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**First Semi-Annual Report on Research Contract**  
**between**  
**The Agency for International Development**  
**and**  
**The Research Foundation of The Ohio State University**  
**for an**  
**ANALYSIS OF PROGRAMS FOR THE DEVELOPMENT AND IMPROVEMENT**  
**OF AGRICULTURAL CREDIT INSTITUTIONS AND SERVICES**

**BY**

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

**December 1964**

**TCB/DRA**  
**Official File Copy**

## TABLE OF CONTENTS

	<u>Page</u>
I. Summary.	1
II. Research Progress During First Six Months.	5
III. Research Plans for Next Six Months.	7
Appendix I. Organization and Staff.	
Appendix II. USAID Mission Replies.	
Appendix III. Summary of Stated Objectives and Achievements of USAID Agricultural Credit Projects, 1959-1964 (Abstracted from E-1 Country Program Books).	
Appendix IV. Criteria for Evaluating Performance of Agricultural Credit Systems.	

## I. SUMMARY

Background. The contract reported upon herein was entered into on June 15, 1964 with the effective date for initiating research activities set as July 1, 1964. The research project provided for by this contract has two primary objectives:

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

Additional subordinate and more specific objectives are specified in Item I (Scope of Work) of Appendix B of the contract.

The contract provides for research in three phases as follows:

1. Phase I: Summary and analysis of all available data, reports, and studies of agricultural credit in the less developed countries of the world.
2. Phase II: Case studies in three countries in Latin America. The studies will include investigations of the development of agricultural credit institutions and systems; investigation of technical and economic assistance programs of outside agencies, and testing of hypotheses set up in Phase I.
3. Phase III: Completion of data collection and analysis and formulation of conclusions and guidelines as indicated in objectives of the project.

The work plan for the project (included in Appendix B of the Contract) provided for the first year of the project to be spent on Phase I. As provided therein, the first six months have been spent on organization and recruiting of staff; establishment of data procurement procedures and actual collection of secondary data; establishment of library, development of data storage facilities, classification and abstracting of data and development of data recovery system; development of research framework and Phase I analytical procedures; drafting of tentative hypotheses for Phase II research; arranging staff reconnaissance trips to Latin American countries to identify problems, further develop hypotheses and arrange for Phase II country research.

Organization and Staffing. Responsibility for the project research work is carried by the Department of Agricultural Economics and Rural Sociology of the Ohio State University, through the University's Research Foundation.

To facilitate administration and physical handling of the research, centralized office, library and graduate assistant space was allocated to the project. All other Departmental agricultural finance staff and graduate assistants were shifted to the new quarters to take maximum advantage of complementary possibilities.

A still-informal subdivision of the Department of Agricultural Economics and Rural Sociology was established to carry out the project and coordinate

it with other departmental agricultural finance activities. The subdivision has been tentatively designated the Agricultural Finance Center.

Initial staffing of the project moved smoothly and a competent group of research associates and assistants was appointed within the first two months of the contract. Commitments have also been obtained from members of the Departmental research staff for Phase II country study assignments. One key research associate position--for which a highly qualified man was recruited, verbally committed and then lost--is still not filled. Recruitment efforts continue.

Staff members working on the project are listed in Appendix I.

Consultant Committee Established. As specified in the contract, a consultant committee was formed to counsel and help guide the research staff in developing hypotheses, selecting countries for case studies and in making other major project decisions.

Eight representatives of various sectors of the agricultural credit field and of governmental organizations related to the project were appointed to the committee. The death of Carl R. Arnold, former Governor of the Farm Credit Administration, in November 1964, leaves one of the original committee seats now vacant. The committee is now composed of the following men:

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

The committee met in Columbus, Ohio on August 10, 1964, with a second meeting tentatively scheduled for February or March, 1965. In addition to familiarization of the members with the development, objectives and plan of work for the project, the first meeting was devoted to consideration of project mechanics and the staff's proposed framework of research.

The second committee meeting is to be held as soon as possible after members of the research staff return from a January-February reconnaissance trip to Latin America. Selection of countries for intensive research, discussion of hypotheses and formulation of research procedures for the country studies will be main items for consideration at that meeting.

Working Relations Established with Related Agencies. Much of the research staff's efforts during the first six months have been directed to the location, collection, assembling and physical handling of huge quantities of heterogeneous, widely scattered secondary data on agricultural credit activities in developing countries. Simply gaining access to information which by its very nature is confidential has been a challenge.

Another essential activity has been the development of research procedures for making maximum use of secondary materials toward the first phase project objectives.

To these various ends, most valuable working relations have been established with a number of agencies. The staff has worked closely with the Wisconsin Land Tenure Center and with the Iowa Development Center. Contacts have been made with several University Contract groups. The Food and Agriculture Organization of the United Nations in Rome has been visited; is supplying information and has indicated willingness to cooperate.

The World Bank and the Inter-American Development Bank have both been most helpful; have supplied valuable materials, and project staff have spent time with both organizations. Conferences have been held with the Inter-American Committee for Agricultural Development (CIDA) for the purpose, particularly, of coordinating CIDA and project research activities in Latin America. Conferences have been held with IADS and ERS/USDA staff for similar purposes.

USAID Mission Contacts. Missions have responded generously to requests for guidance in project formulation, expressions of interest in participation and in supplying materials and information on agricultural credit to the project staff.

Mission replies to AIDTO Circular XA-947, dated March 3, 1964, in which suggestions, comments and expression of interest in participation were solicited, are summarized in Appendix II of this report.

The summary of Mission replies was distributed to Missions as Appendix I to AIDTO Circular XA-88, dated July 22, 1964. This airgram also contained a request for materials on agricultural credit, to which many Missions responded with reports, publications and other valuable data.

Materials supplied by Missions plus data collected in Washington and information obtained from many other sources have been assembled at Columbus into an impressive agricultural credit library. The inventory is by no means complete, however, and Missions are encouraged to continue to forward copies of all relevant materials that can be spared to AID/Washington for transmission to Ohio State University.

Continued close cooperation with and support by USAID Missions is essential to success in the research effort. Ten Latin American Missions are to be visited by project staff members during January and February, 1965 to collect additional information and explore possibilities of intensive Phase II studies. Additional support from these and other Missions will undoubtedly be solicited as the research progresses. The staff is most appreciative of this support and will make every effort to coordinate their efforts with the on-going Mission programs.

Library and Documentation Center. Consistent with the Phase I operational plan (Appendix B of contract) ..."assembly and analysis of all available data, reports, and studies of agricultural credit...", a library and documentation center for agricultural credit materials has been established at the Department of Agricultural Economics' Agricultural Finance Center.

As previously indicated, large quantities of unclassified and unassembled materials have been acquired. Considerable time has been devoted to sorting, classifying and indexing these materials. Abstracting, particularly of Latin American materials, has been gotten under way, along with compilation of bibliographies. Mechanics of recovering information have been explored and the decision made to set up an IBM data recovery system.

Coordination of Participant Training with Project Research. The Department of Agricultural Economics at the Ohio State University has been heavily involved in conducting academic programs in agricultural credit for USAID participant trainees. A particularly difficult problem in conducting such programs has been the devising and administering of satisfactory thesis and dissertation research projects.

Immediately after this research contract was signed, a Departmental policy was established to assign each participant trainee to an appropriate segment of the contract research project. Here, under the supervision of a qualified member of the Department staff, he would carry on the research portion of his graduate program.

