled Agricultural Credit in Paraguay. The National Development Bank (BNF) was established in March 1961 and quickly became the principal institutional source of credit for farmers and farm cooperatives. In 1963, the Inter-American Development Bank (IDB) provided a loan of $2.9 million for supervised credit for small farmers, and STICA agreed to provide technical assistance through its agricultural extension service in conjunction with this loan. In 1967, the IDB provided the BNF with another loan of $6.0 million for agricultural credit, most of which is being used as working capital.

In FY 1963 an allocation of $635,000 in local currency was made to the BNF from the sales proceeds of a 1961 PL 480 Title I agreement. These funds were used for production and marketing credits for sugar, rice, tung and forest products but were "rolled over" only once or twice before being programmed for other purposes. In the same year, another AID agricultural credit consultant (Walter Crawford) prepared a report entitled Agricultural Production and Credit in Paraguay in which he recommended a simplified supervised credit system. In FY 1964 AID made an agricultural credit loan (no. 012) for $3.0 million to the BNF to provide financing for medium-size farmers, dairymen, cooperatives, and lumbermen who would not be reached through either the IDB loans or the IBRD livestock credit loans to the Central Bank which totaled $19.7 million over the 1963-73 period. Of the $3.0 million $328,000 was given to STICA to finance back-up technical services. This loan was supplemented by local currency allocations from PL 480 sales totaling $1.26 million ($280,000 in grant and $980,000 in loan). Approximately one-third of the 012 loan was used for local costs. Much of the remaining $2.0 million was used for the importation of land clearing and cultivating machinery in connection with a government program emphasizing wheat and soybean production. As part of the loan arrangements, the BNF agreed to hire an agricultural credit advisor to be paid out of 012 loan funds. The first person to fill this position was Joe C. Hayes (May 1965-May 1966). He was recruited by the International Development Services, Inc., and worked with the reorganization of the BNF in August 1965 and then on loan processing procedures during the initial lending period. Hayes was replaced by Rodriquez Diaz (May 1966-May 1968), Diaz by Philip Mulkey (October 1969-1971), and Mulkey by Manuel Casanueva (FY 1971-73).

In early 1968, Claire Dodson of the AID Program Office in Paraguay completed an "Evaluation of USAID/Paraguay Agricultural Credit Program" and later than year AID approved a $1.0 million amendment to the agricultural credit loan 012. Subloan repayments from the first loan plus another $800,000 of PL 480 funds were programmed for local currency use. In 1969 a $5.0 million amendment to the 012 loan was approved. Disbursements on this last amendment has been slow, however, partly because the demand for local currency is greater than the demand for U. S. procurement. Since 1969, an AID direct-hire Rural Development Officer (Sanford White, FY 1969-73) has spent almost half-time on the agricultural credit program. In 1970, a three-man team from Robert R. Nathan Associates made an "Evaluation of Progress in Paraguay's Agricultural Sector 1943-70." Ralph Battles was the agricultural credit specialist on this team.

AID has also financed technical assistance for cooperative development in Paraguay--first under STICA and subsequently under the Development of Agricultural Cooperatives Project (no. 069 started in FY 1966)--but since most of the technicians were not primarily concerned with cooperative credit they are not included in the attached summary of inputs. An exception is an ACDI technician (Stanley Bednardski; August 1972-July 1973) who is presently acting as a cooperative credit advisor. On the capital assistance side, a good portion of the AID agricultural credits have been scheduled for sub-loans to cooperative enterprises for production and storage. Forty-six percent of the original loan 012 for $3.0 million, for example, went to cooperatives. Since FY 1970, AID has supported a rural credit union project with emphasis on small farmers. Carlos Flores (FY 1970-74), a third country national, is head of this project; he is assisted by two local technicians and one local secretary.

PARAGUAY

SUMMARY OF A.I.D. INPUTS

(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1943 ↓ 1950	1 each						
51							
52	2						
53	2						
54							
1955							
56							
57					1,000		
58							
59							
1960							
61							
62							
63						640	
64				280	3,000	980	
1965		1					
66		1					
67		1					
68		1			1,000	800	
69	1	1			5,000		
1970	1	2		20			
71	1	2		20			
72	1	2		20			

BRAZIL
by

E.B. Rice and Raymond Stadelman
PPC/PDA IA/DR

AID's credit activities in Brazil can be divided into two stages. The first was during the 1950s and included a small amount of technical assistance to credit operations wherever they developed in the rapidly growing state and federal extension system. The second lasted from 1963 to 1970 and included massive capital inputs and a team of USDA credit advisors to the national agricultural banking system.

The bilateral agricultural servicio, ETA, was established in June 1953. A staff position for an agricultural cooperative and credit advisor was created soon after, but not filled until April 1957 when Charles D. Curry began a six year tour. Prior to Curry's arrival a large number of U.S. agricultural extension advisors and home economists had been assigned to work with the ACAR state extension service in Minas Gerais and other state services modeled after ACAR, or with ABCAR, the federal extension system linking the state services. ACAR, founded in 1948 with the help of a private (Rockefeller) U.S. technical assistance agency (AIA), had been influenced by the Farmers Home Administration (FHA) experience in the U.S. It was cast and continues in part as a supervised credit agency. When the ACAR extension program was replicated in other Brazilian states, however, the credit component was usually dropped. This was mostly due to the greater difficulty other state extension services had in getting banks to finance a supervised credit operation (two other state services offered "oriented" credit programs, but these were supported by loans from the InterAmerican Development Bank). It may also have been partly due to a slight anti-credit bias a few on the fresh team of American extension advises brought with them (one must wonder whether supervised credit might have spread to other states if the AID advisors arriving after 1953 had been recruited from FHA, rather than FES (Federal Extension Service). Curry worked closely with credit officials in the ABCAR system.

Curry worked not only on credit but on the development of cooperatives and on general economic studies. He was one of two technicians in the AID Mission's project "Agricultural Economics, Farm Organization and Agricultural Credit" (Project #913) and at the time of his departure in March 1964 was serving as project manager and the Mission's agricultural economics officer.

Curry was succeeded as credit advisor by Ralph E. Miller (August 1963 to June 1970). Early in 1963 Miller had temporarily joined a Farm Credit Administration (FCA) advisory team sponsored by Curry and USAID to recommend improvements in the Brazilian agricultural credit system. The seven years of Miller's tour saw an enormous expansion of that system, in no small part fueled by approximately $80 million of import-generated local currencies earmarked for rural credit loans by the Brazilian banking system. These funds were assigned in the period 1965-1969 and were financed from all or part of the proceeds of (1) programs loans

(1965 and 1967), (2) a dollar fertilizer loan (1966) and (3) PL 480 imports (1968 and 1969). Miller converted from AID to USDA PASA rolls in 1965 and became chief of a PASA credit team then being assembled. From 1966 to 1969 there were four technicians on the team, (Luther B. Daniel, February 1966 to August 1970; Eugene C. Schroepfer, March 1965 to March 1969; W. Ray Smith, March 1966 to April 1968; and Miller), one stationed in Recife (Daniel, February 1966 to August 1970), the rest in Rio. Short term consultants were also used: Leo Brown in 1964; Robert J. Barry in 1964, 1965, and 1968; Judy Tendler, 1969; Lindsay A. Crawford in 1969. Some 75 to 80 participants were sent to the U.S. during the period. The Mission terminated the credit project in 1970, and Miller and Daniel were turned to other assignments.

The effects of these AID credit inputs was substantial. With the PASA advisory assistance, with the official U.S. seed capital, and with the leverage afforded by the program loans and PL 480 imports and exerted by USAID on Brazilian agricultural credit policy, a major structural change was wrought in the credit system in favor of agriculture. Actually little other than discussion and planning of a credit program occurred before the March 1964 revolution which desposed President Goulart. On July 14, 1964, the new government set up by decree the CNCR (National Coordination of Rural Credit) for short-term production lending, and USAID began the $80-million program. The Central Bank was created by reform laws of December 1964. Commercial banks were required to use 10% of their own funds for agricultural credit. The CNCR credit agency was transferred to the Central Bank in late 1965, becoming the rural section of GECRI (Rural and Industrial Credit Management). The National Bank for Cooperative Credit (NBCC) was reorganized and received approximately $16 million of the $80 million total (the consultants Barry and Crawford helped with the reorganization). The AID funds comingled with much larger amounts of domestic funds; nevertheless they are alleged to have primed the pump. The ABCAR credit programs benefited somewhat from the massive infusion of new institutional funds, but by 1970 the share of farm credit supplied by ABCAR was insignificant.

ABCAR deals with small to medium size farmers, though it is said the ABCAR credit clients are generally well above subsistence levels. The massive credit programs of the 1960s have apparantly not reached the small farmers despite earlier hopes that all would benefit from a "saturation" policy. Thus it is necessary not to classify AID's credit programs in Brazil in the small farmer category. Concern for small farmer problems mounted rapidly in the Mission after 1968, but the credit project was too near completion to be significantly reoriented.

In the table below all of the local currency funds provided under the credit project "Expansion and Improvement of the Agriculture Credit System - Central Bank" (Project # 248.1) are listed. Perhaps 20 - 30% of these funds were used for purposes other than on-lending to farmers. For example most of the loans made by NBCC to cooperatives were not relent, since agricultural coops in Brazil are chiefly engaged in marketing and processing and provide very little credit. But it would be difficult to break out the farm loan component and it is not attempted here. The table also includes the Ohio State University credit and capital formation research teams that visited Brazil in 1965-66 and again after 1969 under AID/W central research contracts. These teams were unrelated to the Mission's credit project, though members were occasionally asked to play advisory roles. The table excludes a credit union project that began in 1960 and phased out in 1967. The project personnel in one year made an abortive attempt to introduce a Directed Agricultural Production Credit activity, but the government was unreceptive and the credit union movement failed to get a foothold in farm communities.

BRAZIL

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58	1						
59	1						
1960	1						
61	1						
62	1						
63	1						
64	2						
1965	2	3					10,000
66	3						15,000
67	4						22,000
68	4						20,000
69	3						15,000
1970	2	3					
71		3					
72		3					

GUYANA
by
E. B. Rice
PPC/PDA

Russell B. Gregg, agricultural credit advisor, was stationed in Georgetown from December 1959 to July 1964. He attempted in that period to help establish a viable supervised credit program for small farmers, a program which would combine the financial resources of the British Guyana Credit Corporation with the technical expertise of the Department of Agriculture. Gregg and the limited Departmental staff assigned to the project concentrated on building pilot credit operations at two regional settlement schemes (Garden of Eden and Mara.) The program was not able to get sufficient grant support to ensure success. Since independenee in 1966, the Mission has occasionally considered providing support to agricultural credit but thus far no agreed projects have materialized.

GUYANA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960	1						
61	1						
62	1						
63	1						
64	1						
1965							
66							
67							
68							
69							
1970							
71							
72							

DOMINICAN REPUBLIC
by
Raymond Stadelman
LA/DR

The Mission was established in 1952, but major programs were not initiated until 1962 because of the unsettled political situation in the country.

Although local currency funds generated through PL 480 Title IV programs and amounting to RD$4 million were allocated to the Agricultural Bank in 1964 for agricultural credit loans, they were programmed instead to support the Bank's rice stabilization program, which was a major factor in achieving self-sufficiency in rice production. A.I.D. made a positive entry into the agricultural credit picture in 1966 with financial and technical assistance in support of two credit programs--the Managed Credit Program and the Supervised Credit Program.

The former was directed at selected borrowers known to the Agricultural Bank and was under full control of the Bank. The Supervised Program, supported by a local currency loan, was designed for those farmers who found it difficult to obtain loans from the usual sources. This loan is also supervised by the Bank, but lending and collecting duties, as well as technical advice to the farmers, are the responsibility of the Secretariat of Agriculture.

A.I.D. monetary inputs to all agricultural credit programs are somewhat difficult to ascertain precisely, because of variability among data sources, but a very close approximation is as follows:

<u>Dollar Inputs</u>:

L-010 of 10/5/66, Agricultural Credit, now 100% disbursed	$ 9,477,000
L-014 of 4/26/67, Community Development, ($8,700,000) now 97% disbursed, had a credit component for Agricultural Integration Associations in the amount of	250,000
L-020 of 3/28/69, Cooperative Development, ($2,650,000) now 42% disbursed, had a credit component for members amounting to 2 million, of which disbursements are to date	750,000
	US$10,477,000

<u>Local Currency Inputs:</u>

1A-8 of 8/10/66 as amended, Agricultural Production Promotion	RD$ 2,243,000
1A-10 of 8/10/66, as amended, Agricultural Cooperative Development (RD$ 600,000) had as a credit component	390,000
1A-20 of 9/23/66, Supervised Cattle Credit Program, lent to Chase Manhattan for relending to farmers	500,000
1A-26 of 11/22/66, Disaster Relief (Hurricane Inez) for RD$ 658,000, had a credit component amounting to	387,000
1BA-7 of 6/25/68, Cooperative Credit (RD$1,600,000) included RD$600,000 for a revolving loan fund, of which 80% was earmarked for agricultural co-op members	480,000
1BA-9 of 6/26/68, Supervised Cattle Credit Program (Extension of 1A-20) for purchase of breeding stock	400,000
1BA-19 of 9/18/68, Supervised Credit (includes $280,000 for technical assistance) of which disbursements were	5,578,263
1BA-31 of 1/16/69, Vehicles for credit advisors under 1BA-19	20,000
1BA-39 of 10/15/69, Managed Credit Program	335,000
BFA-73-1, of 8/23/72, Cacao Improvement (RD$1,103,250). Credit component	780,000
	RD$ 11,174,518

Both programs are progressing well--the Managed Credit Program exhibited only 6% delinquency on 5,507 loans totaling over $15 million, a striking contrast to the 34-37% delinquency in previous years. The Supervised Credit Program has been in operation long enough to determine that its delinquency rate is acceptable; the Program has been beneficial and efficient, in spite of rather high delinquency rates in the IAD account (for loans to settlers under agrarian reform program) and in the New Enterprises (high-risk) account.

The Supervised Cattle Credit Program administered by the Chase Manhattan Bank (which also used $400,000 of its own funds in this program) accomplished well its program; as of 8/31/72, loans amounted to RD$ 3,026,825, with only 2% past due on that date.

The success of the Supervised and Managed Credit Programs is partly attributable to USAID credit advisors Melvin B. Morris and John Jordan, supported by a team of Puerto Rican credit specialists headed by Pedro Negrón Ramos of Servicios Técnicos del Caribe.

Mr. Morris served in the Dominican Republic from early 1966 to late 1970, and Mr. Jordan from early 1971 to date. Three of the nine Puerto Ricans worked primarily at Bank headquarters, while six were assigned to field branches, of which the Bank has twelve.

USAID also utilized the consultant services of Ronald L. Tinnermeier (North Carolina) and Charles P. Swett, whose reports were useful in compiling these notes. Mr. Tinnermeier served from September 17 - 23, 1969, and Mr. Swett made two visits to review credit operations of the Agricultural Bank (one month in November 1965 and 2 months in January and February 1966).

However, the improved training given to Bank officials and employees and the close supervision of operations by the AID-financed technical staff apparently will not guarantee the viability of the Agricultural Bank if it continues to carry on its books the large number of uncollectable loans and on its payroll a considerable number of unnecessary employees.

Prior to the initiation of A.I.D. assistance in the field of agricultural credit, there was little effective progress, although the Agricultural Bank had been established in 1945 during the Trujillo regime. Even the assistance of IDB in the form of a loan of $9.12 million (by means of which 60,000 loans were made) did not improve the long-term availability of funding for Dominican farmers. The Bank reorganization of 1962-63 and the rapid disbursement of the IDB loan funds apparently served only to decapitalize the Bank, which soon had 100,000 loan accounts, of which 73,000 were past due. In 1965 the Bank made 34,182 loans totaling $21.2 million, and 1966 proceeded at the same rate.

The small farmer's greatest hope for financial assistance derives from the Supervised Credit Program, which applies to farms as small as one hectare. At the end of FY 1969, 982 loans (averaging less than $1,000) had been made to finance production of plantains, rice, and coffee. On the other hand, 27% of the funds in the Managed Credit Program went to individual loans of over $20,000. But here, too, 65% of the farms assisted were 7 to 35 Has. in area, and 88% of the loans were between $300 and $5,000. Most loans are for 18 months or less, and the interest rate to the farmer is 8% per annum.

The reduction in assistance is in part a reflection of the general policy to lower U.S. staff levels in the D.R. The Mission also believes that GODR now has sufficient trained personnel to carry on the established credit system.

