

DEA-Economic and Social Council Secretariat-Regional Commissions (agricultural credit)
Seminar.

01 Jan 1952
30 Nov 1952

clear - NK

2/05

S-0991

Box-5

File-12

(DAG-17)

13 November 1952

*Agri
Credit
Sem*

Dear Mr. Swenson,

... Attached please find FAO press release 585, dated 6 November 1952,
which relates to the Central American Seminar on Agricultural Credit.
... I am also sending you a copy of "Memo" (Vol. I No. 8) issued by the FAO
Mexico office which contains an article on the above mentioned seminar.

I noticed on the press release that it was being issued simul-
taneously at various locations, but that Santiago and Mexico City were
not among them. I am wondering whether ECLA has issued separate press
releases on that seminar, and if so we would appreciate receiving them.

In this connection, I wish to refer to your letter of 7 November in
which you indicate that Mr. Ramos Oliveira will be at Headquarters soon.
Perhaps it will be possible for me to discuss this and other matters
related to publicity with him.

Sincerely yours,

Marco D. Pollner,
Regional Commissions Section

Mr. Louis Swenson,
Assistant Director
Economic Commission for
Latin America
Providencia 871
Santiago, Chile

c.c. Mr. Malinowski

ROUTING SLIP

TO

Mr. Gilpin
Mr. Palmer
WP

APPROVAL	MORE DETAILS
REPLY, PLEASE	YOUR INFORMATION
SEE ME, PLEASE	RETURNED AS REQUESTED
YOUR SIGNATURE	INVESTIGATE AND REPORT
NOTE AND FILE	FOR ACTION
NOTE AND RETURN	REPLY FOR MY SIGNATURE
YOUR COMMENTS	INITIAL AND FORWARD

I wonder why this
was not also released
in Santiago & Mexico.
Should we send a
copy to ECHA?

DATE

12/11

FROM

WP

UNITED NATIONS
Department of Public Information
Press and Publications Bureau
United Nations, N. Y.

Press Release FAO/585
6 November 1952

File

FAO AND ECLA ORGANIZE CENTRAL AMERICAN SEMINAR ON AGRICULTURAL CREDIT

(The following was received at UN Headquarters from FAO, Rome, and is for simultaneous release in Rome, Washington and New York.)

Methods of organizing agricultural credit systems, through which farmers may purchase machinery and other supplies, were discussed at a seminar recently held in Guatemala City by the Food and Agriculture Organization and the United Nations Economic Commission for Latin America.

Sixty experts representing every Central American country, Mexico, Cuba and Haiti attended the seminar, for which FAO provided a team of six consultants. Observers were present from the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labor Organization, the Organization of American States and other international agencies.

The seminar spent a month discussing the basis for a credit system that could be applied in every participating country. For the majority of farmers, FAO has pointed out, agricultural credit is of primary importance in the purchase of farm machinery, irrigation equipment, construction materials, seed or fertilizers. Farm machinery and equipment yield their benefit over a long period, and for a great number of farmers the ability to purchase and utilize these aids to production is absolutely dependent on being able to spread the burden of payment over several years.

During the seminar, it was emphasized that adequate agricultural credit could usually be obtained through the establishment, under government auspices, of specialized credit institutions. Although commercial banks frequently grant agricultural credits, terms of repayment are not usually flexible enough to meet the needs of agriculture. Such credits are on commercial terms, which often confine them to well-to-do-farmers who can offer good security. The large proportion of other farmers find themselves dependent for credit on merchants or middlemen at higher rates of interest.

The delegates also pointed out that higher rates of interest, low-selling prices of agricultural products and the high prices charged for farm needs, all contribute to make uneconomic the use of machinery, fertilizers and other aids to production.

(more)

Press Release FAO/585
6 November 1952

In outlining an adequate credit system for these countries, seminar members agreed that agriculture should reach the same level of accession to the "investment markets" as other productive activities, despite the claim of some bankers that the risk element is found to a greater extent in agriculture. However, it was pointed out that risks in agriculture can be reduced if farmers employ the most progressive techniques. It is, therefore, essential to instruct farmers, through extension services, in the most recent technical advances in agriculture.

FAO is helping its member countries in this respect by organizing training centers throughout the world to train personnel in organizing extension services in their respective countries. For example, FAO has organized the Agricultural and Fisheries Training Center in Chile; statistical training centers in Costa Rica and in Finland; in India, training centers in rice breeding in soil fertility; and other FAO training centers in Cyprus, Malaya, the Philippines, Thailand and Turkey.

