

The Impact of the 1973 Spring
Review on Small Farmer Credit:
A Report on the Utilization of Evaluation Findings

Introduction

The following is the report of a study done to determine what has been the apparent impact on AID projects of the Spring Review on Small Farmer Credit, which culminated in a series of published reports in June, 1973.

The 1973 Review was a high-visibility, wide-ranging effort to generate and record information and to exchange opinions on AID expertise in this complex and important area. It was considered to be a particularly timely subject in view of the Agency's growing interest in problems of equity in rural development, for which it was expected credit programs might offer a solution. Projects identified as having significant small farmer credit components in years 1973-76 totalled \$141.1 million.

Reports done in preparation for the ten field workshops, held in the Spring of 1973, fill nineteen volumes. A Summary volume, prepared in June 1973 for a conference held in Washington in July, is attached for information purposes.

In 1974, a series of guidelines on small farmer credit programs and projects, based primarily on the Spring Review, was sent to all AID Missions. Those guidelines, circulated under AIDTO CIRC A-418, dated June, 1974, and included as Supplement C2 to Program Planning and Budgetary Handbook II, are also attached.

The time, money and effort expended on the 1973 Spring Review were considerably greater than for any other evaluation effort in the history of U.S. foreign aid. Despite some reservations regarding the size of the enterprise, it was believed that it had very successfully focussed Agency thinking and had provided a series of documents which represented the state-of-the-art in rural credit activities. The twenty volume report, currently available from the private sector, has had wide readership, and requests for some volumes are still received.

For this reason, the 1973 Spring Review seemed a very suitable test case for assessing the impact of AID evaluation activities on program and policy decision-making and particularly on project design.

This report, with its attachments, will serve to remind AID Missions and Offices of the conclusions reached in the 1973 Spring Review. We also expect it to generate discussion of further Agency experience in the field of Small Farmer Credit and to help us to establish ways to review fairly Agency use of guidance based on major evaluation findings.

The procedure followed in this study was to identify credit projects developed and approved in the years immediately following the Review, and to determine whether or not the project proposals reflected the conclusions or recommendations published in the Summary Papers, Volume XX, of the Review.

There were a number of difficulties with this approach, but it was deemed to be the least time-consuming, most economical, method by which these questions might be explored.

Projects Examined

A list of thirty-three projects was identified by the Development Information Service, augmented by a check of the AID Reference Center catalogue. These projects were read and reduced to a list of only seventeen. The sixteen projects which were rejected included rural development activities with little or no emphasis on credit, some credit projects which antedate the Review, or credit union or cooperative activities with special emphasis which were perhaps atypical:

The final list follows:

Bangladesh	-Small Scale Irrigation I	1976	14,000,000
Bolivia	-Basic Foods Production	1974	8,000,000
Bolivia	-Agricultural Sector Loan	1974	9,200,000
Bolivia	-Small Farmer Organizations	1975	7,500,000
Caribbean Regional	-Intergrated Agricultural Development	1976	10,000,000
Colombia	-Rural Cooperatives Development	1975	5,000,000
Dominican Republic	-Agricultural Sector Loan	1974	12,000,000
Dominican Republic	-Agricultural Sector Loan II	1976	15,000,000
Ghana	-MIDAS Program for Small Farmer Development	1976	10,000,000

Haiti	Small Farmer Improvement	1974	6,000,000
Haiti	Small Farmer Improvement Project (Grant)	1974	1,197,000
Kenya	Agricultural Sector Loan I	1975	13,500,000
Liberia	Upper Lofa County Rural Development	1975	5,000,000
Morocco	Doukkala-Zamamra Sprinkler Irrigation	1976	13,000,000
Paraguay	Small Farmer Development Loan	1974	4,700,000
Tanzania	Agricultural Credit (Grant)	1974	3,750,000
Zaire	North Shaba Maize Production	1976	3,500,000

Spring Review Recommendations

The points developed by the Spring Review which might have been incorporated into project design in the succeeding years included questions of the role of credit, institutional questions, policy options and foreign aid questions. Each of the seventeen projects were checked to see to what extent the Recommendations had been taken into account. The points were not identified in the project documents as Spring Review recommendations (in fact the Review was mentioned only twice in thirty-three project papers) and there was no check list for easy reference. Nor was there an itemized reference to the guidelines issued the following year (found in Circular A-418 dated June 6, 1974). Consequently, it was necessary to read each project paper in its entirety to check for inferences which could be made on the basis of information provided in response to other requirements.

With no check-list and in the absence of any other reference to the Spring Review recommendations, it was still reasonable to assume that the designers of the projects in 1973-76 should have acted as if they had been influenced by the Review report. It was felt that the Review should have influenced the documents in one of two ways. Either (1) the project planning would have reflected the advice produced by the Review or (2) if the proposed action was contrary to the Review, the Mission would have defended their decision as a special case. In the following paragraphs,

such instances were marked as "yesses" while "no" indicates projects for which the designers appear to be either unaware of the Spring Review or to be ignoring it.