DOMINICAN REPUBLIC

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63							
64							
1965							
66	1						
67	1	9			9,730	3,520	
68	1	9				880	
69	1	9			750	5,600	
1970	1	9				340	
71	2	9					
72	1						

HAITI

by
E. B. Rice
PPC/PDA

The Mission helped establish a rural supervised credit program during the period 1956-62 after which the project (Project # 018) was terminated (along with most other U.S. activities in Haiti). The first U.S. agricultural cooperative and credit adviser (Russell B. Gregg) was stationed in Port au Prince from June 1957 to November 1959, commencing his tour shortly after the first farm loans were made. The revolving fund was capitalized by USAID dollar and local currency grants administered by the newly created Bureau de Credit Agricole (BCA) an autonomous unit of the Ministry of Agriculture's extension service. Beginning in 1959, the supervised credit operations were concentrated in the two areas of the country where USAID was committed to integrated regional development programs, at Pote Cole in the Department of the North and the Artibonite Valley. After Gregg's departure, a U.S. agricultural economist helped advise the Haitian director of BCA's expanding program. The supervised credit program was not specifically focused on small farmers, or cooperative organization (except in the Artibonite). Throughout the six-year period the program remained dwarfed and largely unrelated to the Mission's well-staffed agricultural extension activities.

HAITI

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57			140				
58	1						
59	1			300			
1960	1			300			
61	1			400			
62	1			200			
63							
64							
1965							
66							
67							
68							
69							
1970							
71							
72							

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MOROCCO

by
Jiryis Oweis and E. B. Rice
AFR/DP PPC/PDA

The U.S. assistance program in Morocco began in 1957. Technical assistance in support of the country's general agricultural credit system did not begin till 1962, continued at a low level til 1966, and then was terminated. Since 1966 AIDs contribution to credit has been concentrated in the government's cereal expansion program, where U.S. and assigned local currencies helped finance farmer adoption of new wheat varieties and related technologies during the late 1960s.

Morocco's institutional agricultural credit system, never very extensive and catering mostly to large farmers, was reorganized in 1962, incorporating some of the recommendations resulting from two American credit consultants visits (Edwin C. Johnson in 1958 and Chester J. Tyson in 1962). The National Agricultural Bank (Caisse Nacionale de Crédit Agricole, CNCA) began operations in 1962, consolidating credit functions previously performed by several institutions. It assumed the accounting functions for the old, government controlled farmer associations, the Societes de Crédit Agricole et de Prevoyance (SOCAP). U.S. assistance, under the proposed project "Cooperatives, Credit and Marketing" (Project #037), was directed to improving the administration and operation of the Societes' credit functions and CNCA's local activities "that will introduce supervised credit to small farmers", and to in-service training for CNCA's administrative staff. Valier E. Morin, Agricultural Credited Cooperatives advisor, directed the AID project single handedly from May 1962, to early 1966, handicapped by the lack of any formal agreement with the government on project design. He was not replaced.

In the period 1966-70, AID has participated in substantial financial support to revolving farm loan funds established under Operation Engrais (Fertilizer) and later absorbed within the cereals production program which grew out of Operation Engrais. A local currency Loan, Title I (U.S. owned) (FC -28), equivalent to $3 million was disbursed to the GOM in 1966 for deposit to the Operation Engrais revolving credit fund. AID also agreed to the release of $21.4 million (equivalent) in Title IV and ASL/EDL counterpart currency (GOM owned) from 1966 to 1970. The funds have been channelled to small farmers through SOCAP. AIDs technical contribution to the new cereals activities has been in overall program design and in the development of the research and extension components, however, not in credit. The only identifiable technical inputs in recent years were the report on credit needs and systems in the general TVA short term study which preceded the fertilizer campaign in 1967, and the continuing attention to credit issues of the present USAID agricultural economist, Norman Ulsaker (1968). The low levels of U.S. technical services provided to the government in the field of farm credit reflects in part the difficulty in obtaining French speaking American technicians.

MOROCCO

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62			10				
63	1		20				
64	1		40				
1965	1		50				
66	1		30			3,000	
67							8,100
68							5,000
69							5,000
1970							3,300
71							
72							

TUNISIA
by

Jiryis Oweis and E. B. Rice
AFR/DP PPC/PDA

United States assistance to Tunisia began in 1957. The initial program for financial and technical assistance in agricultural credit started the following year. A committee composed of Leon M. Evans, Paul Forhauser and Henry H. Stippler (all on the staff of the Mission) authored a "Report on Agricultural Credit in Tunisia" which recommended the establishment of the Banque Nationale Agricole (BNA) and subsidiary agricultural credit cooperatives affiliated with the BNA. The Government was receptive to the Mission recommendations and the new system of agricultural credit which would replace the financial institutions inherited from French rule. The BNA and credit cooperatives were established in 1959. The credit cooperatives initially were under the control of the government, but in 1965 the jurisdiction and control was transferred to BNA.

Several persons have served with the Mission as advisors to help improve the system of rural credit. Richard E. Kiely, a direct-hire advisor from March 1959 to June 1, 1961 was connected with project # 014, "Improvement of Rural Credit". A. H. Ballandax, a contract employee from the Netherlands succeeded Kiely and served with BNA in 1961-1963, under the "Agricultural Production" project (#20056). The work involved improving the administration of loans. A. Prat of France, a contract employee, served first with the Ministry of National Economy in 1964 under the Mission's "Assistance to Cooperatives" project (#30092). He transferred in 1965 to BNA after the credit cooperatives came under the jurisdication of BNA. His work included assistance in developing better financial management, training personnel and establishing new cooperatives. Mr. Prat terminated in 1968. Other advisors have served as short-term consultants, including Russell B. Gregg of the Farmers Home Administration (report "Agricultural Credit in Tunisia", 1968).

USAID's financial assistance has been in the form of grants and loans of local currency generated under several programs, amounting to $8.9 million between 1958 and 1965, and a development loan of $6.5 million for credit to buy agricultural equipment in 1964. USAID has provided some commodity support in the form of three mobile bank units and arranged for short-term training in the United States for Tunisian officials of the BNA and other organizations.

USAID has been responsible to some extent for the agricultural credit system that is established and being developed through BNA and the local credit cooperatives. The agricultural credit cooperatives, started in 1963, had an impressive growth and lending record until 1967. Their subsequent record has been less impressive. Over-expansion, inadequate training of management, poor lending policies, and Government pressure for lending to socialized cooperatives which failed (during the cooperative period) were causes. BNA's programs of training personnel, reorganizing and instituting sound management practice is improving the system.

The small amount of technical assistance to the BNA has helped give it the efficiency and sound financial management that it has. USAID's assistance in cooperative credit to the Bank has contributed to the development of cooperative societies. Between 1957 and 1966, USAID contributed approximately 50 per cent of Tunisia's agricultural credit through BNA. The activities of the Mission were not geared to small farmers, but to increased output. BNA excludes farmers with small holdings, or who lack approved title to land which they are cultivating, among others. The GOT has tried with the BNT (formerly BNA) and commodity offices various credit schemes to a limited number of small dry-land cereal farmers. These have been considered failures in terms of the very low rates of reimbursement which have been less than 30%. Credit to farmers operating small irrigated farms growing fruits and vegetables has been much less of a problem because of the higher revenue. It appears that agricultural credit assistance had low priority in the U.S. programs in Tunisia in the 1960's partly because of difficulties encountered in obtaining French speaking American technicians, shortage of Tunisian manpower, and other priorities.

TUNISIA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE*				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local** Currency	Dollars	Local*** Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960	1			2,010			
61	1	2		500			
62		2			6,500	1,630	
63		2				2,350	
64		1				30	
1965						2,400	
66		1					
67		1					
68		1					
69							
1970							
71							
72							

* Exchange Rate Used = 0.417

** Seed Loan Fund Capital Contributed to BNA from Sec. 609 Counterpart Funds

*** Special Agricultural Fund (FSA Revolving Fund) Capital contributed to BNA from PL 480 Loan Funds

LIBYA

by
Jiryis Oweis and E. B. Rice
AFR/DP PPC/PDA

United States assistance to Libya began in 1952, and an agreement for "technical assistance in the establishment of certain banking institutions" was signed in 1954. Leonard Kerr, an American farm credit specialist with A.I.D./W, made a preliminary survey in 1954. Draft legislation was prepared and the government established the National Agricultural Bank later the next year. The Bank was capitalized by a $2,800,000 A.I.D. grant and by the end of 1956, a team of five direct-hire American technicians was stationed in Libya on assignment to the Bank. The "Agricultural Credit" project (Project # 101) lasted until 1962, when the last credit technician left. There were three technicians in the project for most of its life, that is from late 1957 to early 1961. The American served in operational as well as advisory capacities: one throughout 1956 as managing director at headquarters in Tripoli (William S. Brock, 1956-57), another for several years as provincial branch manager in Benghazi (Roscoe D. Roberts, 1956-61); the other Americans were: Alan P. Beals, 1956-57; Trammel M. Ice, 1956-58; Reuben Simmon, 1956-61; and William Davidson, 1958-62.

In the last few years of the project, the A.I.D. Mission showed concern about the fact that the Bank's Libyan officers gave little attention to the development and financing of farmer cooperatives, even though emphasis on cooperative credit was placed in the initial agreements, and the tendency of the Bank to restrict loans to large farmers. In 1961, the Mission moved to terminate its assistance to the Bank, and start another project entitled "Developing Credit and Cooperative Institutions." The new project was intended to set up a few pilot cooperative credit schemes to demonstrate the efficacy of this approach to the Bank and other Libyan officials. The remaining U.S. technician, Davidson, appears to have been involved with the early stages. But he left at the end of 1962, the new project was dropped, and a year later the Mission closed.

LIBYA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955			2,800				
56	5						
57	5						
58	5						
59	3						
1960	3						
61	1						
62	1						
63							
64							
1965							
66							
67							
68							
69							
1970							
71							
72							

ETHIOPIA

by
Martha Horsley
PPC/PDA

AID assistance to Ethiopia began in 1951, and a number of activities aimed at institution building in the agricultural sector were initiated. Concern with agricultural credit per se, however, did not surface until 1961 when a $2 million development loan was provided to the Development Bank of Ethiopia (DBE). Following this loan, there was another lull in credit-related activities until the late 1960's when Mission interest was renewed. In 1971 approximately $1 million was allocated to agricultural credit from the AID Agriculture Sector Loan (ASL); and continuing, though smaller, allocations from the ASL in subsequent years are planned for the Minimum Package Project (MPP)-an Ethio-Swedish program to provide credit for improved seed and fertilizer to small farmers in accessible locations throughout the Empire.

The DBE was established in 1951 and was capitalized with the assets of the former Agricultural and Commercial Bank of Ethiopia and loans from the IBRD and the German Kreditanstalt. The terms of reference of the DBE were to provide medium and long-term loans to private borrowers for agricultural and industrial development projects. AID extended a $2 million development loan to the DBE in 1961; however, a credit program was not continued due to the DBE's generally poor performance. In 1968, AID provided an $8 million development loan to the newly formed Ethiopian Investment Corporation (EIC), which was established to provide loans and equity participation in Ethiopian corporations. At least two of the subloans -- one to the Ethiopian Farm Development Share Company and one to the Ethiopian Spice Company -- were used indirectly to provide short-term credit to small farmers.

In 1969 the Ethiopian government set up a Financial Intermediaries Reorganization Committee (FIRC) which was charged with the task of rationalizing the lending operations and the financial holdings of the various government institutions. As part of this task, FIRC arranged for the merger of the DBE and the EIC into the Agricultural and Industrial Development Bank (AIDB), which was chartered in 1970. Shortly before the FIRC report was submitted, Robert Tootell, former Governor of the U.S. Farmers Home Administration, spent six weeks in Addis Ababa and submitted a report recommending the establishment of a supervised credit program by the new bank. The AIDB, being only two years old, has not yet established its own supervised credit program, but instead has worked with the Ministry of Agriculture which operates a supervised credit program for the ministry's package projects (e.g., CADU, WADU, MMPO). The AIDB provides the credit for production inputs and the projects provide with their own staffs the supervision. By 1970, the AID loan to the DBE had been disbursed, but the remaining EIC loan funds were transferred to the AIDB. Efforts at programming these funds have failed, primarily because fertilizer procurement has been about the only alternative and AID regulations restricting shipment to us bottoms has made procurement under the loan more expensive than under other alternatives available to the AIDB. Meanwhile, $928,000 in local currency from the first ASL (negotiated in 1969) was made available to the AIDB for agricultural lending in FY 1971.

During the 1967-72 period, AID financed training for participants in agricultural finance, including several in agricultural credit and cooperatives, although the mission has not sponsored a cooperative development program per se. In 1968-69, Stanford Research Institute (SRI), at AID's request, conducted a major survey of the agro-industrial sector in an effort to identify fundable projects. One of the 18 studies completed was An Agricultural Credit Program for Ethiopia (242 pp.) by Harry Robinson and Mammo Bahta. Currently, the mission is supporting the MMP, mentioned above, with allocations from ASL and has agreed to finance the technical services of three agronomists. These technicians will be brought on board in FY 1973. The Mission would consider providing additional support for agricultural credit; however, inability to program the undisbursed $3.5 million of the former EIC loans indicate the difficulties in using AID's traditional foreign exchange loan and procurement rules to support agricultural credit in Ethiopia. Also, a recent IBRD loan of $11 million to the AIDB may have pre-empted any further assistance to this institution in the immediate future.

Although part of the AID loan to the DBE was used to refinance small agricultural loans, which had been originally financed through overdraft facilities on the State Bank of Ethiopia, by 1961 the DBE had virtually stopped granting small agricultural loans. Thus, neither the 1961 DBE loan nor the 1968 loan to the EIC was directly aimed at small farmers. The 1971 ASL agri-cultural credit funds provided about one-third of an AIDB loan to three farmer cooperatives in the Setet Humera area, where there has been recent spontaneous settlement and development of commerical farming. In FY 1972 about $362,000 of ASL funds were provided for the small farmer credit program administered by AIDB and the Ministry of Agriculture. Current and planned future mission support of the Minimum Package Project and the Ada Project (an AID assisted small farmer area development project), however, reflect a continuing interest in giving small farmers access to improved inputs.

ETHIOPIA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61					820 1/		
62							
63							
64							
1965							
66							
67							
68		1			500 2/		
69		1					
1970							
71					920 3/		
72					180 3/		

1/ Estimate of amount of $2 million loan to the DBE which was used for agricultural credit (based on percent agricultural loans in period FY 52-67). Fifty percent of total loan could be used for local currency expenditures.

2/ Estimate of amount of $8 million loan to EIC which was used for agricultural credit. Approximately $3.5 million of this loan, which was transferred to the AIDB at the time of the merger, remains undisbursed and is not included on this table. Twenty-five percent of the total loan can be used for local currency expenditures.

3/ Allocations to agricultural credit activities through the Agricultural sector loans.

KENYA
by
Martha Horsley
PPC/PDA

An AID regional representative for East Africa was assigned to Nairobi in 1958, and the AID mission to Kenya opened in 1960 while Kenya was still under colonial rule. One can distinguish two separate periods of AID interest in agricultural credit activities, one in the late 1950s and early '60s and one in the early '70s. During the first and unsuccessful attempt to launch a program, agricultural credit assistance was coupled with assistance to the development of cooperatives. In the more recent attempt technical assistance support of credit activities has been aimed at the level of the principal agricultural credit institution. In neither case has AID provided major loan funds for agricultural credit: Kenya has relied primarily on the IBRD, Sweden, Germany, and Great Britian for such funds.

In 1959, prior to the formal opening of the AID mission to Kenya, a grant of $280,000 in local currency was made to the Government of Kenya Ministry of Agriculture for use in a small farmer credit program. At this time, the only agricultural financial institution was the Land and Agricultural Bank, which did not lend to small farmers. In the same year, an AID consultant, M.H. Williams of the U.S. Farmers' Home Administration, made a survey of agricultural credit needs in Kenya and suggested lending policies which might be appropriate for an expanded program. In 1960, another consultant, Chester J. Tyson (who had just completed agricultural credit surveys in Uganda and Tanganyika), spent a short time in Kenya discussing supervised credit. When the mission opened in 1961, an Agricultural Cooperative and Credit Project (nos. 14-AC and 103) was proposed as one of several AID activities which would be part of a long-run strategy to increase Agrican agricultural production. This project called for the establishment of a new agricultural credit institution and a supervised credit program for small farmer crop and livestock production. A cooperative advisor (Reuben Simmons, March 1964-March 1965) spent some time working with the GOK in setting up a cooperatives bank, and in 1965 the Cooperative Bank of Kenya was established, although operations did not begin until 1968. Otherwise, the AID program did not materialize; and the Ag Coop & Credit Project was phased out as assistance to cooperatives from the Nordic countries increased.