The seminar at Guatemala dealt with items such as, agricultural credit as an indispensable element in agricultural policy; organization of agricultural credits; rates of interest, securities, repayment; finance sources; agricultural credit and land tenure; international aspect of agricultural credit; cooperation of international agencies. The seminar began on 16 September and ended 15 October 1952.

###

UNITED NATIONS
Department of Public Information
Press and Publications Bureau
United Nations, N. Y.

Press Release FAO/585
6 November 1952

FAO AND ECLA ORGANIZE CENTRAL AMERICAN SEMINAR ON AGRICULTURAL CREDIT

(The following was received at UN Headquarters from FAO, Rome, and is for simultaneous release in Rome, Washington and New York.)

Methods of organizing agricultural credit systems, through which farmers may purchase machinery and other supplies, were discussed at a seminar recently held in Guatemala City by the Food and Agriculture Organization and the United Nations Economic Commission for Latin America.

Sixty experts representing every Central American country, Mexico, Cuba and Haiti attended the seminar, for which FAO provided a team of six consultants. Observers were present from the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labor Organization, the Organization of American States and other international agencies.

The seminar spent a month discussing the basis for a credit system that could be applied in every participating country. For the majority of farmers, FAO has pointed out, agricultural credit is of primary importance in the purchase of farm machinery, irrigation equipment, construction materials, seed or fertilizers. Farm machinery and equipment yield their benefit over a long period, and for a great number of farmers the ability to purchase and utilize these aids to production is absolutely dependent on being able to spread the burden of payment over several years.

During the seminar, it was emphasized that adequate agricultural credit could usually be obtained through the establishment, under government auspices, of specialized credit institutions. Although commercial banks frequently grant agricultural credits, terms of repayment are not usually flexible enough to meet the needs of agriculture. Such credits are on commercial terms, which often confine them to well-to-do-farmers who can offer good security. The large proportion of other farmers find themselves dependent for credit on merchants or middlemen at higher rates of interest.

The delegates also pointed out that higher rates of interest, low-selling prices of agricultural products and the high prices charged for farm needs, all contribute to make uneconomic the use of machinery, fertilizers and other aids to production.

(more)

Press Release FAO/585
6 November 1952

In outlining an adequate credit system for these countries, seminar members agreed that agriculture should reach the same level of accession to the "investment markets" as other productive activities, despite the claim of some bankers that the risk element is found to a greater extent in agriculture. However, it was pointed out that risks in agriculture can be reduced if farmers employ the most progressive techniques. It is, therefore, essential to instruct farmers, through extension services, in the most recent technical advances in agriculture.

FAO is helping its member countries in this respect by organizing training centers throughout the world to train personnel in organizing extension services in their respective countries. For example, FAO has organized the Agricultural and Fisheries Training Center in Chile; statistical training centers in Costa Rica and in Finland; in India, training centers in rice breeding in soil fertility; and other FAO training centers in Cyprus, Malaya, the Philippines, Thailand and Turkey.

The seminar at Guatemala dealt with items such as, agricultural credit as an indispensable element in agricultural policy; organization of agricultural credits; rates of interest, securities, repayment; finance sources; agricultural credit and land tenure; international aspect of agricultural credit; cooperation of international agencies. The seminar began on 16 September and ended 15 October 1952.

###

NORTH AMERICAN REGIONAL OFFICE
1325 C Street, S. W.
Washington, D. C.
REpublic 7614, Extension 4368

Issued simultaneously by FAO
and ECLA, 23 February 1952

NARO/LR/44

The Food and Agriculture Organization,
the U.N. Economic Commission for Latin America,
and Guatemala announce the Organization of
Central American Agricultural Credit Seminar

A Seminar to discuss problems in agricultural credit of vital importance to Central America and neighboring countries will be held in Guatemala City this September, according to an announcement issued today jointly by Guatemala, the host country, the Food and Agriculture Organization in Rome, and the U.N. through ECLA.

Ten countries have been invited to designate experts to take part in the discussion, and to make available their experience and recommendations in the field of agricultural credit in order to establish joint policies for their mutual benefit in fostering agricultural development throughout the area. These countries are Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama. In addition, all other countries who are members of ECLA, as well as other interested international organizations, are being invited to attend the Seminar, since it marks an important step in a field of common concern to all countries and organizations concerned with Western Hemisphere economic problems.