The first participant M.S. thesis under this arrangement was completed by Jamal M. Salem (Jordan) in December, 1964: "The Role of Supervised Agricultural Credit as a Tool for Land Settlement, with Special Reference to Agricultural Credit in Jordan". A condensation of the thesis will be prepared as either a special project publication or as an appendix to the next report.

Two additional M.S. theses by AID participants will be completed by March, 1965. One deals with an interest rate problem; the other with an analysis of factors inhibiting the performance of agricultural credit programs. Both will be condensed and published.

Research Progress During First Six Months. Staff work has centered upon:

1. Locating, collecting, assembling, abstracting and classifying secondary data on agricultural credit institutions, programs and projects;
2. Development of procedures for utilizing secondary data in the development of guidelines for the improvement of agricultural credit services: the primary objective of the project;
3. Development of preliminary research framework for combination of Phase I (secondary data analysis) and Phase II (intensive country studies).
4. Mechanics of arranging for Phase II country studies.

Further consideration is given to the first six months' research in Section II of this report.

Research Plans for next Six Months.

1. Continue collection, assembly and analysis of world-wide secondary data;
2. Identify and collect supplemental data necessary to meaningful evaluation of secondary data on agricultural credit systems and services. This will include, for example, quantitative measures of performance, and quantitative data on salient economic, social and political conditions external to the agricultural credit systems and programs per se;
3. Identify agricultural credit problems and develop hypotheses for Phase II research. This will be based mainly upon:
  - a. Evaluation and analysis of secondary data and other materials, as specified in item 2, with particular attention to countries where case studies are to be conducted;
  - b. Reconnaissance trips to and consultation with USAID Mission staff and agricultural credit representatives of the various countries.
4. Develop specific methodology for conducting Phase II country case studies;

Additional information on research plans for the next six months is included in Section III of this report.

II. RESEARCH PROGRESS DURING FIRST SIX MONTHS

Assembly of Secondary Data. In formulating this agricultural credit project it was recognized and stated that, "... a substantial fund of experience and knowledge has been accumulated in carrying out many kinds of credit projects under a variety of conditions. It is timely now to draw upon this accumulated and current experience; from it to identify the factors which have contributed to and which have inhibited successful performance as a basis for establishing guidelines for future operations."

To "draw upon this experience" the project work plan provided that: "The first phase of this project will consist of an assembly and analysis of all available data, reports and studies of agricultural credit in the less developed countries of the World." Accordingly, collecting and abstracting of data were started immediately upon signing of the research contract, and continued as major project activities throughout the first six months.

Considerable staff time was spent on data collection in Washington. Individual research associates were assigned responsibility for different geographic regions, with C. D. Curry handling Near East-South Asia; H. J. Roth, Africa-Far East, and S. T. Stickley, Latin America. These regional assignments have been continued for Phase I analysis responsibilities generally.

As the project got under way an impressive quantity of all kinds of printed and mimeographed materials quickly accumulated. The task of sorting, inventorying and generally finding out what was available turned out to be a fairly formidable one. S. T. Stickley was given the job of converting these raw materials into a usable library. All of the staff research assistants were drafted into service on this job.

Analysis of Secondary Data. Concurrently with work on assembly of printed materials, efforts were directed to the development of procedures for gleaning usable research data from them. As a first step in this direction it was necessary to learn just what data were available in the materials on hand. A comprehensive study of materials for each of two countries was undertaken, with H. J. Roth taking leadership on Taiwan, and C. D. Curry leadership on Turkey. This work was most valuable in preparing the outline of information needed, as well as in guiding the abstracting of materials for other countries.

Early in the process of devising the framework for research it became apparent that evaluation of performance of agricultural credit programs had to be made in light of program objectives. Attention, therefore, was given to the identification of goals and objectives of such programs.

AID Country Program Books (E-1's) were identified as an easily available source of comparatively homogeneous information on certain features, among which were stated objectives, of AID agricultural credit projects. This source also contained information on the evolution and achievements of projects over a period of several years' time. Accordingly, this information was abstracted from the E-1's for 24 Latin American and 6 Near East-South Asian countries, categorized and tabulated. Summaries of the results are presented in Appendix III.

Preliminary abstracting of secondary data revealed that the majority of statements of achievements and performance of credit programs were qualitative and subjective in nature. Quantitative measures were needed for objective evaluation of program performance. As one preliminary guide to the determination of what quantitative measures were needed, a search was made for identification of criteria used in evaluating performance of agricultural credit systems. The results of this search, presented as listings of criteria used by different agricultural credit agencies and international organizations, are included in Appendix IV.

As mentioned earlier, an outline of information required in the analysis and evaluation of agricultural credit programs has been developed and is being used in abstracting data for the various countries. Staff has concentrated on Latin American countries in this work, in preparation for country studies in Phase II. Work on the ten countries scheduled for visits in January and February, 1965, has been carried as far as data now available will permit. As materials from the country trips come in, this work will be resumed.

### III. RESEARCH PLANS FOR NEXT SIX MONTHS

The project work plan calls for continuation of work started during the first six months: assembling secondary materials; abstracting data and collecting required supplemental information. Comparative analysis of these materials on developing countries' agricultural credit programs is scheduled to provide preliminary identification of factors contributing to and factors inhibiting successful performance. Problems requiring more intensive investigation are to be identified, hypotheses formulated and final arrangements made for intensive research on these problems in Latin America.

Assembly of Data: Country Travel. During the first six months all of the available reports, summaries and other secondary materials on the agricultural credit programs of 10 Latin American countries were abstracted and tabulated. An outline of information required for program evaluation was used for tabulating data on each program. Missing information, essential to completion of Phase I analysis was thus identified.

Travel to the 10 countries is scheduled in January and February, 1965, to collect this supplemental information. The Dominican Republic, Colombia, Ecuador, Peru, Brazil, Venezuela, Costa Rica, El Salvador, Guatemala and Mexico are included. The travel has the additional purposes of investigating priorities of problems for research and determining feasibility of intensive country studies.

It is anticipated that travel to selected countries in other Regions will be required to complete assembly of essential Phase I information during the next six months. Additional travel will also be required to those Latin American countries where Phase II intensive studies are to be conducted, to arrange for initiation of the studies.

Factors Inhibiting Performance of Latin American Agricultural Credit Programs: Problems for Further Study. A major objective of Phase I research is to draw upon the accumulated experience of AID technicians and others active in the agricultural credit field; to assemble what they have determined to be the critical problems in--and obstacles to--development and improvement of agricultural credit institutions and services; to validate them as problems, establish priorities, and use them in the construction of hypotheses to be tested in Phase II studies.

To this end, many reports, summaries, seminar proceedings and other materials have been examined during the past six months. Major limiting factors identified by the writers were abstracted. Those representing frequently-encountered internal problems of the credit institutions as such are listed below.

The validity of the problems listed has not been tested. Neither is it presumed that the list is complete. It represents only a preliminary listing of institutional factors to be tested, expanded and refined.

1. Lack of institutional organization, with facilities at the farm community level, specifically structured to supply the credit needs of agriculture.

2. Inadequate understanding, on the part of high-level officials of institutions supplying agricultural credit, of the real investment and monetary support required by agriculture, and of techniques involved in meeting that need.
3. Lack of understanding, by operative management and line personnel of credit institutions, of the production and marketing procedures in agriculture.
4. Lack of ability of agricultural credit personnel to reconcile the aims, goals and procedures of the institution with the real credit needs and conditions peculiar to agriculture.
5. Lack of experienced, competent personnel of high integrity, at all levels, to correctly evaluate loan applications, follow stated policies, direct personnel and evaluate performance of borrowers.
6. Lack of supervision of borrowers' use of loan funds to insure their intended use and scheduled repayment.
7. Interference in the credit institution's regular operations by outside interests for political purposes and expediency.
8. Intentional and unintentional mismanagement of funds by institutional personnel.
9. The extension of credit for purposes which can only be accomplished by charity: failure to establish adequacy of repayment capacity.
10. Lack of provision for loan capital acquisition and maintenance by the credit institution.