In the late 1960s, interest in giving some assistance to the development of agricultural credit activities reemerged. In 1969 Robert Tootell, former Governor of the Farmers' Home Administration, carried out a reconnaissance survey of agricultural credit needs in Kenya at AID's request; and in early 1970 Tootell returned--with two other consultants (Harold A. Miles and James E. Pitts)--to do a further in-depth study. There are several institutions providing agricultural credit in Kenya-including the Kenya Tea Development Authority, the Land Settlement Department, the Kenya Farmers' Association and commerical banks--but the Tootell Mission concentrated on the activities of the Agricultural

Finance Corporation (AFC). The AFC was established in 1963 and is the major public body administering agricultural credit; it was reconstituted in 1969, taking over the responsibilities of the Land and Agricultural Bank. Reforms called for by the Tootell Mission included increased availability of short-term production credit and decentralized lending activities. In 1970 two senior USDA PASA agricultural credit technicians, Henry Lowe and Sheldon Ward, were assigned to work with AFC. Lowe has been serving as General Manager and Ward as Ranch Loan Section Head. Lowe and Ward were originally funded under Agricultural Support (Project No. 121) but were transferred to the new Agricultural Credit Project (No. 148) whose purpose is to strengthen credit management at the distribution and production level and to supervise a special small-holder credit scheme which is part of a larger AID effort to promote rural development in Vihiga (Western Kenya). In October, 1972 three more AID technicians (Wallace Slotten, B. Behren, and P. Bergland) arrived to assume their responsibilities as AFC area supervisors. Slotten, who was formerly stationed in nearby Uganda and acted as a credit consultant to the Vihiga project in 1971-2, will head up the region encompassing Vihiga.

Two other AID programs in Kenya involving agricultural credit might be mentioned here. In FY 67 a $140,000 grant was made available for loans to local grazing associations in connection with the establishment of the Range Management Division in the Ministry of Agriculture (see project no. 100), and it is anticipated that part of a $10 million loan to the livestock subsector in FY 74 will be used for credit. (The proposed AID loan is only a fraction of planned IBRD assistance to livestock development.) An East African Rural Credit Union Development Project, headquartered in Tanganyika in the mid 1960s, was never strongly supported by the Kenya AID mission; but in the late 1960 the African Confederation of Savings and Credit Associations (ACOSCA) was formed with headquarters in Nairobi. ACOSCA is one of seven regional confederations which are members of the World Council of Credit Union, and AID has financed the services of the principal advisor (Mark Moriarty) to the General Manager since November 1970.

AID's initial efforts to support credit cooperatives among the Africans would have largely benefited small farmers; however, support of the AFC is less likely to benefit this group primarily. The majority of AFC borrowers are small farmers, but almost ninety percent of total loan funds have gone to large-scale farmers. The Guaranteed Minimum Return program, handled by the AFC, also goes primarily to medium and large-scale farmers.

KENYA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59				[illegible]			
1960							
61							
62							
63							
64							
1965							
66							
67			140				
68							
69							
1970		1					
71		3	10				
72		2	10				

UGANDA

by
Martha Horsley
PPC/PDA

AID's contribution to the development of agricultural credit in Uganda has been primarily through the strengthening of Uganda's agricultural cooperative societies, which were established during the post-World War II years of the British protectorate. In addition, AID grant money has been used to set up two small revolving loan funds. Most of Uganda's agricultural credit has been financed locally through the government-owned commercial bank or externally through British banks and the IBRD. British bank credit has been used primarily for crop finance or marketing; IBRD loans have provided commodity credit for tea, livestock, and tobacco.

The AID mission to Uganda opened in 1961, although for several years prior to that time there was an AID regional representative for East Africa located in Nairobi. In 1960 an AID consultant, Chester J. Tyson of the U.S. Farmers' Home Administration, visited Uganda as an agricultural credit consultant and made recommendations leading to the establishment of the Progressive Farmers Loan Scheme. The scheme provided credit in kind to individual farmers but was discontinued in 1964 due to serious defaulting. In the following year, 1961, a Cooperative Credit Scheme (CCS), proposed by J.C. Ryan from the Reserve Bank of India, was instituted. The CCS mades selective use of the primary marketing societies as channels of credit for the individual small farmer. It operates country-wide and specializes in short-term, with some medium-term, loans for coffee and cotton, the two most important cash crops. At about the same time that the CCS was being organized, the AID mission proposed a credit program (see project nos. 081, 14-AA, and 006) which would involve the establishment of an agricultural cooperatives credit bank, a development loan for agricultural credit, and technical assistance and participant training in support of the cooperative movement.

Only part of the proposed program actually materialized. The development loan idea was dropped. An agricultural cooperatives development bank was chartered in 1964, but operations were suspended due to malfeasance. In 1968 an AID-financed consultant team, headed by L.A. Crawford, formulated a plan of action for reactiviating the bank; and in 1970 Crawford was again called in, this time to assist with the actual reorganization. Finally, in January 1971, the Uganda Cooperative Development Bank (UCDB) was formally opened for business. Regarding the technical assistance component of the program, an AID direct-hire technician (Kerr) worked on the CCS in 1963 and 1964. In 1964, a technical assistance contract for general cooperative development was given to the predecessors (NFU and FUIAC) of the Agricultural Cooperatives Development International (ACDI) and was subsequently transferred to ACDI. Under this contract, a total of fifteen man-years of technical assistance in cooperative credit per se was provided during the period FY 65-72 -- eight years by Wallace Slotten and seven years by Dennis C. Frederickson. Slotten and Frederickson have worked in the ministries with both the Cooperative

Department, which provides administrative supervision for the CCS and the Agricultural Department, which provides technical supervision for the CCS through the Agricultural Credit Advisory Services (ACAS). In FY 72, Donald Cooper, a rural thrift and savings advisor, joined the ACDI team to work on the Rural Savings Scheme to increase agricultural credit availabilities. Although not included in the table, most of the other ACDI technicians involved with this project can be considered to have influenced the credit program even though they were not primarily assigned to credit. Construction of 13 cooperative training centers had similar effect. It is difficult to separate AID assistance to the cooperative credit scheme from the entire AID cooperative project. Slotten left Uganda at the end of the FY 72, and Frederickson and Cooper are scheduled to leave at the end of FY 73 at which time the whole ACDI contract is expected to phase out. Some participants have been given crédit training abroad under the agriculture cooperatives project, and a large number of Ugandans have been offered training locally in various aspects of credit operations.

In addition to its technical assistance and training activities in support of credit, AID has provided local currency grant funds for two, small, agricultural revolving loans funds. One grant, amounting to approximately $184,000, was made to the cooperative societies to establish a revolving fund to finance storage units for minor crops. The other grant, in the amount of $280,000 (funds generated from PL 480 Title IV wheat sales in the East African Community in 1966), went to a Ranching/Dairy Loan Fund in conjunction with the AID-financed livestock development project. Funds are available to ranchers in the Ankole-Masaka District for on-farm development.

Prior to 1961, the African small farmer had virtually no access to agricultural production credit. Ten years later, thanks to the development of credit cooperatives, approximately 50,000 small farmers were receiving seasonal loans. Thus, to the extent that AID has supported the cooperative movement, and more specifically cooperative credit activities, its program has directly benefited the smallholder. The storage unit fund made available to the cooperative societies is also likely to have benefited the smallholder. The AID support Ranching/Dairy Loan Fund, however, is not really aimed at the small operator since priority consideration is given to ranchers (or cooperative ranching schemes) who are literate and who have working capital of at least $4,000.

UGANDA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63	1						
64	1						
1965		1		130			
66		2					
67		2					
68		2					
69		2		280			
1970		2					
71		[illegible]					
72		[illegible]					

TANZANIA
by
Martha Horsley
PPC/PDA

The AID Mission to Tanganyika opened in 1961, although for several years prior to that time there was an AID regional representative for East Africa located in Nairobi. Initially, the stated AID priority goal was to increase agricultural production, agricultural credit being an essential tool for achieving this end. Subsequently, however, a determination was made that pre-requisites for directly increasing agricultural production included accelerated education and training programs for Tanzanian nationals and strengthened domestic institutions. One can view this, perhaps, as a switch from a short-run to a long-run development approach. In any case, despite repreated assertions by the Mission regarding the importance of agricultural credit, little has materialized.

During the early 1950s, the Mutual Security Agency (one of AID's predecessors) gave $200,000 in grant to the British colonial government in Tanganyika in support of two African loan funds, the Local Development Loan Fund and the African Productivity Loan Fund. These funds provided seasonal crop loans to individual farmers. By 1960 the loan funds were suffering from serious problems of repayment: a World Bank Mission and Chester J. Tyson, and AID agricultural credit consultant, were brought in for advice. Although not all of their advice was taken, particularly that concerning decentralization, these missions did lead to the replacement of the two African loan funds with the Agricultural Credit Agency (ACA) in January 1962. AID gave £120,000 of U.S. owned sterling -- acquired during the Marshall Plan days -- to the ACA for use in a revolving loan fund. At about the same time, another credit institution, the Cooperative Bank of Tanganyika Ltd. (CBT), was established with subscriptions from approximately 900 cooperative societies. Most of the societies were agricultural marketing cooperatives, and the bank concentrated on short-term loans to finance the harvesting and marketing of cash crops.

From May 1963 to May 1966, a U.S. direct hire technician (William H. Davidson) served in the capacity of Agricultural Credit and Cooperative Advisor. He was the only element of a larger planned T.A. program (see project nos: AC-6, 001, 073, 117) which actually materialized. Davidson started out as advisor to the CBT and assisted in the re-organization of the agricultural credit system which took place during his first year of duty. Through this reorganization, formalized in the National Cooperative and Development Bank Act of 1964, the former credit institutions were abolished and three new statutory corporations were set up. The National Cooperative and Development Bank (NCDB) was set up as a policy making and coordinating body with two subsidiary corporations, the National Cooperative Bank (NCB) and the National Development Credit Agency (NDCA). The NCB and the NDCA took over the functions of the CBT and the ACA respectively. Davidson spent his last two years as advisor to the NCDB, primarily assisting with the loan activities of the two subsidiary corporations. An IBRD loan of $5 million was granted to the NCDA in 1966 for tea, coffee, and cotton development; and a $9 million loan was made for tobacco production in 1970. The credit institutions have only acted as a channel for these funds, however, supervision has been accomplished by the Ministry of Agriculture or, in the case of tea, by the Tanzania Tea Authority.

In 1971 the agricultural credit institutions were again reorganized, with the crop-marketing loan portfolio going to the National Bank of Commerce and the investment loan portfolio going to the newly formed Tanzania Rural Development Bank (TRDB). The AID mission has proposed an assistance program to the TRDB for FY 74 involving a development loan and a three or four man technical assistance team to the Operations Department. Initially the development loan would consist of approximately $3 million for food crops development and may be confined to one or more regions; if successful, additional funds would be forthcoming. Final decision of this program will await a food crops subsector analysis which will be carried out in FY 73 to determine, among other things, to what extent credit acts as a constraint on food crops production. The IBRD is currently negotiating additional loan funds -- for tea, livestock, and cotton -- to be channeled through the TRDB. The UNDP and the Nordic countries are expected to provide some technical assistance.

As can be seen from above, the development of agricultural credit facilities in Tanzania has been very closely tied to the development of the cooperative movement. AID has not had a program in support of the cooperative movement per se, although some cooperative participants have been trained and there is presently an AID-financed cooperative accounting instructor at the Cooperative College in Moshi. AID has, however, financed a rural credit union development project, initially as part of an East African regional project and later as a bilateral activity in Tanzania (project no. 085). Under the regional project (included in this program history because of its location in Tanzania), Jack Dulin -- who had been a NGO credit union representative in East Africa from 1963 to 1965 -- was asked to remain as East Africa Regional Director, headquartered in Moshi, under an AID contract with CUNA (1965-1967). His main interest was to encourage the formation of second level credit union institutions, i.e., a league of federation at the national level, in Kenya, Uganda, and Tanzania. Shortly afterward Ronald Madery was brought in as Country Director in Tanzania (1965-1967), but the Kenya and Uganda Missions failed to follow through on their requests for a country credit union specialist. In May of 1967, the regional program was phased out in Kenya and Uganda and was bilateralized in Tanzania. Under the bilateral program, Kenneth L. Marin (1968-70) served as advisor to the Savings and Credit Union League of Tanganyika, and Roger Teasley (1968-70) served as an auditor in the Ministry of Agriculture and Cooperatives. All four technicians were largely engaged in the training of credit union personnel.

Prior to 1962, the only bank dispensing agricultural credit in Tanganyika was the Land Bank of Tanganyika, which financed large, expatriate farmers. The ACA, and subsequently the NDCA, placed increasing emphasis on providing credit to the small-scale peasant farmer through the cooperative movement. The new TRDB specifically gives priority to "ujamaa" villages and cooperatives. Thus, to the extent that AID has supported these institutions and also the credit union movement, its programs have supported increasing access to credit for the small farmer.

TANZANIA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955			200				
56							
57							
58							
59							
1960							
61							
62				350			
63							
64	1						
1965	1						
66	1	2					
67		2					
68		1					
69		2					
1970		2					
71							
72							

NIGERIA
by
Sidney Chambers and USAID
AFR/CWA

A. A.I.D. Inputs

The Mission was established in 1959 and in that year was requested by the Western State (then regional) Government and the Federal Republic of Nigeria to furnish consultants to study and make recommendations on the types and structures of credit institutions best suited to Nigerian agriculture. Consultants made studies in Western Nigeria in 1960-62 and in the former Eastern Region in 1962 and 1963. They submitted recommendations to the respective Regional Governments relative to the organization of agricultural credit institutions and the types of loans that should be made.

In 1964 A.I.D. consultant J. H. Heckman made specific recommendations for the improvement of management practices for cooperatives of Eastern, Mid-Western and Western Nigeria and the role USAID could play in bringing about the required changes.

During the period FY 1962-64 an A.I.D. direct hire Credit Advisor assigned to the Western Region helped to develop the arrangements for administering credit to small holders and gave some on-the-job training to field and office personnel. He worked closely with the Government of Western Nigeria officials in drafting their Agricultural Credit Law. The Law, enacted in 1964, established the Western Nigeria Agricultural Credit Corporation. It was under the jurisdiction of the Ministry of Agriculture and Natural Resources until May 1967, when it came under the Premier's (later Military Governor's) office. The first year's operation of the corporation ending March 3, 1966 was considered very poor because of widespread non-economic considerations in extending loans, particularly through cooperatives.

The only USAID/Nigeria project on Agricultural Credit (620-11-140-082) became operational in FY 1961 and supported most of the short term consultants mentioned above as well as the direct hire advisor in 1962-64 and subsequent PASA staff. The project was phased out at the end of FY 72 with a few months of advanced funding.

The first four PASA (Farmers Home Administration/USDA) advisors served in Nigeria from 1965 to 1967. L. J. Hunt served as team leader and advisor to the General Manager and Loans Officer of the Western Nigeria Agricultural Credit Corporation1/ on the over-all program. Delors E. Magee, G. Wayne Thomas and William T. James were each assigned to one of the three area offices of the same corporation. A beginning was made on a program of supervised loans to individual farmers and administrative procedures were improved somewhat but collections remained unsatisfactory. The fourth specialist, Edward C. Iddings, was assigned to the Fund for Agricultural and Industrial Development (FAID) and to the Supervised Agriculture Credit Branch of the Ministry of Agriculture of the Eastern Region. He also studied the Mid-West Credit situation and made recommendations. The advisors departed in mid FY 1968.

1/ This organization was merged with several agricultural and industrial production and other credit agencies on April, 1971 and renamed the "Western State Agricultural and Industrial Investment Corporation" (WSAIIC). The latter term will be used in the balance of this summary.