The "Central American Seminar on Agricultural Credit", as it is officially known, will begin September 1, and will last four weeks. It is jointly sponsored by the Food and Agriculture Organization, the U.N. Economic Commission for Latin America, and the Government of Guatemala, acting as host country. The two International Organizations will make available from their own staffs and the staffs of other specialized agencies of the United Nations a number of experts in agricultural credit to participate in the discussions. The invited countries are expected to bring to the Seminar as experts their foremost authorities in agricultural credit, drawn from public and private life.

The Seminar is an example of regional cooperation under the Expanded Program for Technical Assistance of the United Nations in a concerted effort to bring regional experience to bear on regional and national problems. The prospectus of the Seminar is attached. This is the first regional seminar of this type conducted in any region. If it proves as useful as expected, similar meetings will be conducted subsequently in other regions.

#####

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

NORTH AMERICAN REGIONAL OFFICE
1325 C Street, S. W.
Washington, D. C.
REpublic 7614, Extension 4368

Issued simultaneously by FAO
and ECLA, 23 February 1952.

NARO/LR/44

The Food and Agriculture Organization,
the U.N. Economic Commission for Latin America,
and Guatemala announce the Organization of

Central American Agricultural Credit Seminar

A Seminar to discuss problems in agricultural credit of vital importance to Central America and neighboring countries will be held in Guatemala City this September, according to an announcement issued today jointly by Guatemala, the host country, the Food and Agriculture Organization in Rome, and the U.N. through ECLA.

Ten countries have been invited to designate experts to take part in the discussion, and to make available their experience and recommendations in the field of agricultural credit in order to establish joint policies for their mutual benefit in fostering agricultural development throughout the area. These countries are Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama. In addition, all other countries who are members of ECLA, as well as other interested international organizations, are being invited to attend the Seminar, since it marks an important step in a field of common concern to all countries and organizations concerned with Western Hemisphere economic problems.

The "Central American Seminar on Agricultural Credit", as it is officially known, will begin September 1, and will last four weeks. It is jointly sponsored by the Food and Agriculture Organization, the U.N. Economic Commission for Latin America, and the Government of Guatemala, acting as host country. The two International Organizations will make available from their own staffs and the staffs of other specialized agencies of the United Nations a number of experts in agricultural credit to participate in the discussions. The invited countries are expected to bring to the Seminar as experts their foremost authorities in agricultural credit, drawn from public and private life.

The Seminar is an example of regional cooperation under the Expanded Program for Technical Assistance of the United Nations in a concerted effort to bring regional experience to bear on regional and national problems. The prospectus of the Seminar is attached. This is the first regional seminar of this type conducted in any region. If it proves as useful as expected, similar meetings will be conducted subsequently in other regions.

Central American Seminar on Agricultural Credit

Guatemala City, September 1 - September 30, 1952

Prospectus

1. Antecedents.

At the third and fourth sessions of ECLA in Montevideo in June, 1950, and in Mexico in June, 1951, resolutions were adopted by which the member governments recommended that the Executive Secretary of the Economic Commission for Latin America and the Director-General of the Food and Agriculture Organization of the United Nations, convene, as soon as possible, a meeting of agricultural credit experts in one of the Central American countries.

Recently (November, 1951) the FAO Conference recommended that countries should assign a high priority to measures promoting the establishment of credit facilities and that "the Director-General should undertake in cooperation with other international institutions the organization of regional seminars in agricultural credit."

The Central American Seminar on Agricultural Credit, which will take place in Guatemala City, is being called in order to implement these resolutions.

2. Object.

The Seminar will provide an opportunity to interchange ideas and experience on agricultural credit in the countries of Central America, Panama, Mexico, and the Caribbean and in addition will examine the requirements and obstacles to the expansion of rural credit essential for agricultural development. Particular attention will be given to the policies and principles of agricultural credit that are applicable to the conditions and resources of the countries of Central America. The results of the Seminar might be, moreover, of use to other countries of the Latin American Region and form the basis for similar seminars in other regions of the world.

3. Countries to be served.

(a) The seminar is designed especially to meet the needs of the countries in Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) and Panama. (b) The Seminar is also intended, however, to meet the needs of those countries, such as Mexico, Cuba, Haiti, and the Dominican Republic, which have problems of agricultural credit similar to those of the countries listed under (a). (c) Invitations to attend the Seminar will be extended to the other countries which are members of ECLA, to the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labour Office, the Organization of American States. Other interested bodies having observer status with the FAO will be invited as deemed desirable.