In addition to the institutional factors just listed, a wide range of external factors were recognized as limiting factors in the development of agricultural credit programs. Monetary and fiscal instability, inflation, political and governmental instability, low productivity of agricultural resources, tenure inadequacies, low levels of education and managerial ability, inadequacies in marketing, storage and transportation were included, along with a variety of social and cultural factors.

Identification of those internal and external factors which have posed problems does not, as such, contribute materially to the devising of guidelines for establishing and operating effective agricultural credit systems. Identification does, however, point direction to problem areas (1) to be considered in setting up Phase II studies and (2) where specific, objective data are required to determine relationships between these variables and operation of agricultural credit systems.

## APPENDIX I

### ORGANIZATION AND STAFF

Responsibility for the project is carried by the Department of Agricultural Economics and Rural Sociology of the Ohio State University, through the University's Research Foundation. Along with other Departmental activities in agricultural finance, this research project is being handled under an informal Departmental subdivision tentatively designated as the Agricultural Finance Center.

Mervin G. Smith, Chairman of the Department of Agricultural Economics and Rural Sociology serves on a one-fifth time basis as project director; Raymond A. Bailey, associate professor in the same department, is associate director on a two-thirds time basis.

Other professional staff presently appointed on the project are as follows:

#### Research Associates (Full-time)

Charles D. Curry  
Herbert J. Roth  
S. Thomas Stickley

#### Research Assistants (Part-time)

John O. Early  
William G. Hoerger  
Richard D. Carter

Additional staff committed to appointments commencing in January or February 1965 are:

Ted L. Jones, Research Associate (part-time)  
Donald M. Sorenson, Research Assistant  
Hsing Yiu Chen, Research Assistant

Staff tentatively committed to Phase II assignments are:

Howard C. Williams	Associate Professor of Agricultural Economics; Country research team leader
William A. Wayt	Associate Professor of Agricultural Economics; Country research team leader
Robert M. Reeser	Assistant Professor of Agricultural Economics; Country research team
Francis E. Walker	Associate Professor of Agricultural Economics; Research Associate (part-time) for research methodology and data processing

APPENDIX II

USAID MISSION REPLIES RECEIVED  
TO  
AIDTO CIRCULAR XA-947 (3/6/64)  
(Tabular summary and excerpts)

- I. Replies received through June 30, 1964  
(Originally attached as Appendix I to AIDTO  
Circular XA-88, (7/22/64). . . . . Pages 1-10

As of June 30, 1964, 28 USAID Missions and the Food and Agriculture Organization, Rome has replied to AIDTO Circular XA-947 of March 6, 1964 on "Proposed Research on Agricultural Credit".

Most of the 28 Missions expressed or implied interest in Phase I participation to the extent of supplying available agricultural credit reports, studies and other relevant data for use in the project.

Of the nine replies from Latin America, six expressed definite interest in Phase II participation. One indicated interest in probable participation contingent upon further development of the project.

While the project work plan specifies concentration in Latin America for Phase II, seven USAIDs outside Latin America also expressed interest in participating in Phase II.

- II. Replies received between July 1 and December 31, 1964  
(Not previously summarized) . . . . . Pages 11-12

Tabulation of Replies by Missions to AIDTO Circular KA-947,  
 'Proposed Research on Agricultural Credit'

Country	Suggestions for Revision of Project	<u>Mission Interest in Having Study in Country</u>	<u>Probable Interest &amp; Support by Host Country</u>	<u>Comments</u>
<u>Latin America</u>				
Bolivia	---	Mission Interested	Limited	No financial support from host country
Brazil	More intensive study over shorter period seems justified.	Mission will cooperate with proposed project.	Would cooperate fully but could not be counted on to assume financial responsibility.	Findings of credit team as well as assistance of U.S. credit specialists in Brazil would be available to project.
Columbia	Want the project tight, precise & practical.	Recommend country be designated.	GOC is interested & will cooperate fully.	Suggest Columbia for Phase II.
Costa Rica	---	Welcomes study.	Will cooperate fully.	Mission will provide maximum support possible with personnel available.
Ecuador	---	Mission very anxious to be included in the study.	GOE will cooperate & support both Phases I & II.	Ecuador's credit facilities are very inadequate.
El Salvador	---	Study as proposed not necessary now.	---	Evaluation of credit agency desired one year from now.
Mexico	---	This possibility requires further study and exploration.	Results of first year's study would be of interest to COM agencies.	Proposal appears to have merit in view of heavy emphasis being placed on supervised credit.

\* Dash (---) indicates that the extent of interest and support by host country was not indicated.

Country	Suggestions for Revision of Project	<u>Mission Interest</u> in Having Study in Country	Probable Interest & Support by <u>Host Country</u>	Comments
Peru	Emphasize economic analysis. Don't overemphasize description.	Not interested.	Doubtful.	Two university contracts now operating in Peru.
Venezuela	---	Yes, Phase I.	Doubtful.	Government supervised agricultural credit program now in its first year.
<u>Africa</u>				
Ghana	It is wise to concentrate in one area of the world.	Initiating proposed research now in Ghana would be untimely.	Doubtful.	Credit programs in Ghana have been short-lived or are just getting started.
Guinea	---	Not interested.	---	Conditions in this country are not ready for such a survey.
Kenya	Time span too long.	Very strong interest.	Good.	Would give all the support necessary.
Morocco	Three years is too long; 12-18 months would be better.	Not now.	---	Credit program is in its beginning stages
Nigeria	---	Just had a survey.	---	A number of credit studies have just recently been made.
Tanganyika	An analysis of the successes & failures of past projects would be helpful.	Not interested.	Not interested.	Tanganyika needs trained personnel more than know-how.

Country	Suggestions for Revision of Project	<u>Mission Interest</u> in Having Study in Country	Probable Interest & Support by <u>Host Country</u>	Comments
Tunisia	---	Phase I, yes; Phase II, no.	Will cooperate in Phase I.	Government & Agricultural development bank are ready to cooperate in first phase.
<u>Near East and South Asia</u>				
India	Research projects under U.S. auspices should be directed toward discovery of improvements & arrangements rather than alternatives.	Mission support would have to be limited.	GOI has not been consulted yet.	Work of previous projects should not be duplicated.
Iran	---	Not at this time.	---	Numerous surveys are being planned by UII & third countries.
Jordan	Proposal too elaborate.	---	---	Project would produce useful results.
Pakistan	Study should be by regions of the world.	Recommend Pakistan be included in Phases I & II.	GOP agrees to support Phase II.	Much help is needed in working out a good credit system for the farmers of Pakistan.
Turkey	Suggest review of successful programs.	Phase I, no; Phase II, yes.	---	Involved in seminars now.
<u>Far East</u>				
Indonesia	---	Not interested.	---	Information derived would be most welcome.