In November 1967, a comprehensive Work Plan was negotiated between USAID and the WSAIIC which called for some legislative and administrative changes, a phased training program, and for USAID assistance extending into Nigerian fiscal year ending March 31, 1973. This plan was revised and up-dated in November 1969 after the new Team Leader, Mr. H. J. Finegan had been in Nigeria about six months. Considering the absoprtive capacity of the WSAIIC for technical assistance, it was decided two additional FHA staff should be recruited. Mr. M. C. Tisdale arrived in February 1970 and Mr. R. B. Johnson in August 1970. Mr. Finegan, after the end of his 2 year tour, was replaced in August 1971 by the late Mr. C. J. Tyson who suffered a fatal illness in June 1972. Messrs. Finegan and Tyson advised headquarters staff, mainly the Loans Officer, while the other two were posted to advise heads of area offices. Mr. Tisdale departed post at the end of June 1972 and Mr. Johnson in early August 1972.

From the beginning, the WSAIIC was plagued with basic problems which in management science terminology fall in the area for attention of "organization and methods" specialists. These problems ranged from general issues such as devision of responsibilities between the Board and the Chief Executive Officer and distinctions between "line" and "staff" officers to the "nuts and bolts" of accounting principles and procedures for a credit institution. Many of these problems are not normally experienced in a bureaucratized organization such as the Farmers Home Administration. Accordingly, an organization and methods specialist, Mr. Daniel C. Goodman was posted under personal services contract in mid May 1972, initially for a 4-month tour and subsequently extended to the end of March 1973. In August 1972 he submitted comprehensive proposals for improving administrative performance. These were formally adopted on November 30, 1972 and implementation has commenced. He also has been requested by the Ministry of Finance to make a report on some of the internal obstacles to prompt and complete implementation. To improve the efficiency and effectiveness of the Corporation, continued emphasis will be given to loans to groups and cooperatives as opposed to individual smallholders.

Under this project USAID has provided participant training for nine (9) Nigerians for up to one year duration; in addition the General Manager made a short study tour of U.S. credit institutions. At WSAIIC expense, all field staff are sent in rotational groups of 20 to the 2-year course in technical agriculture at the School of Agriculture of the University of Ife. Indirectly, this course benefits from a USAID contract with the University of Wisconsin which supports the University of Ife Faculty of Agriculture. Encouragement is being given to the incorporation of substantially more agricultural economics in this school, including courses on credit. Finally, of course, the comparatively few field staff who worked closely with the Credit Advisors received excellent on-the-job instructions.

Commodity grant assistance on this project was very modest. It consisted of some office equipment and supplies and, after the departure of PASA technicians of three used Chevrolet carry-alls.

B. Other Donor Inputs

To date no other donors have provided direct capital or technical assistance to agricultural credit institutions in Nigeria. In early 1972, a team from the Economic Intelligence Unit (U.K.) advised the Western State, as USAID and others have done, to separate the agricultural credit component from the variety of other activities encompassed in WSAIIC. Also, a team of technicians arrived in Nigeria in December 1972 to fill a few important line and staff positions in the National Agricultural Credit Bank. This team was recruited by the World Bank and 5-year funding is provided by the UNDP. The Federal leadership is determined that this bank shall be established and operated in accordance with "international standards". Presumably, policies set by this organization will have some effects on the agricultural credit institutions of the individual states, such as WSAIIC, although the nature of formal business relationships has not been determined. Hopefully, this institution will solve the WSAIIC's perennial problem of inadequate loanable funds.

C. Effects

A.I.D. technical assistance to WSAIIC has been decisive in (1) drafting the enabling legislation, and (2) introducing the principle of supervised credit, although pertinent questions were raised by the last group of technicians as to how much supervision it is feasible to provide a multitude of smallholders. In general the A.I.D. assistance has had a much greater impact on field staff and operations than on administration at headquarters. Partly this is a result of the fact that the FHA advisors were recruited entirely from field offices of a U.S. Government credit agency rather than some, at least, from headquarters of an autonomous credit agency. An associated reason has been the reluctance of WSAIIC management to allow technicians full access to managerial issues or to generally seek counsel from the advisors in this important area. The early technicians attempted to transfer a number of techniques from FHA without sufficient adaptation, but this was larggly corrected by the last contingent. Aside from this, the FHA technicians did not bring as great an orientation to systematic training and operational research as the situation clearly called for.

D. Recommendations

Measures which A.I.D. could take to more effectively foster development of small farmer credit programs include the following:

1. Sponsor or otherwise encourage someone to identify high pay-off opportunities available to small farmers and rather precisely describe farmers capital profile and the proper role of credit in it. This step would help assure timeliness in both the establishment and efforts to promore growth of credit institutions.

2. Many obstacles to building an effective government sponsored credit institution are outside the control of its administrative staff. Thus, advisees should include ministries of finance (commonly the source of administrative funds and the guarantor for loan funding) and the statutory corporations commissions or civil service units.

The latter are frequently the source of difficult problems both in personnel management and in basic administrative procedures. The focus of the advice should be either to seek appropriate adjustments or permission for autonomous action by the credit institution.

3. An organization and methods specialist should be among the first to arrive. But in advance of his coming for a reasonably lengthy tour there should be firm understandings in the following areas:

    a) A "proper" division of authorities/responsibilities as between the Board of Directors and the Chief Executive Officer.

    b) Free access for the O & M specialist to correspondence and other forms of deliberations involved in preparations for making decisions

    c) A willingness to promptly consider, discuss and implement recommendations by the O & M advisor.

4. If not available from other sources, the A.I.D. contingent should bring strong expertise in the areas of semi-formal training, communications and relevant economic and operations research. Counterparts should be available for training in all these areas, as well as in field levels of handling mechanics of loan applications, disbursements and collections.

5. The A.I.D. advisors should encourage the development of alternative channels for the flow of credit to smallholders if this total herculean task is to be accomplished.

NIGERIA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63	1						
64	1						
1965							
66	5						
67	5						
68							
69	1						
1970	3						
71	3						
72	3						

GHANA

by

Sidney Chambers

AFR/CWA

This project was initiated in 1966 to assist the Agricultural Development Bank (ADB), formerly the Agriculture Credit and Co-operative Bank, improve its organization and operations, thus enabling it to extend credit to farmers in all of the major agricultural producing areas of Ghana. The Agricultural Development Bank plays a critical role in extending short-term credit to "qualified" farmers and cooperatives.

AID has provided 3 forms of assistance to the ADB. These were 1) the provision of salary support for two AID advisors over the period 1967-1970 to assist in the formulation and implementation of branch development policy and to accelerate staff recruitment and training; 2) the training of participants in agricultural credit and loans, accounting management and management of industrial development and 3) PL 480 Section 104(f) local currency loans to the GOG for relending and increasing its equity holding in the bank. Such assistance totaled $3,539,760 during FYs 1966-1971.

AID involvement in the ADB began with a request from the ADB and GOG to finance a team of consultants to determine whether the ADB should be retained, the future role of ABD, and its organization. The team consisted of Ray E. Davis and Richard K. Ryan who completed their study in July 1966. The two consultants wrote a report directed at the reorganization and refinancing of the Bank and their recommendations have served as the basic policy and organizational doctrine of the ADB.

In the second quarter of FY 1967 the first AID OPEX advisor, Richard K. Ryan, arrived in Ghana to act as consultant to the Bank for a two-year period. His first objective was to assist in developing operational plans for financing and staffing the Bank and for extending its services to transitional and commerical farmers. He also assisted in both the formation and implementation of the branch development policy. The ADB has opened three branch banks as of 1968. This laid the foundation for AID to provide a second 2 years of technical assistance in the person of an OPEX head for the ADB Loans Department.

Glen Studarus arrived January 15, 1969 and as head of the ADB Loans Department was directly responsible to the Managing Director and served as his Chief Advisor on all activities and functions of the Loans Department. Requests for loans received by the ADB were forwarded to the Loans Department for appraisal and a recommendation was made as to whether the ADB should approve the loans. It was the responsibility of Studarus to assign applications to the appropriate officer for detailed study. The final feasibility report on a given application, with the OPEX consultant's summary and recommendation, was submitted to the Board of Directors for consideration.

The Loans Department is also responsible for supervising credit which has been extended to farmers by the ADB. Studarus had primary responsibility to assure that an adequate follow-up schedule was maintained by the Loans Department Officers and also to develop the research unit to the point where it is an effective division of the ADB.

The planned result of AID activity in this project was to assist the ADB in the direction of a sound program. The Agricultural Development Bank was considered by AID to be firmly established on a sound course of development at the end of Studarus' two-year assignment, consequently the project concluded at the end of FY 71.

The FY 66-71 Mission activities were directed at the Agricultural Development Bank. The activities of the ADB was not aimed at small farmers but "qualified" farmers and cooperatives. However, the Bank is increasing the flow of credit to small and medium sized farmers.

GHANA

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
		OPEX					
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63							
64							
1965							
66							
67		1					
68		1					
69		1				600	
1970		1					
71						2,940	
72							

A S I A

TURKEY

by
Francis Johnson
ASIA/NE

Summary

The U.S. Mission has been assisting Turkish agriculture since 1948/49. In 1950 the Mission made a grant counterpart release of TL 15 million to the Agriculture Bank for general agricultural lending purposes. There have been two direct projects in credit.

The Agriculture Credit and Marketing project (1961-1962) involved two resident technicians, short-term consultants, and nine participants. The more extensive Agricultural Credit project (1962-1966) involved three resident technicians and 31 participants. Since the initial grant in 1950, loans and grants for U.S. generated credit* applied to agricultural production and marketing have totalled TL 687.3** million and $3.45 million. Of local currency credit, TL 203 million was channeled through the Agriculture Bank to permit farmers to increase purchases of fertilizer and a new TL 290 million fund is planned to accelerate private enterprise and on-farm development activities (see attached table, AID Agriculture Credit Loans and Grants: 1950-1972).

Agriculture Bank Facilities

The Ziraat Bankasi (Agriculture Bank), founded about 1860, is the largest bank in the country and also one of the oldest. A semi-autonomous agency, it operates through about 750 branch banks and 1,500 credit cooperatives. It is located in the Ministry of Commerce and handles practically all kinds of banking business. The Bank holds about one-fourth ($700 million) of all desposits in the banking system. Assets as of December 31, 1970, amounted to TL 18,312 million ($1,300 million). Interest rates to farmers and cooperatives are set by the Government at a moderately low rate and are, in effect, subsidized by the Bank's commercial business.

Joint studies by the Government of Turkey and AID in 1960 indicated that agricultural production would have to double by 1980 to maintain the 1960 standard of living and that, in order to do this, agricultural credit would have to be made more readily available. It was found that progress in use of agricultural technology was being inhibited because of lack of capital resources.

AID Agriculture Credit Projects

The Turkish Government and AID set up a project on Agriculture Credit and Marketing (-332) in late 1960. An agricultural credit advisor

* Obligations
**Exchange rates varied from TL9=$1.00 (1900-1969) to TL15=$1.00 (1970)

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(Darrel A. Dunn) was assigned to the project for the year beginning June 1961, with a marketing and processing advisor (George T. McCloskey) added later that year.

In 1962 the project was split to form an Agricultural Marketing Project (-343) and a project on Agricultural Credit (-342). The objectives of the latter project were to assist Turkish Government agencies, especially the Agricultural Bank:

a. develop a credit system responsive to farmers' needs;
b. improve the administration of the Bank;
c. develop greater capital resources for the Bank;
d. improve in-house training programs; and
e. improve the operation of the credit cooperatives.

Three resident agricultural credit advisors were commissioned to assist in the new project (Darrel A. Dunn, June 1962 to October 1965, Ward W. Taylor, June 1963 to June 1966, and Glenn W. Studarus, August 1964 to June 1966, following a three month short-term assignment in 1963).

By 1963 it was decided that the long-range objectives could be best achieved by establishing a new credit system in a pilot area as a model for the Bank to follow. Accordingly a review was made of ongoing AID-financed loans to the Bank and a Supervised Credit Program for Denizli Province was initiated with the establishment of a special TL 50 million loan fund in the Bank; half of this fund was provided from the Agriculture Banks's own resources and the balance was in the form of a PL 480 loan from AID. On its part, the Bank set up a supervised Credit Division, established new policies and procedures for processing loans and developing farm plans, set up an area office in Denizli to supervise all country branches, hired ten agriculture graduates (the first in the Bank's history) and trained them in supervised credit procedures, prepared loan guides, and developed procedures for supervision of the Bank's clients.

Through this project the Government of Turkey came to know and accept principles of supervised credit programs. The Mission considers that through participation in this project the Agriculture Bank and the pertinent Ministries gained a better understanding of the agricultural credit situation and the farm credit needs of Turkey. The Mission reports that the Agriculture Bank has adopted a policy of change to keep pace with the needs of Turkish farmers and that the Bank today is one of the most progressive institutions in the country. Evidence of this change was seen in the Bank's willingness to adopt new procedures and practices based on the farmers' needs during the 1968 campaign to promote the use of the improved wheat seed varieties.

The Bank continued to make institutional changes and to extend the supervised credit program after AID terminated the project in 1966. By that time the program had been extended to four additional provinces outside Denizli Province. For September 1972 the Supervised Credit Division of the Agriculture Bank reported the following agriculture development loans:

	Supervised Agri. Dev. Loans	Soil and water Conservation Loans
No. of provinces covered	40	67
No. of branches participating	277	500(approv.)
No. of technical personnel	198	190+TOPRAKSU engineers
Money allocated to program	TL 636 million	TL 206 million
Loans outstanding	TL 260 million	TL 120 million
No. of projects	22,315	12,646

An analysis of the first 14,000 projects (loans approved) involving TL 420 million shows that TL 96 million were for operating loans, 20.5 million for land improvement and irrigation, 72.5 million for farm machinery and equipment, 158 million for livestock and 72.5 million for installations and miscellaneous.

Residual aspects of the Agriculture Credit project were incorporated in the Integrated Agricultural Services project (-425) that was begun in FY 1967. The reason given for the change was that the Mission had found that "credit alone: was not enough to promote development, just as it had been apparent six years earlier that "new technology alone" was not enough to do the job. Of the ten U.S. advisors assigned to the integrated project, two were agriculture credit advisors (Ward W. Taylor, July 1966 to September 1967, and Glenn W. Studarus, July 1966 to November 1968). The project was to serve as a pilot operation to assist the GOT in the integration of agricultural services in one province (Denizli) to show the greater agri-cultural productivity possible through improved and coordinated services. Primary targets were institution development, increased use of inputs (fertilizer, credit, etc.), and research and extension. Project objectives were not fully met and the activity was terminated in 1970.

Local Currency Loans and Grants

Since 1950, a large number of local currency loans and grants have been made in the agricultural sector. Many of these have been administered by the Agriculture Bank to expand credit available to farmers and farm supply and marketing outlets.

Several, such as the tractor loan, have been "paid off". Special arrangements negotiated for several loans have had some interesting side effects, such as the training programs paid for by use of one-third of the interest generated by livestock loans.

In 1970, a number of these loans were consolidated in a new five-year loan (601) totaling TL 68 million. According to the Project Agreement:

> "This fund will be utilized to provide a dependable source of credit to exporters of fresh fruits and vegetables and new developments in the preparation of dried fruits for export, furnishing credit to livestock feeders and other animal production, including the support of modern technical methods and for the procurement of necessary equipment for the eradication of control of insects and plan diseases."

In 1972, AID agreed to the use of TL 290 million from PL 480 Counterpart funds for short and medium term credit to farmers, private contractors and farm equipment manufacturers, who will take part in the land leveling program to improve irrigation efficiency. TOPRAKSU (the GOT soil, irrigation and conservation agency) will provide technical services, while loans to individuals will be administered by the Agriculture Bank. Necessary approvals have been obtained for the credit program and funding from the Ministry of Finance is awaited.

Credit for Small Farmers under Turkish-U.S. Programs*

Over a period of eight years (1963 to 1971) the Supervised Credit Program allocated TL 546 million to finance 28,285 projects, or about 3,500 projects a year. Of total loans, 17,742 were for agricultural development projects averaging $1,530 each (i.e., TL 23,000 at TL 15 to $1) and 10,543 were conservation projects averaging $73 (TL 1,100) each.

In designing the Supervised Credit Program for the Denizli Province, the "top" 25 percent of the farmers were eliminated as not needing credit, or having their own source. The "bottom" 25 percent were eliminated as not having sufficient collateral to qualify, or as being poor credit risks. The remaining 50 percent of "middle" farmers were used as the clientele for the program. The philosophy was followed that loans to farmers should not substitute for dole and that they should be repaid. If the farmer was not able to repay, he should get some form of relief, not a loan.