Recommendations of Spring Review

Following are highly abbreviated versions of the Spring Review recommendations, with an indication of how many of seventeen projects appear to reflect awareness of the Review and, in some instances, a brief discussion of how the figures might be interpreted. Totals in each case add up only to 15, as the two Dominican Republic Sector loans rested on the same justification and the grant and loan projects in Haiti were complementary.

A. Role of Credit -- Profitability

1. Existence of technological opportunity or opportunities for using credit; small farmer awareness of such opportunities.

Yes: 6
No : 9

This is one of several instances where the project designer may have felt implicitly that the opportunity existed to increase crop yields and thus felt no need to mention it.

2. A supply system in place, by which would-be small farmer borrowers could acquire production inputs (fertilizer, tools, insecticides).

Yes: 4
No : 11

3. Economic analysis undertaken at the farm level to confirm the profitability of investments (eg., land tenure system favorable).

Yes: 8
No : 7

4. A system for marketing the borrower's product, either in existence or to be established at the same time as the credit program.

Yes: 6
No : 9

B. Role of Credit -- Welfare

1. If profitability cannot be established, the project should be identified as a "social investment." That is, the benefits to be realized will be improvements in the living conditions of the borrowers and their families.

Yes: 1
No : 14

The only project which admitted that the undertaking might have social returns instead of profits was the Bolivia Small Farmer Organizations project, the purpose of which was to develop organizations which could be expected in time to augment small farm incomes. All other projects purported to be profitable.

2. Verify that no social or cultural aversion to risk exists which would bar a successful lending program.

Yes: 4
No : 11

For the most part, these positive responses represent the existence of lending institutions in the country, which by inference suggests no aversion to borrowing. In fact, the borrower serviced by existing institutions may not have been the small farmer toward whom the proposed activity is aimed.

3. Verify that no satisfactory alternative source of funds exists, that the institution proposed to carry out the credit program is particularly suited for the activity.

Yes: 3
No : 12

Not discussed in most project papers; positive responses were inferred where no other lending institution existed which might branch out into farm credit.

C. Institutional Questions

1. Measures to reduce costs:

a. Decentralize Operations, to make use of local skills and knowledge.

Yes: 7
No : 8

The high number of positive responses for this item may be owing to uncertainty as to how decentralized a lending activity should be if it is to fulfill the expectation of this recommendation. The large number of regional offices which some of these project papers propose may be farther from the local level than is ideal. Nor can it be determined that when a local facility does exist, decisions made at the local level could not be subject to overrule in regional or central office, thus undermining the intent of the decentralized plan.

b. Deal with groups rather than individuals.

Yes: 8
No : 7

c. Use existing organizations, even those without experience with small farmers.

Yes: 12
No : 3

d. Depend on local compulsion where possible (i.e., some joint community effort which requires support by all cultivators).

Yes: 0
No : 15

2. Organize to reflect the type of credit provided, i.e., production, marketing, consumer.

Yes: 0
No : 15

3. Feedback mechanism, to ensure that the system responds to farmer needs, to provide necessary information for planning, to gather data.

Yes: 0
No : 15

There were some research aspects to certain of these projects, for which data was to be gathered, but not to the extent that the term "feedback" could be seriously applied.

B. Policy Options

1. Interest rates should not be too low; they should help meet costs of operation.

Yes: 4
No : 11

This is the most complex and well-known issue to be aired by the 1973 Spring Review. Most of the subsequent discussion of it appears to have been documented elsewhere than in project papers. Of all the conclusions or recommendations made by the Review, this is the one probably most subject to influence by local conditions, or rather least subject to useful generalization. Even so, there was discussion of the interest question in only four of these projects. Considerable discussion on this problem in AID/Washington has been reported and some recorded.

2. Unify credit and technical supervision.

Yes: 6
No : 9

3. System for graduating farmers from supervised credit system to commercial lending.

Yes: 0
No : 15

The purpose of the projects reviewed in most cases is to develop and establish a permanent lending institution, not one whose customers will outgrow it in the foreseeable future.

4. Political will required to direct credit distribution to "small" farmers (place of small farmer program in national development strategy).

Yes: ?
No : ?

Not measured, on the grounds that the project proposal is not held to be a reliable source of information as to host country intention to support the proposed activity. A check was not made of project agreements or evaluations for evidence of this.

D. Foreign Aid

1. Establish a system for evaluating small farmer credit activities.

Yes: N.A.

No : N.A.

An evaluation "system" of course would lie outside the scope of a particular project. Each project did provide for an evaluation, as is required by AID.