Country	Suggestions for Revision of Project	<u>Mission Interest in Having Study in Country</u>	<u>Probable Interest &amp; Support by Host Country</u>	Comments
Japan	---	Not interested.	---	Credit in Japan is in an advanced stage.
Korea	---	Not interested.	---	This study would likely produce no significant applicable results under present conditions in Korea.
Philippines	Time span too long.	Possibly interested in Phase I.	Possibly interested.	Little justification at this time to become deeply involved in this study.
Taiwan	---	---	----	Research project well conceived.
Thailand	---	Yes, definitely interested.	GOT will cooperate and support Phases I & II.	Full GOT and Mission support.
Viet Nam	---	Not now.	Not now.	Small scale surveys as a part of pacification are being contemplated.
<u>Food &amp; Agriculture Organization</u>	Combine credit & marketing services. Give consideration to other institutional factors.	Anxious to cooperate.	---	Research staff might visit F.A.O. at Rome.

S. Thomas Stickley  
 OSU/Agr. Econ.  
 June 30, 1964

EXCERPTS FROM REPLIES TO AIDTO CIRCULAR XA 947

LATIN AMERICA

Bolivia

"AID/Bolivia would be interested in the study to be made."

"The Bank can supply office space and the Mission would supply transportation costs within the country for the recommended study."

"The host country, Bolivia, is interested in study but could provide no financial support."

Brazil

"USAID/Brazil would cooperate with proposed project. USAID financed (an) agricultural credit survey for Brazil in 1963. (A) top credit specialists team spent four months studying problems and making recommendations. In addition, USAID is financing (the) services (of) three agricultural specialists to work full time helping develop (an) adequate credit program. (The) findings of (the) credit team as well as (the) assistance of U. S. credit specialists in Brazil would be available to (the) project.

"(It is) expected that (the) host country would cooperate fully (with) this project but considering present attempts (to) reduce expenditures, could not be counted on to assume any financial responsibility."

Colombia

"USAID/Colombia is interested in having a study made and feels the information obtained and guideline developed would be very useful to agricultural credit in the country.

"The exact contribution of the Mission is difficult to predict at this time but would likely have to be confined to coordination of the program and assisting the research team in its orientation and contacts because of a limited DG budget and a reduced staff in the Rural Development and Credit Division.

"The GOC and Credit institutions of Colombia would be interested in the study being made and would cooperate in making data available but would not likely make monetary contributions. However, some personnel and perhaps sufficient office space may be provided by the agricultural credit agencies or a university which may be interested in this type of research program."

Costa Rica

"Mission welcomes having such a study made in Costa Rica, however, Mission financial support cannot be assured at this time. It will of course provide the maximum support possible with personnel available.

It is believed the host government and banking system will make all of the records and knowledge available for study."

Ecuador

"The Mission is ... very anxious to be included in the study."

"A PASA agreement has already been signed with USDA, to furnish immediately a credit specialist to advise and help USAID/GOE set up the base for a practical and efficient agricultural credit system.... Under the PASA agreement, GOE will furnish credit personnel, all local support possible such as office space, secretarial help, possible transportation, available information needed, plus all other cooperation possible. It is pretty certain that all this support could be extended to the credit research group too."

"In view of this agreement, USAID/E would also be in a good position and anxious to cooperate fully."

El Salvador

"Studies having primary objectives similar to those outlined in project operational plan have already been made in El Salvador. Institutions, guidelines and procedures (have been) established. (The) study as proposed (is) not necessary now. Evaluation operations ABC supervised credit agency (would be) desirable (a) year from now, especially Re intermediate objectives specified (on) p. 4 (of the) operational plan. If (the proposed) contract (is) in force, USAID would consider seeking such (an) evaluation thereunder. Otherwise USDA-PASA would be used."

Mexico

"It is too early to suggest Mexico as one of the "case study" countries. This possibility requires further study and exploration."

"The proposal appears to have merit in view of the heavy emphasis being placed on supervised agricultural credit, especially with reference to AID and IDB loans either granted or being negotiated in most Latin American countries. The first year's results of the proposed research would certainly be of interest to the Mission and various GOM agencies, such as the Bank of Mexico."

Peru

"There are now two large agricultural University Contracts operating in Peru. Iowa State is already involved in economic studies including agricultural credit. In addition to their full time staff members there are funds for specialized consultants as needed."

"Under the circumstances it is believed that further assistance is not necessary and is also doubtful if the Peruvian Agencies could adequately provide additional backstopping at this time."

Venezuela

"It is doubtful if the Government would be willing at this time to properly support research on Agricultural Credit. We are, therefore, not recommending that Venezuela be included in this study at present. We will, of course, make available for analysis at project headquarters any resource materials and reports we have which may be useful."

AFRICA

Ghana

"In light of US sponsored credit advisor's (technical assistance grant PIO/T 641-AE-92-AA-3-30035) efforts to develop an agricultural credit program here, Mission feels that initiating proposed research now would be untimely.

Guinea

"Conditions in this country are not ready for such a survey, therefore, mission is not interested in having study made at this time."

Kenya

"AID/Kenya would be interested in having a study made in this country.

"We believe that Kenyan conditions would serve as an excellent laboratory for a short case study after the research team has completed Phase I of this project. If it were decided that this country could be picked for such a case study, the Mission personnel would be in a position to brief the study team on conditions in the country. We would introduce them to those GOK and credit institution authorities that would be most helpful in supplying the necessary data.

"The attitude of the newly-formed Agriculture Finance Corporation indicates that they would be most happy and vitally interested in having a constructive study made. Whether Kenya was picked as a case country or not they would be very interested in the results of such a research project."

Morocco

"Morocco is not designated as an "action" country for the credit project. We agree in view of the present beginning stage of credit programs here."

Nigeria

"In view of the number of studies that have recently been made and the support given to them by the GON, USAID does not believe that the GON would be interested in supporting the study proposed in the reair."

Tanganyika

"...USAID believes that a study of cooperative and agricultural credit in Tanganyika is inappropriate at this time.

"We do not believe the GOT would be responsive to a survey and research project. However they are prepared to support participant training programs in agricultural cooperatives and credit and the provision of operating personnel."

"Results of an analysis pointing out successes and failures of past projects of assistance to agricultural credit and cooperatives would be helpful in planning future projects and adjusting present project agreements to more completely fit the needs of a country."

Tunisia

"USAID/T and GOT and its majority-owned agricultural development bank (Banque Nationale Agricole) are prepared to assist in the first phase of this project by providing any data, reports or other materials as may be requested in connection with prior U. S. technical assistance activities in this field and the bank's own operations.

NEAR EAST AND SOUTH ASIA

India

"Limited Mission personnel ceilings and heavy workload imposed by presently authorize ongoing programs would strictly limit Mission support. We prefer to wait your advise on replies received from other AIDs before consulting GOI specifically on interest and support to contract research team although we assume reasonable cooperation would be available."

Iran

"Mission appreciates inclusion as designated Mission but feels proposal not advisable in Iran.

"GOI not responsive to additional surveys in light of numerous surveys planned by UN and Third Countries."

Jordan

"If the experience of present technicians in the field of agricultural credit were obtained, their recommendations compiled, and a committee appointed for review, very useful proposals for improving and establishing supervised agricultural credit programs would result. This procedure should be far less costly and would serve the same purpose."

Pakistan

"We recommend that Pakistan be considered as one of the countries to be surveyed. This proposal has been discussed with the Secretary of Agriculture, the Agriculture Credit Representative of the State Bank, and the East Pakistan Manager of the Agriculture Development Bank. All have agreed that they would like to see something of this kind carried on here and agree to help support it.

"This Provincial Office would be able to provide logistical support for this research and the Department of Agriculture believes that it would be able to supply office space and some secretarial assistance after the 1st of July, 1964 when they are supposed to be able to expand their offices."

Turkey

"Under the sponsorship of CENTO, two traveling seminars are planned for the immediate future. One on credit and one on marketing needs.