The Fertilizer Revolving Fund, for which TL 203,208,000 was released from PL 480 funds in 1969, provides credit for about 135,000 farmers each year, or TL 1,500 ($100) for each five hectare farm. The primary purpose of the PL 480 loan was to promote greater use of fertilizer. But since the fertilizer fund limited the amount of credit allotted to individuals to the amount of fertilizer needed for approximately five hectares of land (the average size farm in Turkey), the small farmers, in particular, benefited from the operation. Also, expanded revolving fund operations strengthened agencies serving the small farmers. Agricultural credit cooperatives with 2,000 retail credit associations

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* Exchange rate use in this section: TL 15=$1

throughout the country administered 25 percent of the fertilizer credit. Members of the cooperatives are primarily smaller farmers.

The new TL. 290 million fund for On-Farm Development is designed to accelerate the rate of on-farm development by making available financial assistance to the farmer on acceptable terms and at the same time promote the expanison of private sector capacity to provide land development services again through the availability of credit. In addition to making funds available to individual borrowers, up to TL. 1 million will be available for groups or cooperatives. This will permit the smaller farmers to qualify for loan assistance by providing them with collective security arrangements. The fund is designed to meet all the requirements for increasing land development activities to 15,000 hectares per year entirely by the private sector within 3 years. This will mean 4,200 additional farmers will participate in the credit program each year after the third year of operation.

As fertilizer use and private sector land leveling enterprises prove economically feasible, the way is open for the Agriculture Bank to extend credit from GOT sources for these purposes to more and more farmers. As a point in fact, fertilizer consumption in Turkey has been increasing at 25 percent a year for the last five years. The level of profit obtained for crop planted has been a key factor in keeping the small farmer in the credit program as a bona fide participant. That is, the small wheat farmer has had a far better record for repaying loans once he began to realize a $4 return for a $1 fertilizer investment through use of high yielding varieties. When he used native varieties and realized a $2 return, he often spent the total profit for sorely needed shoes, clothes and other items for the family, and none for loan repayment. Prior to introduction of high yielding varieties, loan repayments by very small farmers were running at only 38 percent for fertilizer supplied by the Turkish Government supply agency Donatim.

Other Donor Lending

Loans to Turkey in the field of agriculture have been made by the IBRD ($22 million) and the IDA ($65.5 million). In general, the Government of Turkey has employed credit from these sources to finance sizeable irrigation development projects or transport facilities for agricultural exports. However, livestock credit has been made available to the Agriculture Bank for sub-loans which reach individual farmers.

TURKEY

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950				1,500			
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960				800		approx.	
61						6,000	
62	2					1,000	
63	2					2,500	
64	3					4,000	
1965	2						
66	2						
67	2					1,000	
68	1			700	3,450		
69						25,000	
1970						[illegible]	
71							
72							

JORDAN
by
Charles Antholt
ASIA/TECH

The Mission was established in 1952. The earliest AID activity with agricultural credit was a $100,000 loan guarantee fund set up in 1954. Subsequent AID efforts with agricultural credit were linked to developing cooperatives, the East Ghor area development projects, the Village Development Loan Program and the Agricultural Credit Corporation (ACC).

Prior to 1960 institutional agricultural credit was available from several sources. The oldest source of credit was the Agricultural Credit Bank which dates back to the time of the Ottoman Empire. The Village Loan Scheme (VLS) was started shortly after the partitioning of Palestine to finance cooperative agricultural projects, particularly in the frontier area. Agricultural credit was also available through cooperative societies, some of which were organized as early as 1933. In 1960 as a result of Agricultural Law 28 the ACC was established which combined all the agricultural credit institutions into one organization.

The Agriculture Loan Fund, (Project 048) was the first AID Agriculture Credit Project in Jordan. It involved $100,000 deposited at the Chase Manhattan Bank in New York to guarantee loan repayment to the Arab Bank. Virgel Siple (October 1957-November 1959), although a marketing advisor, was the first AID technician to work with agricultural credit problems in Jordan. Mr. Siple was primarily involved in supervision of loan applications and inspection of loans already made under the Village Loan Scheme. In 1958 this project evolved into Project #091 and the first full time AID agricultural credit advisor, Mr. Floyd Higbee (March 1959-February 1961) was brought in. One of Mr. Higbee's major efforts was directed at combining the several agricultural credit institutions into one unit and as a result was directly involved in drafting Agricultural Law 28 which lead to the formation of the ACC.

By the early 1960s AID was also involved in several other projects that related to agricultural credit. They were the Village Development Loan Program (#064), the Cooperative Societies Program (#110) and the East Ghor Rural Development (#113) activities. Higbee's successor, Mr. L. Wilson Rice (October 1961-January 1966) was responsible for working with all of these projects as an agricultural credit advisor. Rice's main concerns were with the newly established ACC and the village cooperative societies. With these organizations he concentrated on improving their organization and credit delivery capability.

Ruben Hall (November 1965-May 1966) came to Jordan to serve as a lecturer at the Cooperative Institute. When Mr. Rice left Jordan, Mr. Hall assumed his responsibilities as an agricultural credit advisor to the various credit projects. In this capacity, Hall paid particular attention to developing a statistics and research section in the ACC.

Some of the highlights of AID's assistance in Jordan's agricultural credit program are below. Because of the war in 1967 and the effect of the hostilities on farming in the East Ghor area (the east bank of the Jordan river), most of the Mission's activities in the field of cooperatives and credit, which since the early 1960s had concentrated in East Ghor, tappered off.

1. Through September 1965 AID had advanced a total of $2,743,728 of direct grant money to the ACC and predecessor agencies.

2. Approximately $1,000,000 of PL 480 funds were made available through cooperative societies for work relief wages paid to farmers for on-farm improvements with the understanding the money would be repaid to the coops in the future and added to the coops revolving loan funds.

3. $27,000 worth of commodities were purchased to improve the execution of the ACC credit program.

4. 28 participants were sent to the U.S. for training and 24 to third countries.

5. $30,000 was made available for in service training of employees of ACC.

In 1965 Jordan secured a loan from the International Development Association in the amount of $3,000,000 for agricultural credit. One of the requirements of the loan was that the ACC improve its bookkeeping operation. AID assisted by providing Mr. Gorden Donnoley (1966-1968) of the USDA to help the ACC establish a mechanical system of bookkeeping. In addition, Albert H. Mason (1966-1967), also from USDA, was brought in to assist with the supervised credit program in the East Ghor area. Mason was stationed at Wadi Abas. Because of the war in 1967, and his health, Mason stayed in Jordan only about one year.

In 1968, the last AID agricultural credit advisor to Jordan was Mr. Wesley Finstermacher (1968-1970). Mr. Finstermacher's primary concern was improving the lending efficiency of the ACC. He assisted in drawing up lending guidelines and in developing an improved capacity to supervise loans. During his tour a local currency loan of $450,000 was made to finance credit programs designed to complement several of the post-war Mission rural development activities, especially in wheat, vegetables and farm building construction.

Agricultural loan activities were aimed at the small farmer somewhat. However according to the last AID technician in Jordan, too much credit was being extended to small farmers who were not "credit worthy". There seems to have been a conflict between good banking procedures and credit needs of small farmers. No further AID activities with agricultural credit are comptemplated at this time.

JORDAN

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53			100				
54							
1955							
56							
57							
58			700				
59	1						
1960	1		700				
61	1		660	200			
62	1			170			
63	1		250	420			
64	1			120			
1965	1						
66	2						
67	2						
68	3						
69	1					450	
1970	1						
71							
72							

IRAN
by
Charles Antholt
ASIA/TECH

The Mission was established in 1952. From that time until the 1967 close of the Mission AID supported four projects related to agricultural credit. The first project (#30) covered a period from 1952-1962 and was related to the Crown Lands Distribution Program. In 1954, under the Village Council Program (project #64) the Near East Foundation was contracted to provide ten provincial community development teams which each had an agriculture credit advisor. Based on the experience with the two early projects a new project (#133) was started in May 1958 and focused on technical assistance to the Agricultural Bank. In June 1961 this project ended and was replaced by project (#228) which emphasized credit as a tool of agriculturlal production.

Institutional credit for agriculture first became available in Iran in 1930 when the Bank Melli organized a section for this purpose. In 1953 this section was established as a seperate entity and became the Agricultural Bank. The Bank Omran, the second institutional source of agricultural credit, was established in 1951 to handle the credit needs of the new recipients of the Crown Lands that were then starting to be distributed.

It was in conjunction with the Crown Lands Distribution Program that AID first assisted the Government of Iran (project #30), in the field of agricultural credit. John McCauley (1952-1954) was the earliest AID agriculture credit advisor. McCauley worked primarily in Tehran with Bank Omran and was instrumental in laying the ground work for the organization of cooperatives in areas that were formerly Crown Lands. He was instrumental in helping establish an early pilot cooperative (The Varamin Rural Cooperative) which was to serve as a model for the Bank Omran in latter years. McCauley is also reported to have assisted the Agricultural Bank which had the mandate to provide agricultural credit to all farmers not on Crown Lands.

Project (#30) continued until June 1961 when it was terminated. The records of the project are incomplete but it is understood that at least three other direct hire AID agricultural credit advisors worked on project (#30). They were: Mr. W. Johnson (1957-1958), Mr. I. Johnson (1958-1960) and Mr. Stenberg (1960-1961). They were reportedly mainly concerned with improving methods of meeting the credit needs of small landowners.

The second AID supported project concerned with agricultural credit came as a result of the Village Council Project (#64) which involved a nation wide effort in community development. For this project AID contracted with the Near East Foundation (NEF) to provide ten three-man provincial teams one of which was an agricultural credit advisor. The provincial effort was focused on mobilizing resources made available by landlords as a result of a decree by the The Shah in 1954 which required landlords to provide a portion of their income for village development work. Part of the resources mobilized in this way were to be used to extend agricultural credit to farmers. The NEF Contract was completed in May of 1958.

Also in May 1958, GOI and AID signed an agreement creating a new project (#133) which provided technical assistance to the Agricultural Bank in developing staff, organization and procedures aimed at assisting the Agricultural Bank become an institution capable of meeting the expanding agricultural credit needs of Iran. Mr. W. Johnson (1958-1961), Mr. Kerr (1958-1960), Mr. Anderson (1959-1967), Mr. Wilkey (1960-1961), and Mr. Stenberg were the U.S. technicians working on various aspects of this project.

In 1961 it was decided AID support should be redirected to emphasize credit as a tool of agriculture production and marketing. Consequently in June 1961 projects (#30) and (#133) were phased out and a new project (#228) was created to cover both agricultural credit and cooperatives. Project (#228) contained many of the elements of project (#133) but was broader in that it called for U.S. technicians to work not only with the Agricultural Bank but also with Bank Omran, Ministry of Agriculture and latter the Central Organization of Rural Cooperatives (created in 1963).

With the help of U.S. technicians, Mr. W. Johnson (1961), Mr. Wilkey (1961), Mr. Hall (1962-1965), Mr. Anderson (1961-1963), Mr. Tibbutt (1963-1967) and Mr. Sandage (1963-1965), major results were obtained in revising the organization and the operating procedures of the Agricultural Bank and Bank Omran. One of the highlights of AID assistance was in the revision of the Agricultural Bank's charter which resulted ultimately in the bank becoming the Agriculture Credit and Rural Development Bank (ACRDB)*and in the formation of the Central Organization for Rural Cooperatives (CORC) in 1963. Another highlight was the implementation of pilot supervised credit programs in the Darab area and in Gilian Ostan. Mr. Tibbutt was particularly active in this work and recently reported the present system of extending agricultural credit was developed based on the experience gained from these pilot projects. A Title I, Section 104(g) loan of $2,850,000 in 1964 helped facilitate the supervised credit experiment with $333,0 0 specifically designated for the new pilot projects. (The balance of the loan was added to the lending capital of CORC).

* The ACRDB was reformed as the Agricultural Cooperative Bank of Iran (ACBI) in 1964. The Supervised Agricultural Credit Program begun by ACBI in 1969, and described by Stickley and Hosseini in their Country Paper for the Spring Review, is not directly related to the U.S. assisted programs described here.

Project (#228) also brought in a number of consultants. Mr. Andrews worked for three months with the Agricultural Bank on credit operations and methods in 1962. Mr. Battles (USDA) and Mr. Tootell (Farm Credit Administration visited Iran for three weeks in 1965 to determine the kind of technical assistance which should be given to GOI in the agricultural credit area for 1966-1967. Mr. Ashelman (International Cooperative Develcpment Association) worked with Bank Omran in 1966 and conducted a feasability study of cooperative chain stores.

Since 1952 credit programs of GOI and AID were aimed at all farmers the vast majority of which were small. Limitations of infrastructure, people, capital, credit worthiness and other problems prevented agricultural credit from being as widely available to small farmers as would ideally have been desired. The Mission to Iran closed in 1967. The phasing out of project (#228) in early 1967 was the last AID effort in the area of agricultural credit.

IRAN

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52	1						
53	1						
54		10					
1955		10					
56		10					
57		10					
58	2						
59	3						
1960	3						
61	3						
62	2						
63	3						
64	3					2,850	
1965	3						
66	1						
67							
68							
69							
1970							
71							
72							

AFGHANISTAN
by
E.B. Rice
PPC/PDA

The Mission was established in 1952 and agricultural projects, including components of the substantial Helmand Valley regional development program, began immediately. There have been two credit activities: one in the period 1959-62 related to national credit policy and involving one technican and no capital; the other in the peiod since 1966 focused exclusively on the Helmand with two successive technicians and a $600,000 local currency loan. The first activity failed to develop; thesecond has created a regional agricultural bank and several reportedly successful lending programs based primarily on newly formed farmers associations and realizing surprisingly high repayment rates in the first two years of operation.

Institutional lending to any farmers other than the few large scale commercial growers was practically non-existent in 1959. There was a nominal bank -- the Agricultural and Cottage Industries Bank -- established in 1954 without AID support. Its creation was considered one of the successes of the first five year agricultural plan, but dispursements remained small and confined to a token number of farmers. There were no coops and no legal basis for accrediting them. A short term U.S. agricultural credit consultant (Edwin G. Johnson) was commissioned in 1959 and his report (dated November 1959) was the basis for adding a credit and coop advisor (Roscoe D. Roberts, October 1960-May 1963) to the Mission staff under the omnibus national agricultural development project (#002). He worked on plans for reorganization of the Bank and initiation of pilot credit projects in Kabul Province and the Helmand Valley. The proposed legislation was not passed, the pilot projects didn't materialize, capital grants budgeted by the Mission weren't realized and the advisor was turned late in his tour to other staff duties. Throughout the 1960's the Bank program continued to stagnate.

Another short term U.S. consultant (Darrel A. Dunn) was commissioned by the Mission in 1966 to develop a proposal for a farm credit program in the Helmand region (Helmand and Kandahar Provinces) independent of the Bank (reported dated ? 1966). A credit advisor arrived the next year for his first of two tours to implement the credit proposal (Lewis E. Clark, June 1967-November 1971). He was succeeded by the incumbent (Carroll T. Berry). They played a major role in the creation of, first, an Agricultural Credit Division in the Helmand-Arghandab Valley Authority (HAVA) and, more importantly, its successor the Agricultural Finance Agency (created November 1970). AFA is an autonomous agency of the new "Ag Bank" (the old Bank had been reorganized and renamed the Agricultural Development Bank (Ag Bank) in 1970 with IBRD funds and a German credit advisory team (without direct AID help)) and shares directors with HAVA. AFA was funded with an AID PL 480, Title I, Section 104 G local currency loan of $598,760 (Afghanis 48,798,953 (loan 306-G-008)). The Mission plans no more capital inputs to AFA, though IBRD (IDA) has already made some.

Programmatic and jurisdictional differences between AFA and its nominal parent organization, the Ag Bank (including the Ag Bank's own branch in Kandahar city, also in the Helmand region and 100 miles from the AFA ahd HAVA headquarters in Lashkar Gar city) remain to be resolved.

The U.S. advisor (Clark), working with the AFA Managing Director (Mynar Hassanzai), gradually developed AFA's pilot lending programs. The AID funds support an expanding production credit program, mainly for fertilizer (also seed, pesticides, etc.) focussed on wheat, channelled through farmer associations laborously created from the grass roots by AFA staff. (AFA is authorized to lend to such associations, a practice Ag Bank cannot yet copy elsewhere). Credit union principals apply. Fertilizer lending began in the 1971 crop year. The other major AFA program, using IDA funds to finance tractor purchases by individual farmers as well as the associations, runs concurrently. AID loan funds were used for some initial capital costs (construction, trucks), but do not support the AFA operating budget which is government financed. The Mission has sent at least 14 AFA Afghanis to the U.S. on training programs. A group of 9 had been sent in 1968 to Iran and Turkey to study those farm credit programs.

