

PAIR-969

END OF TOUR REPORT

By

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(May 1980 to June 1981)**

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USAID Integrated Rural Development Project
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A. Introduction

The main purpose of this report is to summarize my field experience with MSU contract team in the EORD of Upper Volta. The presentation is based on my activities in the credit program with special reference to the results of the 1980-1981 accounting period.

My own participation in the EORD program began with my appointment as a credit and cooperative specialist by the Department of Agricultural Economics, Michigan State University in May 1980. I joined the MSU team in Fada N. Gourma in late May replacing the credit technician who terminated his work after three years of services.

After a brief stay in Fada, I prepared a plan of work defining the scope of my technical as well as administrative (as field team leader) duties. The plan of work as well as bibliography of various reports/documents written on my activities are attached in the last section of this report.

B. Credit Activities

Brief Program Description

Two types of credit programs are in use in the Eastern ORD. The first type is designed to provide a short-term (one production season) credit to farmers. This entails delivery of production inputs in kind such as seeds, fertilizers, pesticides etc. Within this category are also other miscellaneous loans for small enterprises [1, 5, 10] such as for village shops, village pharmacies, cereal banks etc. The second type of credit program provides medium term credit for farmers with emphasis on animal traction packages.

Each type of credit is provided under different terms. For instance, the interest rate for the short-term credit varies from item to item, averaging about 12%. In the miscellaneous group, the Cereal Bank loans are given at a rate of 8%. The medium term credit was given at a 5.5% interest until the recent increase instituted by CNCA [10].

Over 90% of the funds for these credit programs is mobilized from as many as 11 varied external sources [4, 6], including USA, France, Swiss and UN organizations.

Cash Flow Situation

According to the cash flow report [6] of March 31, 1981, the balance in the Rural Credit fund account was 48.342.531 CFA. In principle, this amount is available for extending further credit during the 1981-1982 production period. In actuality, however, there is only 1.261.971 CFA in cash in the bank account. The difference of 47.080.356 CFA represents the amount the ORD owes the Rural Credit fund as depicted in the ORD-Rural Credit fund transfer account [6].

Loan Statistics

Following existing procedures and aspects of the new CNCA system [10], loans were granted to farmers during the 1980-81 production period. The comparative position of this activity is shown on Table I, for the global Rural Credit fund and for USAID sub account.

Loan Repayment Rates

The loan repayment record in the EORD has not been very encouraging [10]. In spite of the continuous efforts to improve it, the current performance is unsatisfactory, as indicated on Table II.

The detailed performance for the 1980-81 accounting period by sub-regions, is also illustrated on Table III.

The diversity of the performance level portrayed by each sector is consistent with the common knowledge on the heterogeneity of the agricultural condition (rainfall, soil type, farm size, crop mix, family size, etc.) in the eastern region.

The reasons for the poor performance are as follows:

- a) Among the factors that contributed to comin-yanga's highest performance was the collection of traction equipment from delinquent borrowers. The collected items were considered as a reimbursement at an adjusted rate. Also the withdrawal action appears to have motivated other reluctant farmers to pay their dues in order to retain their traction equipment.
- b) Among the factors contributing for low performance of the Diapaga sector is reported to be dispersement of loans without due consideration to needs as well as debt carrying capacity of borrowers.
- c) The repayment rates on short-term credit are found to be higher than the medium terms credit.
- d) Further analysis of the loan portfolio to determine the size of loan received by each borrower in comin-yanga and Diapaga sectors revealed the information on Table IV.

The balance of 19 and 36 percent of the borrowers in comin-yanga and Diapaga sectors, respectively, received between 5.000 and 2.000 CFA.

Expansion of Alternative Investment Opportunities

My activities in this area entailed:

- a) Establishing awareness among credit agents of the need to develop an accounting and reporting format that would assist both the credit agents and small enterprises. This led to the preparation of the document entitled compatible des micro projets [5] which was adopted by the credit section for future use.

TABLE I
 AMOUNT LOANED AND PERSONS SERVED
 1975-76 to 1980-81

Item	1975-76 to 1980-81		April 1, 1980-March 31, 1981	
	Rural Credit Fund	USAID-Sub. Account	Rural Credit Fund	USAID-Sub. Account
Amount Loaned out	106.268.153	39.002.265	19.914.485	4.430.370
% Med. Term	81	91	82	99
No. of Loans Med. Term	1452	665	245	65
No. of Persons Served Med. Term	2444	1098	303	92
% Short Term	19	9	18	1
No. of Loans Short Term	3391	21	697	1
No. of Persons Served Short Term	6838	269	871	10
No. of Loans Total	4843	686	942	66
No. of Persons Served Total	9282	1367	1174	102

TABLE II
LOAN REPAYMENT RATE
(by year)

Year	Rate of Repayment
1976-77	25%
1977-78	41%
1978-79	32%
1979-80	25%
1980-81	37%

TABLE III
 LOAN REPAYMENT RATE
 (by sector)
 March 31, 1981

Sector	Amount Expected	Amount Paid	Rate of Repayment
Bogande	7.058.928	2.697.681	38.2
Comin-yanga	1.843.065	1.353.653	73.4
Diabo	11.188.401	4.257.569	38.1
Diapaga	10.391.968	2.097.979	20.2
Fada	6.873.176	2.794.275	40.7
Kantchari	6.339.498	2.028.060	32.0
Matiakoali	3.908.567	1.096.418	28.0
Pama	3.904.684	2.843.690	72.8
Direction	341.485	124.765	36.5
Total ORD	51.849.772	19.294.090	37.2