"Since CENTO is relying on AID technicians to a large degree, and will be working with credit officials of the region countries, it would seem that the starting of a research program in Turkey at this time would not be feasible.

"The Agricultural Bank here in Turkey in cooperation with the Ministry of Agriculture is starting on a pilot supervised credit project. It is expected that within a year's time this project will point the way for an improved total agriculture program. If so, then Turkey might be a fertile field for such a study as is suggested, by late 1965. Should this project be as successful as we expect, it is our belief that the government of Turkey would welcome the opportunity of sharing its experiences with a research team."

#### FAR EAST

##### Indonesia

"USAID/Indonesia would not be interested in participating at this time . . . However, information derived from these studies would be most welcome."

##### Japan

"In view of the advanced nature of agricultural credit here, . . . no U. S. financed study appears justifiable for Japan."

##### Korea

"USOM/K feels that such a study would be unlikely to produce significant applicable results under present conditions in Korea."

##### Philippines

"Although it is likely that the host country would be interested in full participation in an agricultural credit research project, it is doubtful whether it would be willing and able to provide the logistical means -- especially financial -- to support such to any appreciable depth. At present the host country is hard pressed for funds to support action-revenue producing activities.

##### Taiwan

"Mission/JCRR consider the subject research project well conceived with a sound operational plan. . ."

##### Thailand

"USOM/Thailand is interested in having research conducted on agricultural credit in accordance with reference circular. Liason with Thailand officials and other assistance required by the research team would be available from the Agricultural Development Division.

"In view of recent reorganization of Thailand's cooperative activities with an emphasis on training and production credit this would be an appropriate period for research on agricultural credit institutions and services. The subject has been discussed at length with Thailand Cooperative Officials who are eager to have a study made in their country. The research team could expect definite interest and support from the Ministry of National Development.

Viet Nam

"The Government of Viet-Nam and USAID/Saigon concur in referenced project being of vital interest to this nation. However, country-wide research program would be feasible only after pacification is successful. Small scale surveys as part of the pacification program are being contemplated. The Cooperative Research and Training Center stands ready with man power to support small and large projects. Financing in view of other more pressing tasks is not available."

UNITED NATIONS

Food and Agriculture Organization

"In addition to visiting countries in the field, the research staff might well visit FAO at Rome, and consult the officials of that organization who have been studying that problem and supervising UN technical assistance experts helping developing countries to establish and operate farm credit systems."

SUPPLEMENTAL TABULAR SUMMARY AND EXCERPTS  
TO AIDTO Circular 947  
(Replies Received Between July 1 and December 31, 1964)

I. Tabular Summary

<u>Country</u>	<u>Suggestions for Revision of Project</u>	<u>Mission Interest in Having Study in Country</u>	<u>Probable Interest &amp; Support by Host Country</u>	<u>Comments</u>
<u>Latin America</u>				
Brazil (North-east)	Revise to include primitive and subsistence type farmers	Mission interested	Advice and Counsel from OSU contract personnel will be welcomed by the host government	"On site" assistance of fulltime credit specialists working with Brazilian entities is needed
Dominican Republic	Do not delay initiation of country studies	Mission very interested	Will cooperate	Extensive and varied credit activities in country. Guidance welcome
<u>Far East</u>				
Laos	---	Mission is presently not interested in Phase II	---	USAID/Laos recognizes the need in the future for studies as proposed in Refair
Thailand (Second Response)	---	Strong interest	Strong interest	Implementation of OSU project in Thailand should be as soon as possible

II. Excerpts From Replies Received Between July 1 and December 31, 1964

LATIN AMERICA

Brazil

"The proposed plan for OSU does not appear to be set up to deal with an area where: (1) credit programs must start from scratch, (2) where farm incomes are extremely low, (3) methods of production of agricultural crops are very primitive, and (4) the credit structure is still to be developed."

Dominican Republic

"...(mission) deeply interested in an effective execution of the agricultural credit program. ...the formulation of guidelines and policy considerations is most important at this time."

FAR EAST

Laos

"Due to the present uncertain situation in Laos, this mission is presently not interested in having the proposed studies made in this country."

Thailand (Second Response)

"Renewed interest by the Royal Thailand Government officials in establishing an agricultural credit bank has resulted in the assignment of a credit expert from USAID/Korea for sixty days TDY. As an agricultural credit institution is developed in the near future, expert assistance will be needed. In this regard, it is suggested that implementation of the Ohio State project in Thailand be as soon as possible."

## APPENDIX III

### SUMMARY OF STATED OBJECTIVES AND ACHIEVEMENTS OF USAID AGRICULTURAL CREDIT PROJECTS 1959 - 1964

as expressed in and abstracted from  
E-1 Country Program Books

for

Latin American Region: 24 Countries  
Near East-South Asian Region: 6 Countries

#### Introduction

The material presented herein represents a summary and analysis of selected data on agricultural credit projects included in USAID Country Program Books (E-1's). Data for 24 countries in Latin America and 6 countries in the Near East and South Asia (NESA) are presented.

Two somewhat different procedures were used in analyzing the information from the two regions. The Latin American summary is presented in Part I; the NESA summary in Part II.

The material on goals and accomplishments was taken directly from the E-1's, solely from the pages dealing with agricultural credit. This posed one problem in using these (and other) secondary sources of information in analyzing AID credit programs: different writers vary widely in the amount of specific detail they include in their publications. In this particular case, goals were very comprehensively stated by some writers of country programs. In other programs, goals were undoubtedly implied but not specifically stated by the writers.

The problem posed is a basic one in terms of research methodology. Quantification of qualitative data based upon frequency of mention of factors in reports and publications is at best subject to many limitations. Frequency distributions of the mentioning of goals and achievements on these pages should be interpreted very cautiously. Their utility as indicators of importance or priority of different agricultural credit project objectives is limited.

Objectives and Achievements of Latin American Projects

This section includes lists summarizing the stated ultimate and intermediate goals of agricultural credit projects in 24 Latin American countries. Lists summarizing statements of achievements are also included.

The ultimate goals represent those goals which are expected to take several years to achieve. They represent a desired end result of the program; a point or level in the social and economic life of the country at which the AID program may conceivably be permanently terminated. These goals are seen as being achieved at least 5 or 6 years in the future--often more. Almost universally, they have yet to be attained.

Intermediate goals are those targets which are seen as steps in a succession toward the ultimate goals. Usually these are goals to be attained by the end of the next one-year, or two-year period.

The number opposite each item indicates the number of countries in which the AID program mentioned the item at least once during the six-year period (1959-1964).