The 1959-62 Mission activities were not aimed at small farmers; indeed the U.S. consultant recommended working with "credit worthy" clients, presumably medium size farmers. The current project is directed at small farmers, not exclusively but probably more deliberately than AFA's IDA tractor loan program.

AFGHANISTAN

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61	1						
62	1						
63	1						
64							
1965							
66							
67							
68	1					600	
69	1						
1970	1						
71	1						
72	1						

PAKISTAN

by
Joseph M. Lieberson
ASIA/TECH

U.S. economic assistance to Pakistan started in 1952, and has placed major emphasis on balance of payments support, military security, and large scale agriculture investments. The agriculture portion of the U.S. AID program has been mainly dollar inputs for water control and heavy agriculture machinery, and land levelling. Technical assistance has at times included large numbers oftechnicians but these were concentrated primarily in agricultural extension (including the village aid program), agricultural universities and activities related to the capital investments. US aid to the GOP's agricultural credit programs has been very limited, despite repeated mention by USAID of the importance of credit in agricultural production programs. US inactivity in this field reflects in part lack of response by the GOP to USAID initiatives and in part USAID's own operational priorities.

The only agricultural credit advisor, Irwin H. Kauffman, served in Karachi from April 1954 to December 1956. After Kauffman's departure, agricultural credit projects were considered by the Mission but never implemented. A consultant (Edwin C. Johnson) report issued in March 1960 led to no new acitivity. From FY 1962 - FY 1966, agricultural credit positions were included in the Mission program, but no personnel were actually assigned. In FY 1967, a local currency loan to the West Pakistan Agriculture Development Bank was considered but not implemented. An agricultural marketing project included a proposal in FY 1969 for a Fertilizer Refinance and Credit Guarantee Fund, but the latter was never approved. At the same time a credit union consultant (Percy Avram) toured both Pakistan wings and recommended the development of pilot "directed agricultural production credit" programs (report dated September 1969), but USAID did not follow thru.

The U.S. AID program in Pakistan is currently in a state of flux and no specific agricultural credit projects are on the horizon. The GOP is concerned about social justice and providing a better life for the rural poor and small farmers. The GOP has proposed a Peoples' Works Program, Barani (dryland) farming programs, and land levelling activities. In future years, agriculture credit may possibly become a part of the U.S. AID program in Pakistan, but for now there are no solid project proposals.

PAKISTAN

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63							
64							
1965							
66							
67							
68							
69							
1970							
71							
72							

INDIA
by
Joseph M. Lieberson
ASIA/SA

US economic assistance to India started in 1951; technical assistance to the agriculture sector started in 1953. Agriculture has always been a major part of the Mission program, though agricultural credit was never more than a very minor part of any agriculture project. AID's agriculture strategy has been to promote fertilizer, irrigation and extension, encouraging the use of cooperatives as one of the implementing agencies. Although in the 1950s and early 1960s the GOI had chosen the co-ops as a major vehicle for expanding rural credit, only a very small part of the U.S. AID co-op effort was directed towards credit.

In the late 1950s there were 3 co-op projects: Cooperative Marketing and Warehousing; Cooperative Membership Education; and Farmers' Organizations. Mr. Wilkey served during FY 1955-1957 as Agriculture Credit Advisor. In FY 1959 the 3 cooperative projects were combined into an Ag Cooperative and Farm Organization Project. The major concentration was on cooperative education training and management though minor attention was reserved for agricultural credit. John Heckman served from October 6, 1958 to April 4, 1961. Though nominally an Ag Co-op and Credit Advisor, his major work was on the training of cooperative instructors, administrators and managers.

In FY 1965 a $10.4 million rupee grant was made by AID to the Agriculture Refinance Corp. This grant was designed to provide resources for the ARC to refinance loans of central and state land mortgage banks, co-op banks and commercial banks. It appears that much of the ARC money went to large-scale schemes and plantations. In FY 1966, the Mission's growing emphasis on the credit field was included under the Agriculture Production Incentives Project. Credit was given a larger role as a needed input to support expanded agriculture production and effective operation of co-ops. A US Direct Hire Advisor (Darrel Dunn) served from October 25, 1968 to September 16, 1970. For the first year of his tour he worked on agricultural credit, but little interest was shown by the GOI and no credit projects were developed. His work thus shifted to rural electric co-ops, cooperative oilseed processing, and the Food Corporation of India.

During the total period of U.S. assistance there were no participants trained specifically in agricultural credit, though there were participants in the fields of cooperative fertilizer and marketing. A total of 8 participants were specifically trained in co-op fertilizer marketing which included related credit activities. When Darrel Dunn completed his tour in 1970 the Mission reduced its agricultural credit activities. A current activity, which partially relates to cooperatives and credit, is the Indian Farmers Fertilizer Cooperative (IFFCO). AID's input has consisted of $21 million in loans for construction plus minimal trust fund support for foreign technicians serving IFFCO. Since the 1971 India-Pakistan War, the Aid India program has been "under review" and no agricultural credit programs are under consideration.

There are a number of promising Voluntary Agency pilot projects financed out of PL 480 Section 204 funds. These projects set up local revolving funds to lend to farmers for agriculture investment. Some of the revolving funds have reached the point where loan repayments are adequate and the revolving funds are on a self-substaining basis. During period beginning FY 1967 through the present, USAID has approved 26 of these projects, with an aggregate funding of $2,260,000.

INDIA

SUMMARY OF A.I.D. INPUTS

(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955	1						
56	1						
57	1						
58							
59	1						
1960	1						
61	1						
62							
63							
64							
1965				10,400			
66							
67				150			
68				430			
69	1			630			
1970	1			530			
71	1			340			
72							

BANGLADESH
by
Joseph M. Lieberson and E. B. Rice
ASIA/SA PPC/PDA

The scope of U.S. agricultural credit activities in East Pakistan closely resembles that in West Pakistan. Since the overall country mission was established in 1952, AID's agricultural plans have alluded to the importance of credit, and Mission budget estimates have occasionally provided for credit project proposals of substantial size. But either because the Pakistan government withheld approval, or because of shifting priorities within the Mission, the programs have not developed. The two technicians who were appointed to credit activities left after their respective first tours and were not replaced. Both had concentrated on development of farmer associations and credit coops.

The first technician (John S. Keenan) was stationed in Dacca as coop and credit advisor from May 1956 to February 1959. He worked with the Ministry of Agriculture and the Registrar for Coops on, among other things, improving coop legislation. Three years after his departure a similar position reappeared in mission documents but remained unfilled for several years. In March, 1965 the second coop and credit advisor arrived (Willard H. Ballard). He remained two years till July 1967. After his departure the position was retained for several more years, but it was never again filled and in 1969 was abandoned. Ballard was involved in a general way with the local insititutions promoting the development of coops and other farmer associations, and in particular with two major AID supported initiatives that never were implemented: a credit guarantee fund for the Agricultural Development Bank and a warehousing credit scheme for coops. Ballard also worked with the government on measures to involve commercial banks with rural credit. A cooperative credit consultant (Percy Avram) visited both Pakistan wings in 1969, but his recommendations for encouragement of DAPC pilot credit union programs have thus far not been accepted. Other technical assistance activities include a scattering of participants since 1956 and the occasional attention of one of the Texas A and M contract professors of agricultural economics at the college in Mymensingh (Floyd Underwood, 1966-71). There have been no capital grants or loans.

One could argue that heavy USAID inputs into the village aid program in the 1950s, and into the "program building" activities of the 1960s, helped lay the institutional basis to support the Bangladesh government's present proposed country wide replication of the Comilla coop and credit systems. USAID, however, had nothing to do with the development of Comilla during the 1960s: in some of those years there was even rivalry between USAID and Comilla partisans. USAID now is considering an assistance program in support of replication. The assistance could include substantial capital as well as technical inputs.

BANGLADESH

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57	1						
58	1						
59	1						
1960							
61							
62							
63							
64							
1965							
66	1						
67	1						
68							
69							
1970							
71							
72							

NEPAL
by
E.G. Rice
PPC/PDA

In 1960, as part of a Village Development Project, AID granted local currencies valued at $145,000 to the Department of Cooperatives to supplement larger sums provided by the government of Nepal and the government of India to support a cooperative credit program, the only institutional credit program available to farmers. An AID project "Agricultural Credit and Coop s" (#056) was established in 1962. A team of two U.S. advisors arrived in 1964: Ralph B. Johnson (September 1964 to October 1968) as Cooperative Advisor to the Department, and Russell B. Gregg (December 1964 to June 1967) as Credit Advisor to the Cooperative Bank (organized in 1963). Johnson and Gregg were peripherally involved with Nepal's compulsory savings scheme which, initiated by the promulgation of the Land Act of 1963, relied in part upon the cooperative system to implement the savings program. Because of high default rates, Bank credit to the coops fell precipitousally after 1966 and most coops became defunct. The Bank was reorganized as the Agricultural Development Bank in July 1968 and began lending to individual farmers as well as coops. The government's earlier determination to make coops the principal channel for agricultural credit slackened. Thus when the two American advisors left Nepal the cooperative credit system was significantly less effective than when they arrived, for reasons beyond their control. The project was terminated. Technical advisors from the Asian Development Bank have assisted the Nepalese ADB during the last four years though AID is now considering a proposal to provide additional resources.

NEPAL

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960				150			
61							
62							
63							
64							
1965	2						
66	2						
67	2						
68	1						
69							
1970							
71							
72							

THAILAND

by
E.B. Rice and Charles K. McGee
PPC/PDA ASIA/TECH

AID programs in farm credit began with a loan of counterpart funds to the Co-operative Bank in 1953, two years after the Mission opened. One can trace a continuous thread of U.S. involvement since that time in institution building-- primarily with co-operative credit institutions. The first major phase dates from the arrival of a co-op adviser in early 1955 and ends in mid-1963 with the departure of a good but frustrated technician who had been unable to effect much change in the organization and functions of the Co-operative Bank. However, within a year the obstacles had been cleared by the Thais themselves. The Mission, forseeing the creation of a new agricultural credit facility, the Bank for Agriculture and Agricultural Cooperatives (BAAC) established in 1966, began to plan for renewed advisory and material support for agricultural credit. Phase two thus continues the same basic program of institution building but has not gained momentum. A single U.S. adviser was recruited and joined BAAC in December 1968. He left two years later after a relatively isolated technical assistance episode. A third phase involved a different and expanded project, another technician, and a new set of institutions concerned with rural development and counter-insurgency in the North. This phase began and ended about the same time as the second phase.

The first co-op adviser (Everett J. Young) concentrated on improving co-op activity especially in newly cleared areas during his two year tour. But since the thousands of local co-op credit societies, the two regional co-op banks and the central Co-operative Bank dominated the country's tiny institutional credit sector at that time, his work influenced the course of credit activity as well. The counterpart loans agreed to in 1953 were used in this early period for financing revolving credit schemes for the local co-ops. The U.S. project (#034-Credit and Markets) was expanded by his successors John J. Wilkey (1957-59), Wallace J. Maddock (1958-1963) and John L. Wann (1959-1963). The latter two were located in Korat on the Northeast plateau until early 1961, which means that when Maddock replaced Wilkey as project chief in September 1959 the project headquarters were 150 miles from Bangkok. Wann was a co-op marketing adviser, but from time to time he worked closely with Maddock in Korat and later in Bangkok on developing viable credit co-ops. The primary credit thrust of all four men was in developing pilot, "large size", limited liability credit associations that would serve as models for the intended integration of the local credit societies. Following the three man consultant team which visited for six months in 1958/59 (John L. Wann, who returned on an assignment within a year, Pulton Want and John W. Simms, report dated April 1959), Maddock became involved with formulating new legislation and operating guidelines to improve a poorly functioning Co-operative Bank. Maddock pushed for the establishment of a comprehensive credit system in which both an individual loan program and a co-operative loan program would play integral parts. His proposals were submitted in 1961. He departed Thailand two years later, with, among other things, three apparently strong "large size" co-ops in place, a fourth under formation, but with none of the critical political issues thwarting the new legislation resolved. There were indications at that time that the Mission was shifting interest from institution building to economic analysis and to a major new multi-dimensional development program in the Northeast with security overtones.

Nevertheless, a year after Maddock's departure, the Mission's proposed program again allowed for the recruitment of two credit advisers to be assigned to the "new" credit institution (which by then looked much more definite). After an abortive PASA agreement with the U.S. Farm Credit Administration which was eventually dropped in favor of a contract, a single technician (Kenneth M. Hall) arrived in December 1968 (Project #180.1). His two year tour with BAAC was devoted to staff training and program development. He was not associated with any significant departures in BAAC policy or inputs of Mission capital finance other than vehicles and some commodities.

In 1965 the Mission presented in considerable detail plans for a major rural development program in the Northeast. A component of the program was focussed on farmer incomes, and production credit was identified as the "key element" in a strategy which called for the formation of a new set of farmer associations called Amphur Farmer Groups (AFG: Amphur = district). The AFGs were unrelated to and partly competitive with the pre-existing local credit associations. The overall program was administered by the Office of Accelerated Rural Development (ARD) of the Office of the Prime Minister. USAID has provided substantial technical and capital aid to the ARD program, including the Amphur Farmer Group Project discussed here (Project

#180. 3). About 30 AFGs were organized in the period 1966-68. Their role included provision of credit at reasonable interest rates to large numbers of farmers and the promotion of fertilizer use. A few AFGs have recently registered as cooperatives to gain the advantages of legal status; but most have declined in influence. For various reasons the number of new loans and fertilizer sales have dropped substantially below the 1968 high. USAID support to the AFG project included two technicians recruited under contract with the Agricultural Cooperative Development International (Alton F. Gamble, August 1966 - December 1971 and Howard S. Whitney, January 1970 - December 1971), USOM also provided trucks, tractors and other commodities to the AFGs at a total value of $1,121,000, fertilizer imports valued at $260,000 and participant training. The commodity imports created local funds which were used to guarantee loans to farmers by commercial banks. The AFGs continue, but USAID assistance declined with the departure of the two technicians in late 1971.

Short term US consultant activity has accompanied all three phases described above. It includes the important 1958/59 team, a legal adviser in 1960, a Co-operative League of the USA team visit in 1965, and individual visits in 1964 and 1966 (Peters, Browne). The last few consultants have examined both the BAAC and the AFG projects.

USAID is currently negotiating two PL 480 loans whose total value could equal $30,000,000. $13,500,000 was tentatively assigned to the BAAC, but there may be a change in plans. The World Bank and the Japanese government are also discussing possibilities of support with the BAAC.

All the USAID supported credit programs can be considered medium sized farmer oriented. The "smallest" (subsistence) farmers have generally not benefited. The average land holding of BAAC clients is 5.9 hectares, whereas the average farm size in Thailand is reported to be 3.4 hectares.

THAILAND

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955	1					420	
56	1						
57	1						
58	1						
59	2					900	
1960	2						
61	2						
62	2						
63	3						
64							
1965			Commodities				
66			270	20			
67	1		240	30			
68	1		500	210			
69	2		120				
1970	3						
71	3						
72	2						

LAOS
by
E.B. Rice
PPC/PDA

USAID support for agricultural credit programs began in 1965 with the creation of the Agricultural Development Organization. ADO is a semi-autonomous, bilateral action agency responsible for developing input and output markets and establishing an institutional credit system (the first!) for Laos. U.S. capital and personnel support to ADO has been substantial: from 1965 to 1970 most administrative positions were filled by Americans and from 1965 to the present its operational expenses and revolving loan funds were almost entirely funded from AID dollar, Trust Fund or counterpart accounts. The USAID ADO activity is a component of an "umbrella" agricultural project "Agricultural Development", (Project # 065) whose other components are older than ADO and not entirely integrated with it (USAID has long provided under this project technical assistance to the Ministry of Agriculture's extension agency, but the ADO field credit-agent network is independent of the official extension network). ADO and the other USAID "Agricultural Development" activities are separate from the large community development/cluster village program inspired and supported by USAID since the late 1950's. (Development of Rural Economy: Rural Self-Help; Project # 062).

One U.S. agricultural credit adviser has been assigned to ADO headquarters in Vientiane (Thomas M. Ketelle, May 1966 to May 1970). He was instrumental in the development of the several ADO credit programs, e.g., emergency buffalo loans, small waterpump loans, group pump loans, fertilizer and insecticide sales. But Ketelle was also involved with the other segments of ADO's agricultural program--seed multiplication, crop purchase, warehousing, contracting with village merchants, etc.