Table IV
 SIZE OF LOAN IN COMIN-YANGA AND DIAPAGA SECTORS
 (percent of borrowers receiving that limit)

Sector	Size of Loan in CFA	
	≤ 5000	≥2000
Comin-Yanga	32%	49%
Diapaga	36%	28%

- separate interest income from loan repayment
- take periodic inventory of stock items
- delineate the grant from payable loans
- assess full cost of service delivery, etc [10]

3. The Computerization of the Credit System:

The computerization has been very helpful in: (a) reducing embezzlements (b) preparing individual bills to farmers (c) monitoring loan repayment status (d) producing statistical data etc. It appears, however, the full benefit of the computerization is unlikely to be realized without:

- motivating credit and extension agents to perform their duties diligently, i.e. maintaining periodic contact with borrowers, assessing credit needs and debt carrying capacity critically, etc.
- delivering inputs on schedule
- complementing credit use for food production with cash producing activities
- coordinating credit provision with product market outlets
- winning the support of CNCA.

- b) Completing study proposal: Plan of work, questionnaires and a coding manual were prepared to conduct an economic analysis of sorghum-millet milling and rice processing technology in the EORD region [7, 8, 9]. This proposal was based on my plan of work [1] and has been complementary to the small enterprise survey findings which was conducted earlier under the regional planning study. After having completed the preliminary preparation including the reconnaissance survey, this investigation was discontinued due to unexpected budgetary problems.

C. Administrative Duties

I managed the MSU project imprest fund in order to maintain a continuous flow of supplies, payment of local personnel and the maintenance of vehicles in order to support applied research on bas fond rice cropping system and an implementation work on the credit area.

Gradually, handling the day to day administrative activities became a very time consuming task, specially after the disappearance of the locally hired administrative assistant from his post [3]. His disappearance did not only leave me with more paper work, but also with problems he intentionally generated prior and/or immediately after his departure. Some such problems included acquisition of materials from merchants for personal use on project account, mishandling of other project matters such as project debt payments, settling pending legal issues, etc. After a brief follow-up and examination of the situation, the case was presented to the local police officials in Fada, who in turn relayed the matter to the central police headquarter in Ouagadougou. The response from the police so far indicates their inability to locate him in the country to detain him for investigation.

I also served as a liason service between the EORD, MSU and USAID Ouagadougou.

Concluding Remarks

1. The Revolving Fund:

The various reports of MSU credit advisors show that over 90% of the Rural Credit fund is generated from external sources. However, part of this fund is being utilized to cover operating expenses of the ORD. Consequently, any attempt to improve the viability of the credit system requires an effort to mobilize internal saving coupled with measures to increase revenues and reduce operating expenses of the ORD.

2. The Accounting System:

The accounting system for the credit program is useful for tracing global cash flows as well as cash transfer between the ORD and the Rural Credit account. The system does not, however, allow one to prepare an income statement or a balance sheet to ascertain the viability or net worth status of the credit program. To produce such statements, it is essential to:

List of Documents and Reports
May 1980-June 1981

1. Negash, Kifle. Plan of Work, for the period June 1980 to May 1981, Fada N'Gourma.
2. Negash, Kifle, Fotzo, Pascal. Un Bref Apercu de l'Assistance Technique Fournie par l'Université d'Etats du Michigan, Au projet du Developpement Rural Integre de l'ORD de l'est, (DRI/USAID) Fada N'Gourma, September 1980.
3. Negash, Kifle. Six month Report No. 7, June 1980-November 1980, Fada N'Gourma, Upper Volta, December 1980.
4. Negash, Kifle, Sinare, Mousa. Quarterly Financial Reports, Rural Credit Account, Rural Institutions and Credit, EORD, Upper Volta (July, October'80, January, April'81).
5. Negash, Kifle, Sinare, Mousa, Dahany Amidou. Camptabilite Des Micro Projets (Bangu cereale, Beutique Villageoise, Moulin A Mil Etc.), Institution Rural et Credit, ORD de l'est Fada, February 1981.
6. Negash, Kifle, Sinare, Mousa. Annual Financial Report, Rural Credit Fund and Sub Accounts, Credit and Rural Institution's Section, EORD, Fada N'Gourma, 1981.
7. Negash, Kifle. Plan de Travail pour une Analyse Economique de la Technologie de Transformation des Produits Agricoles: Technique de d'Corticage de riz et de Moulage du Sorgho et Mil dans/ORD de l'est Haute Volta, Department of Agricultural Economics, Michigan State University, April 1981.
8. Negash, Kifle. Enquete Sur La transformation Du Riz, Sorgho Et Mil, 1981, QUESTIONNAIRE Section Institution Rural et Credit en Collaboration Ovec Section Recherche Applique, ORD de l'est, March 1981.
9. Negash, Kifle. Enquete Sur La transformation du Riz, Sorgho et Mil GUIDE DE La ENQUETEUR Section Institution Rural et credit en collaboration avec section Recherche Applique, 1981, ORD de l'est, March 1981.
10. Negash, Kifle. Six month Report No. 8, December 1980-May 1981, ORD, de l'est, June 1981.

*For a complete listing of project documents and reports, refer to Wilcock's bibliography of reports, 1977-1981.