The materials are organized as follows:

Goals:

- Ultimate Goals of Credit Projects
- Intermediate Goals of Credit Projects

Achievements:

- Achievements toward Ultimate Goals of Credit Projects
- Achievements toward Intermediate Goals of Credit Projects

ULTIMATE GOALS OF CREDIT PROJECTS

---

	Number of countries in which mentioned	Sub- total	Total
<hr/>			
<b>PRODUCTION:</b>			
<u>Increase quantity and value of general production and exports.</u> . 18			
Maximize agricultural production in general	9		
Achieve specific increases in designated commodities	6		
Achieve greater production of exports and improved balance of payments	2		
Improve product quality and reduce production costs	1		

---

	Number of countries in which mentioned	Sub- total	Total
<u>Diversify existing agricultural enterprises</u> . . . . .			3
<u>Improve national food supply</u> . . . . .			4
Establish marketing facilities	4		
			<hr/> 25

CREDIT:

<u>Improve and develop institutions for credit</u> . . . . .			29
Train personnel for staff and administration	12		
Develop institutions (other than co-ops) which will provide agricultural credit	8		
Reorganize existing national agricultural and credit banks	3		
Develop, among key leaders, concept of necessity of credit	2		
Improve operations of rural banks	2		
Establish branch credit offices	1		
Establish private land companies to develop family farms	1		
<u>Liberalize existing credit terms.</u> . . . . .			23
Provide "adequate" credit to farmers	6		
Meet demands for credit caused by Agrarian Reform and new farmers	5		
Provide long-term loans for agriculture	3		
Assist farmers unable to obtain credit elsewhere	3		
Provide "reasonable" interest rates	2		
Improve the existing national farm credit program	2		
Make available continuous funds on country- wide basis	2		

---

	Number of countries in which mentioned	Sub- total	Total
<u>Improve farm management</u> . . . . .		20	
Provide supervised credit	15		
Adopt techniques for relating credit to farm and home-planning	3		
Teach farmers "wise use" of credit	2		
<u>Extend size of credit program</u> . . . . .		41	
Dollar amount of capital to be made available	15		
Make available specific number of loans or number of farmers to be reached	9		
Obtain credit capital from international sources	6		
Increase supply of local capital for credit	4		
Establish revolving loan fund	4		
Dollar amount to be available per individual loan	2		
Provide credit needed for units of "sufficient" economic size	1		
<u>Develop agricultural credit cooperatives.</u> . . . . .		4	

SOCIO-POLITICAL GOALS:

<u>Make agriculture part of viable national economy.</u> . . . . .		12	
Establish farm families as profitable, efficient units	5		
Check inflation	2		
Promote general economic development	2		
Raise standard of living for small-and medium- size-farm families	2		
Increase farm incomes by specified dollar amounts	1		

	Number of countries in which mentioned	Sub-total	Total
<u>Stabilize the rural population</u> . . . . .		4	
Reduce unrest due to substandard housing conditions	4		
<u>Promote land reform and owner-operatorship of farms</u> . . . . .		5	
Shift agriculture to new medium-size farm units	3		
Promote title acquisition by operators	2		
<u>Create effective local and rational government</u> . . . . .		5	
<u>Develop extension service</u> . . . . .		1	
			26
			173
GRAND TOTAL: ULTIMATE GOALS			

INTERMEDIATE GOALS OF CREDIT PROJECTS

	Number of countries in which mentioned	Sub-total	Total
<b>PRODUCTION:</b>			
Increase the available inputs and information for production .		3	
			3
<b>CREDIT:</b>			
<u>Improve and develop institutions for credit</u> . . . . .		34	
Set up credit program within existing national bank or non-governmental department	10		
Establish pilot demonstration projects	7		
Survey to evaluate present situation and arrive at master plan	5		

---

	Number of countries in which mentioned	Sub- total	Total
Establish rural credit branches or field offices	5		
Develop national (government-operated) credit organization	4		
Establish Federal savings fund institutions to serve as a Reserve Bank	2		
Establish area PCA's with farmers on boards	1		
<u>Extend size of credit program</u> . . . . .		27	
Provide supervised credit to specified number of farmers by definite date	7		
Inaugurate farm management program for all borrowers	5		
Make loans for production only	3		
Make enterprise or development loans	3		
Make commodity loans	3		
Dollar amount to be available for loans	3		
Provide long-term agricultural credit	2		
Make loans for development of water resources	1		
<u>Personnel--number and training</u> . . . . .		23	
Train personnel for staff and administration	15		
Provide opportunity for leaders to study agricultural credit in the U. S.	6		
Organized national level agricultural credit workshop	1		
<u>Financial support of program</u> . . . . .		16	
Obtain U. S. loans and technical advisory services	10		
Obtain contribution from national government funds	2		

	Number of countries in which mentioned	Sub- total	Total
Terms of repayment of master loan which are to be met	2		
Obtain source of capital enabling loans to be made quickly	1		
Achieve a self-supporting program by specific date	1		
<u>Develop agricultural credit cooperatives for small farmers. . .</u>	3		
			105
SOCIO POLITICAL GOALS:			
<u>Develop division of Rural Economics within national government.</u>	2		
			2
			110
GRAND TOTAL: INTERMEDIATE GOALS			

ACHIEVEMENTS TOWARD ULTIMATE GOALS OF CREDIT PROJECTS

	Number of countries in which mentioned	Sub- total	Total
PRODUCTION:			
<u>Diversify existing agricultural enterprises . . . . .</u>	1		
			1
SOCIO-POLITICAL GOALS			
<u>Make agriculture part of viable national economy. . . . .</u>	1		
Growth of national economy has increased	1		
<u>Land reform and owner-operatorship. . . . .</u>	1		
Number of families resettled under Development Program	1		
			2
			3
GRAND TOTAL: ACHIEVEMENTS			

ACHIEVEMENTS TOWARD INTERMEDIATE GOALS OF CREDIT PROJECTS

	Number of countries in which mentioned	Sub- total	Total
<b>PRODUCTION:</b>			
<u>Production-planning and production-inputs available.</u> . . . . .			14
IDB loan for irrigation, development, and colonization	5		
AID loan for agricultural marketing, coloniza- tion, and livestock development	4		
National Planning Board completed long-term Development Plan	2		
World Bank loan for dairy development	1		
PL 480 Title I funds for livestock development, irrigation, and conservation	1		
FAO assistance in land administration and agricultural development	1		
			14
<b>CREDIT:</b>			
<u>Improve and develop institutions for credit.</u> . . . . .			37
National bank adopted recommendations for national system of supervised credit	7		
Number of rural credit branches or field offices that have been established	7		
Review of present agricultural credit system and proposal for reorganization accomplished	6		
Pilot supervised-credit field office operating	4		
Supervised agricultural-credit project esta- blished and functioning	4		
Established Farm Management and Credit Section within Department of Agriculture	2		
Official loan procedure manual adopted	2		
Planning completed for agricultural credit project and key staff selected	2		
Farm-and home-planning forms used as a basis for loans	1		

	Number of countries in which mentioned	Sub- total	Total
Existing credit organization transferred to National Agricultural Bank	1		
Plans have been prepared for selection of initial farms and application procedures	1		
<u>Extend size of credit program</u> . . . . .		51	
Number of loans made during previous year	9		
Dollar amount of loans made during previous year	9		
Dollar amount of capital now available for loans	5		
"Number of loans" are being made for pasture development and livestock purchase	4		
Loans made to farmers on short-term basis	4		
Dollar amount of loans presently outstanding	3		
Intermediate loans extended	3		
Long-term loans extended	3		
National bank extending credit to small farmers	3		
Credit unions exist which supply short-term credit only	2		
General acceptance by public and increasing demand for services	2		
Agricultural Credit Bank loan for pasture, facility improvements	1		
Technical assistance and loans offered by private capital	1		
Lowered previous interest rates	1		
Loans to credit and marketing cooperatives	1		
<u>Personnel--number and training</u> . . . . .		19	
Participants have received short-course training in agricultural credit	8		
Participants presently receiving short-course training in agricultural credit	4		

	Number of countries in which mentioned	Sub- total	Total
Personnel sent to other countries for observation, workshops, training, etc.	3		
Additional staff added to credit project	2		
Seminar on farm-and home-planning for field staff	1		
Loan authority decentralized	1		
<u>Financial support of program.</u> . . . . .		30	
Received IDB loan for supervised credit	7		
Direct government loans to individuals for agriculture	5		
Government credit to finance other agencies making loans	5		
Government has requested loans from inter- national agencies	4		
AID loan approved for credit and development	3		
Request submitted for U. S. technical assistance	2		
STACA project agreed upon including consultant on agricultural credit	1		
Capital loans made by commercial department of major foreign banks	1		
IDB loan for production credit for medium and large-size farmers	1		
Private banks established to supply agricultural credit	1		
			137
<b>SOCIO-POLITICAL GOALS:</b>			
<u>Accomplishment of land reform measures.</u> . . . . .		5	
			5
			156
<b>GRAND TOTAL: ACHIEVEMENTS TOWARD INTERMEDIATE GOALS</b>			156

Part II

Objectives and Achievements of Near East-South Asia Projects

A summary of goals and achievements of USAID agricultural credit projects in NESAs countries, as expressed in E-1 Country Program books, follows. While sources and compilation procedures for these data were similar to those for Latin American projects, they were summarized and are presented here in a different form.