The focus of ADO's efforts in the first five years was on promoting rice self-sufficiency. Recently, the emphasis has begun to shift to diversification. Not all farmers dealing with ADO purchase inputs on credit, and only a few received ADO's consumption loans. But the credit operation is considered essential to achieving ADO's overall goals, and most of the ADO field staff is involved in one way or another with credit. For this reason, any account of USAID support for credit programs in Laos should include the majority if not all U.S. support to ADO. Because of the difficulty in separating the non-credit component, we include all U.S. personnel working with ADO, and all U.S. commodity and capital support to ADO, in the table below. Thus not only Ketelle is included, but the position of ADO executive officer, an Amercian, since 1965. The half-dozen Americans posted to the field and filling regional officer positions between 1967 and 1970 under personal service contracts, is included. Fertilizer, insecticides, machinery and other inputs and materials imported from the U.S. and valued in the aggregate at about $2.5 million are included, though not all were sold to farmers on credit. About $2 million of local currency contributions are included, part of which paid operational costs, part of which was used to set up revolving loan funds.

The nature of the U.S. contribution changed dramatically in 1970. An Ohio State University evaluation/consulting team had recommended in 1969 further expansion of the U.S. management team in ADO. But pressure was already developing inside and outside USAID to reduce, not expand, the U.S. presence and to shift more responsibility to the Ministry. Thus the large U. S. contract team was pulled out in 1970 and agricultural commodity imports and U.S.-owned local currency (Trust Fund) contributions were reduced. The transfer process led among other things to a short-term study of the feasibility of establishing credit unions among farmers serviced by ADO agents and in 1970 to a contract with CUNA to provide first one (Percy Avram) and, very recently, a second U.S. credit union expert. This contract activity is funded under the same ADO component of USAID Project # 065. The initial ADO-sponsored "Laos Savings and Loan Cooperative" (LSLC) branch opened in May, 1972.

The history of USAID inputs in rural development, agriculture and agricultural credit in Laos is influenced by military, security and refugee factors which are not described above.

LAOS

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955							
56							
57							
58							
59							
1960							
61							
62							
63							
64							
1965				70			
66	1	1	commodities	280			
67	2	6	1,000	90			
68	2	8	500	140			
69	2	8	640	200			
1970	2	8	130	320			
71	1	2	150				
72	1	1	60	250			

CAMBODIA
by
E. B. Rice
PPC/PDA

AID support for agricultural credit in Cambodia began in 1953, two years before the regional Indochina AID Mission headquartered in Saigon was abolished and a separate Mission established in Phnom Penh. The French administration had previously established nine Provincial Banks of Mutual Agricultural Credit. To these, the Saigon Mission granted approximately $1,000,000 of counterpart funds in 1953, '54 and '55 to set up or establish revolving loan funds. The Banks were called credit cooperatives, but did not adhere to recognized U.S. norms for cooperative credit programs. In 1956, the parent institution in Phnom Penh--the Popular Credit Office--was replaced by the Royal Office of Cooperatives (OROC) From then till 1964, when the AID Mission was closed, further U.S. technical and capital assistance was channeled through OROC and aimed at reforming and upgrading the existing institutional structure and creating a network of true member cooperatives.

The growing network of cooperative organizations included, but was not limited to, credit cooperatives. Consumer, production and, later, multipurpose, village level co-ops were sponsored as well. Credit passed through some of these local co-ops, but the principal source of farmer loans remained the nine (and, by 1960, thirteen) Provincial Banks. The Banks mostly loaned to individual farmers. U.S. advisers from 1957 to 1964 attempted to convert the Banks to proper provincial credit cooperatives, and also to redirect a larger share of OROC as well as Bank loans to the multipurpose village co-ops.

Records available to the writer show that the first long-term U.S. agricultural credit and cooperative adviser in Cambodia arrived in July 1957 (Fred H. Knobel). The position had been listed in AID staffing patterns the previous year, and there may have been a predecessor to Knobel based in Saigon working at least part time on farm credit for Cambodia during the period of the earlier counterpart lending. Knobel left in September, 1962, and was replaced for a short period by Ivan E. Johnson. They were included in the USAID project "Development of Cooperatives and Production Credit," (Project # 118) which kept its name, number and position as one of the USAID Mission's principal agricultural activities from 1955 to the 1964 phase-out. Though both U.S. technicians worked on the formation of all types of co-ops, they were heavily involved with the credit system and are listed in the table below. A group of eight to ten International Volunteer Service contract technicians assigned to OROC to agricultural demonstration programs at the new multipurpose co-ops (the Ministry of Agriculture's Extension Service was understaffed and unable to assume these duties), and an Agricultural Economist and Agricultural Adviser were also included in project # 018 for different periods, but their duties were only indirectly related to the credit program and these individuals are therefore not listed.

After Knobel's arrival there was one more large counterpart grant to the Banks' revolving loan funds ($330,000 in 1958) and then U.S. general purpose capital aid effectively stopped (a $200,000 grant in 1962 was used exclusively to start a new co-op fund in Kandal Province). Knobel argued that the Banks were capitalized at a level matching their administrative capabilities and needed no further U.S. grants. Moreover, the Royal Lao Government fully supported the project and RLG contributions accounted for 80% of the Bank capital. Accumulated U.S. counterpart accounted for 18% by 1963.

CAMBODIA

SUMMARY OF A.I.D. INPUTS

(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53				170			
54				140			
1955				640			
56							
57				30			
58	1			330			
59	1						
1960	1			40			
61	1						
62	1			200			
63	1						
64	1						
1965							
66							
67							
68							
69							
1970							
71							
72							

VIETNAM

by
C. Blair Allen
AFR/NARA

The history of agricultural credit in Indochina, a part of what is now the Republic of Vietnam, is one of evolution from the cooperative system to other channels of delivery. The first modern or Western concept of cooperative organization (Agricultural Credit Cooperative organized at My Tho, in Dinh Thuong) was initiated in 1915. Modeled on this pattern, local Mutual Agricultural Credit Association organizations spread rapidly. The first pattern change occurred in 1932 when the "locals" were merged or reorganized into Provincial Credit Offices. These were supervised by a central body designated the "Office Indochinois du Credit Agricole Mutual," and later renamed the "Popular Credit Office." During the ensuing years until 1957 the "Popular Credit Office" and predecessor organizations comprised the government mechanism for providing institutionalized credit to the small farmer.

United States Government assistance was formalized in 1950 with the Indochina Mission. From the period of 1951 - 1956 the USOM provided substantial funds for agricultural credit through various projects such as irrigation, work animal, fishery and forestry projects, etc. but there was no substantial agency in the local government to adequately service and collect loans made. In 1955, the Vietnam Mission was established and from this point on the U.S. Government provided assistance to the host country in developing a credit and cooperative program. During the formative years, the credit and cooperatives programs were closely linked together with the cooperative organizations serving as the governmental mechanism for distributing institutionalized credit to the small farmer. However, this system was not fully satisfactory.

In April 1957, the National Agricultural Credit Organization (NACO) was established under the Commissariat General for Cooperatives and Agricultural Credit (CGCAC) for the express purpose of absorbing all credit provided in the various projects and to develop a new, effective, rural credit program. The following year a system of farmers associations modeled after the Taiwan structure was initiated by decree. At first the associations were not involved with credit, but not for long.

On January 9, 1961, the CGCAC was abruptly dissolved by decree. The action did not provide direction or mechanism to carry out organization or retrenchment in the field agencies responsible for implementing the ongoing programs. Mr. Glenn C. Brown, Deputy Director of the Farm Credit Administration, made an on the spot check of conditions. The result was that the project (Project #218, Improvement of Agricultural Credit and Cooperative Organizations) was functionally divided into two subactivities; Agricultural Credit, and Cooperatives (renumbered Project #291). At this time the decision was reached to reorganize NACO into a department of finance and banking. The link to the cooperative movement has been weakened. NACO existed until replaced by the present Agricultural Development Bank (ADBV) established by decree in January 1967 and officially opened on May 8, 1967.

Since then the role of both the cooperatives and farmers associations in providing credit has diminished. Responsibility has shifted to the ADBV, with its system of branch banks, and to two innovative institutions which have been developed under the ADBV umbrella in the last three years, the Rural Banks (initiated in 1969) and the Village Credit Committees (VCC, initiated in 1970). The Rural Banks are a modified version of the Philippine rural banking system and involve private ownership. They have tended to function only in more secure parts of the country. The VCC serve as the channel for funds provided under the Rural Development Credit Program (RDCP). They are sponsored by the Ministry of Rural Development and its counterpart U.S. para-military organization (CORDS) as part of the pacification program. Sources of funds for the credit programs vary, but the ADBV has certain administrative responsibilities ranging from modest to complete for each, including the coops and farmer associations. The ADBV itself has been capitalized from three main sources, the government being the principal contributor followed by foreign aid agencies, among which the U.S. was dominant, and then the ADBV's own resources composed of equity investments and deposits.

U.S. technicians have been associated with all of these institutionalized credit ventures, perhaps less so with the farmers associations during their formative years when they were clearly competitive with the U.S.-nurtured coops. Tables 1 and 2 illustrate the extent of U.S. technical support. U.S. cooperative experts are inextricably linked to the developing credit matrix and are included in the figures until 1968 when the AID cooperative program began to focus exclusively on other matters. The tables do not include, with one exception, the numerous American civilian and military officers in the field who were occasionally responsible for getting credit programs in motion and fertilizer and other agricultural inputs distributed, especially under RDCP. The exception is the group of U.S. technicians, designated as coop credit experts and assigned to the four corps areas in 1966/67. They account for the rapid buildup of U.S. staff in those years, as shown in the tables. Deteriorating field conditions, changes in AID headquarters' plans, and the rapid rise of ADBV each contributed to the equally rapid phase out of that ambitious field program. Most of the other Americans who appear in the tables since 1956 resided in Saigon.

U.S. assistance to Vietnam in developing a credit program has included not only the provision of technical and advisory personnel (DH, PASA, Contract - the tables provide details), but also participant training (U.S. and third country), limited commodities (U.S. procured and excess property) and counterpart funds for capitalization (table 3).

U.S. technician inputs began in 1955 with the assignment of Mr. Valier Morin for cooperatives and in 1956 with Ralph Miller for agricultural credit in closely related and coordinated programs. Since the beginning, the advisory staffing has been continuous. The source of technical competence was, in the early era, till 1966 agency direct hire. Thence, till February 1971, the sources were Direct Hire, Participating Agency Support Agreements (PASA/FHA) and a contract to the Farmers Union International Agency for Cooperation (FUIAC) which later merged into the Agricultural Cooperative Development International (ADCI). In spite of the high quality of technical competency, the earlier efforts were not fully effective. The cause and effect of the "war and resulting insecurity," lack of host country understanding and shortage of trained personnel had its effect on the program and partly explain the shifting institutional emphasis.

The evolution of the credit program through cooperatives to the present with the establishment of the ADBV allowed the host country government and personnel to mature to its present level of competency. The involved U.S. technicians and consultants provided the advisory and training expertise necessary to bring about this maturity. U.S. personnel have assisted in the formation and development of the present credit program, extensive in-country training was provided, administrative and operational techniques developed, staff responsibilities defined, bookkeeping and accounting systems developed, audit procedures implemented, interest rates adjusted, capitalization schedules developed, field service strengthened, supervised credit programs established, and the development of medium and long-term credit programs. U.S. technical efforts effectively coupled with increased Vietnamese interest and capabilities has made it possible for the transition from ad hoc credit procedures to the establishment of sound, viable credit and banking institutions available to service Vietnam's agricultural development.

Limited commodity inputs of office equipment, training items and transport has been made available through the U.S. technical assistance program. The ADBV is now using its own resources to secure such equipment; however, U.S. technicians are providing guidance as to the quantity and type of equipment most suitable for the ADBV.

Training, both in-country and U.S. or 3rd country, has been an important segment of the program. Through training grants Vietnamese credit personnel have been trained in rural banking, banking administration and operation, auditing, cooperative banking, etc. This training has been carried out in the U.S., Philippines and Republic of China. The recipients of this training now hold the top and middle administration and management positions within the ADBV. Also all board chairmen and managers of the Rural Banks have received training in the Philippines under AID auspices. The ADBV has an extensive in-country training program for old and new employees. The U.S. technicians assigned to the credit activity assist with the development of the training programs.

In 1971, 86% of the participating borrowers borrowed less than VN$ 50,000. 81% of these borrowers could not provide any security other than their standing as responsible citizens within the community. In 1971 as in previous years the bank focussed on short-terms loans of production and production support types. (96% under 18 months as compared to 4% for medium-term loans of from 2 to 5 years). Because of the nature of Vietnam's agriculture, the influence of land reform, and the make-up of the rural population, the majority of the recipients of institutionalized agricultural credit are classified as "small farmers."

VIETNAM

Table 1

SUMMARY OF A.I.D. INPUTS

(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955	1						
56	2						
57	2						
58	3						
59	3						
1960	2						
61	3						
62	2			30			
63	2			490			
64	2			30			
1965	2						
66	9						
67	18			780			
68	14	4		10,520			
69	3	1					
1970	3	1		270			
71	2						
72	2			1,890			

Table 2

USAID INPUTS - PERSONNEL

AGRICULTURAL CREDIT AND COOPERATIVE/CREDIT STAFFING

Credit Advisors DH and PASA	Years	Cooperatives/Credit Advisors*
	1955-61	V. Morin
R. Miller	1956-61	
	1958-60	_. O'Hara
	1959-61	H. Sternberg
E. Brockman	1961-63	
	1961-63	H. Gerber
H. Gerber	1963-65	
	1964-66	G. Mabie
R. Simmons	1965-66	
	1966-69	V. Morin
R. Simmons	1966-68	R. Anlauff
	1966-68	W. Burke
	1966-68	W. Maddox
	1966-69	W. Jadwin
	1966-70	L. Jensen
	1966-70	A. Hogan
F. Stroud	1967-68	M. Tisdale
F. Shields	1967-68	E. Sutton
A. Passey	1967-68	H. Dietz
E. Harder	1967-68	
D. Schleuter	1967-68	
R. Morris	1967-68	
C. Groseclose	1967-70	
M. Beck	1967-Present	
E. Schroepfer	1969-Present	

Contract (FUIAC - ACDI)

A. Olson	8/67-5/69
K. Martelle	8/67-6/71
L. Bernu	1/68-6/72
G. Carter	1/68-2/68
H. Manthei	10/67-5/69
G. Mabie	1970-72
E. Case	12/68-12/70
P. Petersen	7/69-12/70
R. Fitzgerald	1/71-Present
M. Johnson	6/69-Present
H. Hellekson	9/71-Present
K. Ritter	8/71-12/72

From 1968 onward DH and Contract Cooperative Technicians chargeable to only Cooperative Program.

* Technicians assigned responsibility to cooperative program but emphasis placed on developing cooperatives with expertise in credit.

Table 3

USAID Inputs - Capital Assistance (Post FY 61)

Fiscal Year	Project Identification	Accommodation Rate	Counterpart VN$	Counterpart US$
FY 62	Babs Typhoon Fund	73	1,998,600	27,378.08
FY 63	Transfer Authorization 430-0201-000-3619	73	35,471,637	485,912.84
FY 64	Babs Typhoon Funds 430-11-990-254	73	1,000,000	13,698,63
	Windmill Dev. Fund		1,290,600	17,679.45
FY 67	Pump Fund	118	45,620,120	386,611.19
	Supervised Credit	118	46,400,000	392,220.34
FY 68	Rice Production Fund	118	241,660,000	2,047,966.10
	Agribusiness Fund	118	1,000,000,000	8,474,576.27
FY 70	Rural Bank Fund	275	75,000,000	272,727.27
FY 72	Consolidation Fund	410	700,000,000	1,707,317.07
	Rural Bank Fund	410	75,000,000	182,926.83
FY 73	Rural Bank Fund	425	300,000,000	705,882.35
		TOTAL	VN$ 2,481,680,957	US$14,715,896.42

THE PHILIPPINES

by
E. B. Rice and David Christens n
PPC/PDA USAID

AID's involvement in the growth of agricultural credit institution in the Philippines probably exceeds that in any other country. The appointment of John L. Cooper as agricultural credit and cooperatives adviser to the Philippines in September 1951 was the first such appointment outside Latin America and it initiated an activity which (with several changes in name and orientation) continues to the present. At least one credit adviser has been on USAID rolls for all but two of the next twenty-one years, and they have worked with basically the same three organizations, each of which was created with U.S. support. Many of the credit programs and experiments which USAID missions elsewhere have promoted have been tried at one time or another in the Philippines. Some were considered failures, but the cumulative impact of these efforts provides the Philippines with an unparalleled institutional matrix available to support well-designed production programs.