However, a project was approved by the Technical Assistance Bureau in 1974, to "establish an information base" to enable the Agency to continue to study issues which remained unresolved after the 1973 Review. Over an 18-month period, it published six issues of a "Newsletter on Rural Financial Market Research and Policy", distributed to 1500 individuals and institutions. Three regional workshops were conducted, which were attended by a total of 145 participants representing 35 countries.

Conclusions

It is difficult to determine the full impact of the Spring Review on project design from reading the project papers. Even where a project seems to be fully responsive to a recommendation of the Spring Review Summary, it may only mean that the advisor who prepared the project was himself active in the Review.

There is considerable variation among recipient countries, particularly in credit. Latin American agricultural problems reflect a degree of considerable sophistication, both in agriculture production and in socio-economic structure. The Spring Review's conclusions which relate to "profitability" all indicate a situation where the lack of credit appears to be the only constraint to small farmer productivity. However, in most African and many Asian countries, these projects were designed to provide all needs simultaneously. These are situations where AID is starting from zero; even "political will" may turn out not to have been as durable or effective as AID had been led to expect during the project planning stage.

The several Review recommendations thus reflect different levels of sophistication, and may be somewhat inconsistent, if not contradictory. Surely they should not be regarded as universally valid. For example, the four conditions under the heading "profitability", suggesting that everything is in wait for the flow of credit, describe a different situation from that which calls for "unified technical and credit supervision". If the small farmer is aware of his technological opportunity, he will need little if any technological supervision.

The table on the following page shows the positive responses to twelve of the eighteen Spring Review recommendations among fifteen projects. In an attempt to establish a pattern, the projects were listed in order of their "compliance"-- that is, the project which had the greatest number of positive responses is first. Similarly, the twelve Review suggestions are listed in order of number of acceptances, or degree of utilization. Of the 180 squares in the grid, only 67 are marked with an "x", showing barely more than a third of the possibilities were fulfilled. There is no discernible pattern among these responses. It should be emphasized that in order to reflect the degree of utilization more accurately, all of eighteen points should have been shown. The table would have been half again as long as it is, and the additional portion would have been all white space.

The seeming lack of impact on project design may be explained in several ways. The most probable impact of the Review, in light of the generally sceptical or negative nature of the Review findings about the need for and importance of credit activities, would be the number of projects not initiated. The rather stringent conditions under which small farmer credit activities are deemed to be appropriate may have discouraged some AID Missions from undertaking the necessary preliminary studies, or from acting favorably on the studies they did commission. Such an impact could not be identified from looking at project proposals.

The agricultural credit experts who prepared the project proposals are likely to have participated in preparing the papers for the 1973 Spring Review, and attended the regional Review meetings, if not the final one in Washington. For the Review process to have had impact on the AID program, it must either have altered the perceptions of these technicians, or it must have altered the views of the generalists who participated. What evidence can we find of such "conversion"?

In the hypothetical case where an experienced rural credit project manager found himself at odds with one or more of the Review's "conclusions", he should have no difficulty in persuading himself -- and others -- that the principle in question does not or should not apply to his particular situation. The variation among countries -- sophisticated v. primitive, established banking system v. new endeavor -- is clearly great enough to justify this kind of rationalization. Yet one is still struck by how little the 1973 Spring Review was referred to as a base point for discussion in project papers. Even if "worldwide" conclusions were not adopted, a wealth of regional and sub-regional data was widely circulated which should have been directly applicable to most projects.

Another possible explanation of the poor showing is the fact that many project designers may consider some of these conditions to be sufficiently obvious that they need not be mentioned. As examples: the existence of technological opportunity or the lack of an alternative source of funds.

Other Issues

In the course of this study, we reviewed a report by Judith Tendler, "Inter-country Evaluation of Small Farmer Organizations", November, 1976, which covered Ecuador and Honduras. While that report does not refer to the 1973 Spring Review directly or otherwise, it was submitted for comment to several of the individuals who played an active part in planning for the Review and in preparing the reports which it produced. Major points emphasized in the Tendler report relating to credit are presented below both for information and because they form an important part of the continuing discussion on the ways to improve the performance of projects involving small farmer credit:

1. "Pure" credit is preferable to supervised credit -- i.e., if farmers know enough to borrow, they know enough to make use of the borrowings.

2. Large and complex organizations, such as consolidations of local credit unions, should be avoided, as they strain the scarce administrative resources of rural societies.

3. Cooperatives tend to be more complex than is needed to achieve the purposes of small farmer organizations.

4. Preference should be shown for agencies which have demonstrated competence in dealing with small farmers; similarly, integrated agricultural programs should be supported only when their ability to operate has been shown.

5. AID should devise sanctions to effect prompt credit disbursement to smaller farmers; e.g., monitor the program; do not make follow-up loans in cases of poor performance.