Here, stated goals and achievements were classified into five categories: (1) factors pertaining to the Development of the Credit Institution and the Operation of the Institution, (2) factors referring to Agricultural Production, (3) Distribution of Agricultural Production, (4) Financial Considerations from the view of the National Economy, and (5) Social Considerations.

Six countries, namely: Greece, Iran, Jordan, Nepal, Pakistan and Turkey, of the 14 countries comprising the NESAs area had AID Credit Projects reported in E-1's during the period 1959-1964. Continuing Credit Projects are being carried on in 5 of the 6 countries, with the project in Greece terminating in 1963, December.

The analysis of achievements relative to the stated goals was particularly difficult due to the variation in duration of the projects and failure to mention certain goals toward which progress had been attained. This analysis makes no pretense of estimating the degree to which goals were achieved and no interpretation of stated achievements was attempted. The statement of progress toward a goal was considered as achievement. Included in achievements was progress made toward a categorized goal, which may not have been stated as a goal of AID for that particular country project.

The percentage distribution of stated goals among the five categories is as follows:

<u>Goal Category</u>	<u>Per Cent</u>
1. Credit Institutions --	53%
Organizational factors -- 54%	
Service factors -- 46%	
	100%
2. Agricultural Production goals --	22%
3. Distribution goals --	6%
4. Financial Considerations --	8%
5. Social Considerations --	11%
Total	100%

The achievements as stated in the E-1's were placed in the same categories as the goals. The percentage falling within each category follows:

<u>Achievement Category</u>	<u>Per Cent</u>
1. Credit Institutions --	67%
Organizational factors --	66%
Service factors --	34%
	<u>100%</u>
2. Agricultural Production goals --	17%
3. Distribution goals --	2%
4. Financial Considerations --	7%
5. Social Considerations --	<u>7%</u>
Total	100%

When statements of goals were compared with statements of progress toward goals the following "progress percentages" were found for the various categories of goals:

<u>Goal Category</u>	<u>Per Cent</u> <u>(Stating progress toward goal)</u>
1. Credit Institutions	83%
Organizational factors --	100%
Service factors --	62%
2. Agricultural Production Goals --	53%
3. Distribution Goals --	20%
4. Financial Considerations --	57%
5. Social Considerations --	40%

The preceding tabulation of progress toward goals can be very misleading. As indicated, for example, some progress was reported in 83 per cent of the countries in which changes in credit institutions were set forth as goals. The progress, however, was frequently toward some change other than those changes stated as project goals. Details of specific goals and specific achievements are shown in Tables 1 and 2.

In summary it should be pointed out that various social and financial considerations were general goals of AID programs in the NESR Region and, as a result, were omitted as stated goals in some of the agricultural credit projects.

Goals related to agricultural production and distribution of agricultural products were stated in projects specifically developed to stress increased crop and livestock efficiency and production and improved marketing and/or distribution of farm produce.

It is, therefore, logical that over half of the goals of credit projects should refer to improved institutional activities and to improved and increased financial services to the farmers of a particular country.

TABLE 1. Stated Goals of A.I.D. Credit Projects: NESAs\*

	Greece	Iran	Jordan	Nepal	Pakistan	Turkey	Totals
<b><u>CREDIT INSTITUTIONS</u></b>							46
Staff and Administrative Training			x	x	x	x	4
Organizational Development (new or reorganized)		x	x	x	x		4
Improved Operational Procedure		x	x		x	x	4
Coverage - Growth - Expansion		x		x	x		3
Planning		x					1
Capitalization of Institution	x	x		x		x	4
Cooperatives - Local Societies	x	x	x	x	x		5
Operational Efficiency (Interest rates)		x	x	x	x	x	5
Credit Needs:							
Long and Medium Terms <sup>1</sup>	x	x	x			x	4
Short Term <sup>2</sup>		x	x			x	3
In Kind					x		1
Borrower Services (Counsel and Guidance)		x	x	x	x	x	5
Savings Services			x		x	x	3
<b><u>AGRICULTURAL PRODUCTION</u></b>							19
Increased quantity			x			x	2
Improved quality							0
Diversification of Enterprises	x						1
Efficiency							
Use of Natural Resources	x	x	x		x	x	5
Use of Labor	x	x				x	3
Return on Capital (Profit)		x	x			x	3
Use of Management		x	x	x	x	x	5

\*No Agricultural Credit Projects were reported in Afghanistan, Cypress, India, Iraq, Israel, Syria, U.A.R. or Yemen during 1959-1964.

<sup>1</sup> Long Term Credit for acquisition and development of business. Medium term credit to capitalize enterprises of the business.

<sup>2</sup> Short Term Credit for recurring production expenses--budget costing.

**TABLE 1. Stated Goals of A.I.D. Credit Projects: NESAs (continued)**

	Greece	Iran	Jordan	Nepal	Pakistan	Turkey	Totals
<b><u>DISTRIBUTION</u></b>							5
Processing Facilities	x						1
Storage Facilities							0
Marketing Facilities (Produce and/or Supply)	x	x		x	x		4
Data Collection and Dissemination of Information							0
Concentration of Goods and Transportation							0
<b><u>FINANCIAL CONSIDERATIONS (National Economy)</u></b>							7
Balance of Trade	x		x			x	3
Farm Income or Rural Living Conditions		x	x			x	3
Monetary Stability							0
Gross National Product			x				1
<b><u>SOCIAL CONSIDERATIONS</u></b>							10
Living Standards		x	x				2
Community Development (area)			x		x		2
Stabilization of Population (reduce wanderings)							0
Land Reform - Improve Tenure		x		x			2
Improved Diet - More Food						x	1
Provide Credit to Small Farmers or Those Lacking Collateral		x	x		x		3
<b>TOTAL</b>	9	19	19	10	14	16	87

TABLE 2. Stated Achievements of A.I.D. Credit Projects NESAs

	Greece	Iran	Jordan	Nepal	Pakistan	Turkey	Total
<u>CREDIT INSTITUTIONS</u>							38
Staff and Administrative Training			x	x		x	3
Organization Development			x	x	x	x	4
Improved Organizational Procedure			x		x	x	3
Coverage - Expansion - Growth		x	x	x	x	x	5
Planning							0
Capitalization	x	x	x	x	x	x	6
Cooperatives		x	x	x	x		4
Operational Efficiency (Interest Rates)			x				1
Credit Needs							
Long and Medium Term	x		x		x		3
Short Term			x	x			2
In Kind			x		x		2
Borrower's Services (Counsel and Guidance)			x	x	x		3
Savings Services			x		x		2
<u>AGRICULTURAL PRODUCTION</u>							10
Increased Quantity		x	x	x			3
Improved Quality							0
Diversification of Enterprises							0
Efficiency							
Use of Natural Resources		x	x	x			3
Use of Labor							0
Return on Capital (Profit)			x				1
Use of Management			x	x	x		3
<u>DISTRIBUTION</u>							1
Processing Facilities	x						1
Storage Facilities							0
Marketing Facilities (Produce and for Supply)							0
Data Collection and Dissemination of Information							0
Concentration and Transportation							0