The two main, provincial farm credit institutions are the Rural Banks and the farmers' cooperatives (FaCoMas). Cooper helped design both and wrote some of the legislation (the enabling legislation was passed in 1952)* Between 1952-1957, AID grants of local currencies to provide seed capital for revolving loan funds, and of equipment and other commodities to allow for new construction, played a major role in launching these institutions. The table below estimates totals for the two types of grants during those years at $7,140,000 and $2,137,000 respectively. The grants were made to the Central Bank on behalf of the Rural Banks (RB's), and to the Agricultural Credit and Cooperative Financing Administration (ACCFA), the parent institution for the FaCoMas.

After the establishment of the Rural Bank and the FaCoMa credit systems, U.S. technical advisers focused attention on supporting ACCFA and its successor, the Agricultural Credit Administration (ACA). As things developed, the Rural Banks, with their collateral orientation, were servicing the lower-risk farm clientele, leaving the credit needs of the larger, near-subsistence farm population to the FaCoMas. As a result, the Rural Bank program made quicker progress and with mission interest concentrated on production rather than resource distribution, the need for U.S. technical assistance diminished.

* Cooper worked on legislation for ACCFA. Legislation supporting the coops, which previously had not dealt with credit, already existed. The abbreviation Fa Co Mas appeared during this period.

The FaCoMa program, supported originally by the ACCFA and subsequently by its successor, the Agricultural Credit Administration (ACA), became a focal point of U.S. technical assistance in this sector. Here as in many developing nations, it seemed necessary to link U.S. assistance to agriculture closely to cooperative development. In a uniquely favorable political environment, the cooperative program flourished for the first few years, but overexpansion and corruption set in during the late Fifties, requiring that most AID assistance be utilized in developing a salvage and recovery program.

Most of the U.S. advisers enumerated in the accompanying table were listed either as "credit and co-op" or simply "co-op" personnel. These include (1) the four-man A.D. Little contract team which succeeded Cooper (May 1957-May 1959), (2) the three new contractees from Checchi, Inc. (1961-1963), (3) two direct-hire Mission experts (Harold J. Finegan, February 1961 through 1963; and Fred H. Knobel, 1963-January 1964); and (4) two of the three-man contract team from the Agricultural Cooperative Development International (ACDI, formerly FUIAC). The third ACDI man, Phillip L. Bergland (June 1965 thru June 1971), was listed simply as credit adviser and worked principally with ACA. In 1966, the Mission helped design the Agricultural Guarantee Loan Fund (AGLF), a mechanism which (a) successfully encouraged the RB's to extend supervised credit to smaller farmers than the RB's normally dealt with and (b) brought the banks back under the USAID programming umbrella.

In 1970, additional programs were developed to increase rural bank credit to small farmers, and by 1973 the rural banks had emerged as the major source of institutional credit for this clientele. Since the beginning of FY 71, over $17M in P.L. 480 proceeds have been allocated for small farmer credit, 85% passing through banking channels.

There is much more to the history of USAID involvement with these institutions than is told here, including the ways in which U.S. credit and cooperative activities were reformulated to meet the targets of land reform, the pilot provincial projects, and the rice and corn self-sufficiency program which each attracted USAID attention during the 1960's. Bergland was not replaced as credit adviser in 1971, but several staff members including Alton Gamble (ACDI Coops Advisor) and David Christenson (Direct Hire Agrarian Reform Advisor) are actively involved with the farmer's cooperatives and Rural Banks respectively. In addition, a number of consultants (Higbee, Pursell, Brake, Browne, Seckinger) have subsequently visited the Mission to study the problems of small farmer credit, and several members of the Mission's permanent staff, with the cooperation of Philippine experts, are designing new programs.

The table shows a number of loans of local currency generated by the P.L. 480 program in the period 1965-1972 which were made to help finance the AGLF and its successor the Agricultural Loan Fund (ALF). The pattern has been to initiate programs in pilot areas and after testing and further development, to implement them nationally. Building on its 20 years of experience, the Philippine Government with USAID support, has this year embarked upon the largest supervised credit program in the nation's history.

The RB's have tended traditionally to service medium size farmers. FaCoMas have been designed for the smaller farmers. When experience indicated the FaCoMas system could not be made an effective instrument for extending production credit, the mission returned to the more successful Rural Banking System and developed programs to orient this system to the needs of small farmers. The emerging pattern is that all production credit (with the probable exception of welfare type loans) will be handled by the banking system and Cooperatives will be restricted to marketing activities. Thus the expression of the mission's historical concern with the problems of small farmers has shifted from cooperative lending to Rural Bank financing, demonstrating eclecticism which does not permit ideology to interfere with goal attainment. The rural poor are the main focus of all current mission programs and the establishment of effective credit programs to meet their specific needs is to be one of the key elements for the economic development of this clientele.

PHILIPPINES

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52	1						
53	1			5,000			
54	1			2,050			
1955	1		commodities 2,140				
56	1						
57	1			90			
58	1	4					
59		4					
1960							
61	1						
62	1	3					
63	2	3		30			
64	1						
1965						530	
66		2				60	
67		2				1,280	
68		1				100	
69		1				5,120	
1970		1					
71	2	1				2,730	
72	1	1				3,490	

REPUBLIC OF CHINA (Taiwan)
by
E. B. Rice and Ray Russell
PPC/PDA ASIA/TECH

The U.S. Congress passed the China Aid Act in April 1948. In October of that year the Joint Commission on Rural Reconstruction (JCRR), the autonomous bilateral agency thru which most U.S. aid for rural development was to flow, was inaugurated in Nanking. Operations on the mainland were short lived: JCRR moved headquarters and staff to Taiwan in August 1949. Its subsequent role in promoting rural development in Taiwan is well known. It helped with reorganization and growth of the Farmers' Association inherited from the Japanese, including rapid development of FA credit activities, and with the creation and /or strengthening of other farm credit institutions which were to play an important part in Taiwan's agricultural revolution. The American contribution was substantial: JCRR's operational budget, including funds granted or loaned to FAs and other credit institutions, was financed through direct dollar support or counterpart generated by the U.S. commodity import program; Americans were appointed to the Commission and to operating positions throughout the organization; two American agricultural credit experts worked as advisers to the JCRR credit staff between 1956 and 1964. U.S. assistance to agricultural credit was one of the last elements to be phased out in the middle 1960s.

It was not possible to obtain estimates of U.S. dollar and counterpart funds granted or loaned to JCRR for credit activities. From 1960 to 1964 there was an annual counterpart loan of between $1.0 million and $1.5 million. We would expect annual transfers of equal or greater amount for the years between 1953, when JCRR support for FAs began, and 1960. In the table we show an estimate of $1.0 loaned per year in that period but this may considerably undercount the start up funding in the early 1950s, and may exaggerate the loan component.

The first direct U.S. technician involvement with activities at the local level was in 1953, when the consultant W.A. Anderson wrote the report "Farmers' Associations in Taiwan" which appears to have had considerable impact on FA reorganization. Between 1955 and 1956, Phillip W. Voltz, US "Farmers Organization Specialist" served with JCRR. He joined the Chinese delegation to the First Far East Agricultural Credit Workshop, sponsored by AID and held in the Philippines in June 1956. Voltz was followed by Irwin H. Kauffman the first of the two American to be appointed specifically as agricultural credit advisors (December 1956-October 1960). Kauffman played a role in early experiments to improve lending procedures and to increase amounts of credit available to farmers. To handle the credit needs of relatively small farmers and to strengthen the credit departments of the farmers' associations, the "Supervised Agricultural Credit Program" was started in 1958. As part of the JCRR team Kauffman also assisted in developing this program. Kenneth E. Boyden (October 1961-May 1964) succeded Kauffman as the AID Agricultural Credit Advisor. Boyden reported that his major activities were to act as Credit Consultant to JCRR, to assist in supervising the selection of the farmer's associations under the Unified Credit Program, and in training managers, accountants and credit men of the farmers' associations. Boyden was the last AID Agricultural Credit Advisor.

TAIWAN

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency (approx.)	Assignments
1950							
51							
52							
53							
54						1,000	
1955						1,000	
56	1					1,000	
57	1					1,000	
58	1					1,000	
59	1					1,000	
1960	1					1,000	
61	1					1,000	
62	1					1,000	
63	1					1,500	
64	1					1,500	
1965							
66							
67							
68							
69							
1970							
71							
72							

KOREA

by
E. B. Rice and John Kling
PPC/PDA ASIA/TECH

The "AID" program in Korea started at the end of the Korean war in 1953, though the U.S. had provided economic assistance under a variety of other programs since the close of the Japanese occupation in 1945. Technical and capital assistance in cooperative and credit development continued from 1955, when a agricultural office was established in the Mission, until 1969, when the last of a long line of coop and/or credit advisors departed. The institutional focus of their attention has always been the National Agricultural Cooperative Federation (NACF) and its related or predecessor agencies. The NACF was planned to be the dominant operational agency in the agricultural sector, virtually monopolizing rural institutional credit and controlling some of the marketing activity and much of the supply of inputs. The ten AID technicians who have worked with NACF since its beginnings in the late 1950s made major contributions to its growth and vigor. The credit function performed by NACF, encouraged and equipped by AID, is widely respected, through the village coops are generally not involved in policy making and the few general purpose fully democratic cooperatives promoted by AID technicians over the years in pilot areas have not prospered or spread. Capital assistance by AID to NACF since the late 1950s has been substantial.

In the mid 1950's, there was very little institutional credit available for farmers of any size. What there was was handled by the national Federation of Financial Associations (FFA) and its member associations (FAs). The latter coexisted with the traditional, informal, village revolving credit ("Ke") societies. A U.S. consultant team visit in 1954 (Edwin C. Johnson et al) and a subsequent visit by the AID coop and credit advisor from the Philippines (John L. Cooper) led to the development of two important pieces of legislation -- the Agricultural Bank Act and the Agricultural Cooperative Association Act. These in turn provided the legal basis for establishment in 1958 of a National Agricultural Cooperative Federation (NACF) and the Korean Agricultural Bank. In 1961 a new NACF was established. It received the resources of the former NACF and the Bank, and performs credit, marketing and purchasing services.

In 1955 AID hired a coop and credit advisor from the U.S. Department of Army occupation forces, a civilian (Guy E. Mabie) who had been promoting the establishment of agricultural coops in pilot areas since his own arrival in Korea in 1951. He was joined at AID in 1957 by a second coop and credit advisor (John P. McCauly) and in 1959 by a third (Trammel M. Ice). These three worked with NACF, which supervised both its own network of country offices and the almost 20,00 village coops which had been created rapidly under government direction. The Americans concentrated on the development of pilot, general purpose coops with credit functions which were to serve as models for the new village coops. A fourth advisor (Glenn G. Browne) arrived in early 1959 to work with the Agricultural Bank in establishing banking principles compatible with agricultural financing requirement and in trying to relate to the new coop structure. A large infusion of counterpart funds (about $73 million) helped finance a revolving loan fund controlled by the Bank and U.S. team and used over the years to support short term production credit program.

The April revolution of 1961, which established the present government, led to temporary institutional instablility and seems to have caused dismay of some of the U.S. technicians regarding the success of their efforts to create a viable cooperative and cooperative credit structure. Their models were isolated: the trend in NACF was toward increased centralization and postponement of democratic influence in county and even the village "coop" organizations. By 1962 it became apparent the new government was committed to rural development and serious in its request for increased support for farm credit. USAID was willing to continue both technical and capital assistance to allow expansion of the credit program. But, ever since, Mission documents reflect the concern of its advisors that the ideological "cooperative" transplant had not prospered despite the growing power of NACF. Between 1962 and 1967 there was always one coop and one credit advisor working out of USAID, primarily with NACF (there was a fisheries coop credit advisor as well in some of those and subsequent years). Occasionally counterpart transfers were made to help finance NACFs increased credit operations. When the last "credit" advisor left in 1967 (the last "coop" advisor left in 1969) one senses from Mission documents both pride and dismay with the hybrid organization his earliest predecessors had helped to create.

Mission policy treatment of the coop and credit advisors in the late 1950s and early 1960s was unsteady, perhaps reflecting concern over goal definition and achievement. In 1959, as mentioned earlier, the three advisors working principally on coops were in one project, the credit advisor in another. Both projects were included in the Mission agriculture program. By early 1962 the then single coop man and the single credit man were each lumped in with other non-agriculture technicians in two omnibus projects outside of agriculture. They were thus nominally at least not a part of the major rural development thrust of the Mission, which was focused on the growth of research and extension functions at Suwon and Seoul. The coop advisor was reincorporated in the principal agriculture project in FY 1963, but the credit advisor didn't follow him till FY 65. Though separate project identity doesn't indicate physical isolation from other USAID agricultural staff, the USAID/Korea pattern in the early 1960s is indicative of unintegrated programming of credit and extension and the priority attached to the latter.

In addition to pressuring NACF to decentralize, and to allow greater representation of local interests in county and village coops decisions, the USAID staff during the 1960s and with considerably more success supported on the one hand the growth of participant farmer savings and equity ownership and on the other hand the increase in NACF lending operations of medium and long term.

Table 1 gives a summary of selected AID inputs to credit projects in Korea since 1955. Table 2 names the advisors and shows the fiscal years during which they were attached to the Mission. The tables include the coop advisors, since their work was inextricably linked to the credit operations of NACF and/or attempted to reform the institutional basis for those operations. In addition, there have been two important recent periods of consultant activity, the organization and management team study of NACF by a University of Wisconsin team (A. L. Larson and H. H. Hulbert of the International Cooperative Training Center, U. of Wisconsin: report dated March 1966), and the new credit study conducted as part of Michigan State University's agricultural sector analysis (J. Brake and Y. J. Kim, reports dated 1971,72). A large number of participants, many from NACF, have been trained abroad under U.S. sponsorship throughout the period of USAID activity. Some related technical assistance activities which are not included are the principal fisheries cooperative advisors and the "banking" advisor (Rufus Long) who worked with all Korean credit agencies, including NACF, from 1967 to 1972.

The substantial U.S. capital contributions to NACF are also revealed in table 1. Budget and program support is made to NACF through various direct and indirect mechanisms, part of which is used to refinance the credit operations. A recent special instance is the commodity import loan of $14,000,000 providing local currency to NACF for farmers' credit for mechanization ($8 million) and improved storage ($6 million) facilities. The Mission and ROKG are presently discussing a major agricultural sector loan, part of which may be used to finance new credit programs.

Since Korean land tenure laws restrict individual land holdings to three hectares, all agricultural credit programs would have to be classified in any worldwide scheme as small farmer oriented. U.S. technicians, however, have generally advised against lending to farmers who couldn't demonstrate repayment capacity, that is against so called "welfare" or "relief" programs.

KOREA

Table 1

SUMMARY OF A.I.D. INPUTS
(Number of technicians, thousands of dollars, fiscal years)

	TECHNICIANS (resident)		CAPITAL ASSISTANCE				
			Grants		Loans		
	Direct Hire	Contract	Dollars	Local Currency	Dollars	Local Currency	Assignments
1950							
51							
52							
53							
54							
1955	1					600	
56	1					14,700	
57	1						
58	2						
59	4					4,400	
1960	4						
61	4					16,800	
62	2					30,000	
63	1					2,700	
64	2						
1965	2						
66	2						
67	2					3,600	
68	2						
69	1						
1970							
71					14,000		
72							

Won loans are approximate dollar values because somewhat overvalued exchange rates prevailed. Loans were from supporting assistance won generation grants to ROKG. Won were then loaned to NACF and reloaned to farmers. The dollar loan is to ROKG, and reloaned to NACF, in won. Loans do not include capitalization of the fertilizer special account which also generated funds for credit sales of fertilizer.

K O R E A

Table 2

AID Credit and Cooperative Credit Advisors

	1955	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
Total	1	1	1	2	4	4	4	2	1	2	2	2	2	2	1	0
Mabie, Guy E.	x	x	x	x	x	x	x									
McCauley, John P.				x	x	x										
Ice, T. M.					x	x	x									
Browne, Glenn G.					x	x	x	x								
Gerber, Henry H.							x	x								
Johnson, V. W.									x	x	x					
Maddock, W. J.										x	x	x				
Fenstermacher, A. W.												x	x	x		
Eriksen, L.													x			
Austin, H. V.														x	x	