**TABLE 2. Stated Achievements of A.I.D. Credit Projects NESAs (continued)**

	Greece	Iran	Jordan	Nepal	Pakistan	Turkey	Total
<b><u>FINANCIAL CONSIDERATIONS (NATIONAL ECONOMY)</u></b>							4
Balance of Trade			x				1
Farm Income or Rural Living Conditions		x	x				2
Monetary Stability							0
Gross National Product			x				1
<b><u>SOCIAL CONSIDERATIONS</u></b>							4
Living Standards			x				1
Community Development (Area)			x				1
Stabilization of Population (Reduce Wandering)							0
Land Reform Improved Tenure		x					1
Improved Diet - More Food							0
Provide Credit to Small Farmers or Those Lacking Collateral			x				1
<b>TOTAL</b>	3	7	22	10	10	5	57

## APPENDIX IV

### CRITERIA FOR EVALUATING PERFORMANCE OF AGRICULTURAL CREDIT SYSTEMS:

#### Partial Listings of Criteria Used by Different Credit Agencies and International Organizations

The criteria listed on the following pages were collected by (1) interviewing key people in the organizations indicated and/or (2) abstracting reports and other secondary materials. They are based on as little as one interview (in the case of IADS) and as much as the abstracting of 180 reports (in the case of AID).

The purpose of the compilation of criteria is to provide a preliminary guide to the collection of quantitative data for objective measurement of performance of different agricultural credit systems.

It is emphasized that the lists do not include all criteria used by the respective organizations in evaluation. In the case of AID, criteria were drawn exclusively from Country Program Books, and only the fifteen indicated most often are included. Here they are listed in order of the frequency in which they were mentioned. In the other organizations' lists there is no significance to the order in which criteria are listed.

#### Agency for International Development

1. Extent to which institutions for credit have been developed.
2. Size of operation of the credit program.
  - a. Number of field offices established
  - b. Number of dollars loaned
  - c. Number of loans made
3. Extent to which credit terms are liberal.
4. Amount of education and organization of administration and staff.
5. Extent to which farm management has been initiated

6. Extent to which the amount and source of capital for the program is adequate to meet the needs.
7. Extent to which general production and exports have been increased.
8. Extent to which agriculture is made a part of a viable national economy.
9. Extent to which cooperatives are developed.
10. Extent to which an effective national and local government has been developed.
11. Extent to which effective extension services have been provided.
12. Extent to which agriculture is diversified.
13. Extent to which the national food supply has been improved.
14. Extent to which the rural population is politically stable.
15. Extent to which land tenure arrangements are adequate to provide the highest number of farm owner - operators that contribute to production.

Inter-American Development Bank

1. Extent to which the credit system is well planned.
2. Extent to which the credit systems plan of operation is based on a complete statistical analysis of the total economic system.
3. Ability of the credit system to survive inflation.
4. Extent to which the staff of the credit system are honest.
5. Extent to which auditing of the books is done completely and regularly.
6. Extent to which the agricultural credit system is complementary to the development of all other sectors of the economy including: the natural resources available, the markets, and the efforts toward diversification and specialization.
7. Extent to which the policies of the credit system are stated clearly and well.
8. Number of loans made.
9. Extent to which small farmers have access to loans.
10. Extent to which repayment of loans is made on schedule.
11. Amount of money in outstanding loans.

12. Extent to which a provision has been made to become independent of foreign sources of capital (perhaps through a rotary fund system).
13. Extent to which farmer borrowers are required to make productive uses of their borrowed money.

#### World Bank

1. Extent to which the agricultural credit system is effective in increasing agricultural productivity.
2. Extent to which the agricultural credit system is aware of the effective demand for credit.
3. Extent to which the lending program of the credit system is realistic in terms of contract (making special terms for different types of loans and circumstances).
4. Extent to which the operations of the lending institution are insulated from political interference.
5. Extent to which the earnings of the credit institution are sufficient to cover all costs of operation (i.e., the extent to which the institution is self-supporting).
6. Extent to which such services as marketing, research, and extension education are kept separate from the agricultural credit system.
7. Extent or size of operation of the agricultural credit program in terms of amount of loanable funds.
8. Extent to which a country is able to raise local currency to match foreign exchange financing.
9. Extent to which the credit system is meeting farm credit needs in purchasing annual production requisites--seed, fertilizer, pesticides, etc.
10. Extent to which charges for loans to farmers are kept low in order to strengthen the incentive for them to make the desired improvements in cultivation practices.
11. Extent to which society as a whole is charged for the benefit it receives as a result of the agricultural credit system's effectiveness in raising quantity and quality of agricultural products.

#### International Agricultural Development Service

1. Per cent repayment of loans (80% in a four-year period would be excellent).
2. Extent to which no loans are made for non-productive purposes.
3. Extent to which each of the functions of the credit system are accurately identified (loans, marketing, extension education, etc.) and accounted for

United States Farmers Home Administration

1. Degree to which the basic needs of the lower 90% of the farmers are being met.
2. Number of adequately trained people available to administer the supervised credit system.
3. Amount of funds available for the supervised credit program.
4. Per cent of farmers having access to credit, who (for such reasons as low incomes, low net worth, youth, the necessity of making substantial adjustments in their operations, or lack of technical know-how) are not served adequately by private and cooperative lenders.
5. Level of education (i.e., per cent of farmers able to read and write).
6. Level of living (i.e., per cent of people free from suffering due to inadequate food, clothing, shelter, and health).
7. Degree to which the supervised credit system is accepted in the community and is being coordinated with other lending agencies.
8. Degree to which public relations are satisfactory.
- 9 Results:
  - a. Percent of borrowers making repayment of loans on schedule.
  - b. Per cent of borrowers being "graduated" to other types of credit.
  - c. Per cent of collections based on maturity.
  - d. Number of farmers being soundly helped and established in farming.
  - e. Increase in net income of the borrowers.
  - f. Efficiency of operation of the borrowers.
  - g. Efficiency of administration of the lending institutions.
  - h. Extent to which the money borrowed is being used for that purpose for which it was borrowed.

United States Farm Credit Administration

1. Extent to which complete, specialized, constructive credit services that are geared to the needs of individual farmers and their cooperatives are provided.
2. Extent to which dependable credit services that will be available in bad times as well as good are provided.
3. Extent to which these credit services are made accessible to every farmer or farmer cooperative that can meet reasonable business standards.
4. Extent to which these credit services are provided at cost (which includes a margin to cover reserves for losses and to build strong financial structures in banks and associations of the System).

5. Extent to which the credit system obtains loan funds from the investment markets rather than to place any reliance on appropriated funds for lending.
6. Extent to which farmers own all banks and associations of the cooperative Farm Credit System.
7. Extent to which decision-making and general responsibility are decentralized so that even greater control will be exercised by the farmer-members through their elected representatives.
8. Extent to which the credit system operates in the interest of farmer-members generally rather than to serve the interest or the pride of officers, directors, or a small group of members.
9. Extent to which the credit system serves as a leader in developing and adopting constructive credit services for farmers and their cooperatives.
10. Extent to which valuable leadership training for farmers who serve on association, district, Federal boards and on advisory committees is provided.