4. Sponsorship.

The Seminar will be organized and conducted cooperatively by the Government of Guatemala, the host country, the Food and Agriculture Organization, and the UN through its Economic Commission for Latin America. The mentioned international organizations, together with other international agencies, will provide a group of experts to participate in the discussions at the Seminar, while the host Government will provide local facilities and make local arrangements, and nominate an Organizational Committee, the Secretary of which will be an expert of the international organizations.

5. Participation.

Each country listed in paragraph 3 (a) and (b) is invited to designate a group of experts composed of four of its officials and other qualified persons to attend the Seminar. The experts should be drawn from those who have broad experience with the problems of agricultural credit and related problems of agricultural development (e.g., officials of public and private credit institutions. However, each country could also designate persons to attend the Seminar as a training course. The countries and organizations listed in paragraph 3 (c) are invited to send to the Seminar such of their officials as are concerned with agricultural credit and related problems.

6. Languages.

The Seminar will be conducted in Spanish. However, limited facilities for interpretation will be provided.

7. Duration and Organization.

The Seminar will last four weeks from 1 September to 30 September 1952. During the first three weeks, 5 days per week, a relevant issue of agricultural credit policy and related subjects will be put on the agenda (see paragraph 9 below) with the idea of reaching a conclusion by the end of the day or early the next day. The fourth week will be utilized for assembling the results of the discussions with the assistance of the participants. Some time will be devoted during the meetings for analyzing the work and visiting the facilities of the agricultural bank or banks operating in the host country.

8. Administrative Arrangements.

FAO will contribute half of the travel expenses of each group of participants of the countries listed in paragraph 3 (a) and (b) up to a maximum of four. In addition, FAO will defray the living costs during the Seminar of these delegates at a subsistence rate to be established before the opening of the Seminar. Experts from other countries organizations will be expected to cover their own costs.

9. Documentation.

The scope of the Seminar will be to discuss the following subjects:

- I. Purpose of agricultural credit.
Agricultural credit as an instrument of agricultural policy.
Relationships with economic development.
- II. Organization of agricultural credit.
- III. Sources of financing.
- IV. Lending operations.

- V. Interest, security and repayment.
- VI. Control of the use of agricultural loans. Farm planning
- VII. Different types of borrowers. Associations of borrowers.
Cooperation and agricultural credit.
- VIII. Supervised agricultural credit.
- IX. Developmental activities ancillary to agricultural credit.
- X. Agricultural credit and land tenure.
- XI. International aspects. Cooperation among Central American
countries. Assistance of international organizations.

These issues will be discussed, as mentioned above, during the first three weeks of the Seminar. The Director and Co-Director will be entrusted with the task of summarizing, at the end of each issue, the main conclusions stemming out of the discussions.

Upon receiving the names of the delegates to the Seminar, the Organizational Committee will send to each expert a basic discussion outline. It is expected that each expert attending the Seminar will prepare at least a paper dealing with the point of the agenda in which he is mostly interested. He should try to formulate major principles of policy, basing them on the experience of its own country and supplying relevant statistical information. For a more successful outcome of the Seminar it would be highly desirable that the experts could be prepared to express their opinions on most or all the points of the agenda during the Seminar.

The papers should be sent to the Organizational Committee for the Agricultural Credit Seminar established in Guatemala (Banco de Guatemala) not later than 30 June 1952.

Upon receipt of the papers, the Organizational Committee will circulate the papers to the experts invited to the Seminar so that they can be studied in advance. It is suggested that the papers be discussed by the interested persons of each country. The papers will then serve as a basis for the discussion at the Seminar and will be presented there with a note prepared by the experts of FAO/ECLA summarizing their content.

10. Report.

After the completion of the Seminar a report including the papers, a summary of the discussions, other important documents, and the main conclusions of the meeting will be jointly prepared and published by the Government of Guatemala, by FAO, and ECLA.

11. Further Information.

Governments and experts will be kept advised by the Organizational Committee on subsequent developments in the plans for the Seminar.

12. Inquiries.

Any inquiries or correspondence concerning attendance at the Seminar should be addressed to the Organizational Committee for the Agricultural Credit Seminar, Banco de Guatemala, Guatemala (Cable address: Guatebanco, Guatemala).

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA (UNITED NATIONS)
GOVERNMENT OF GUATEMALA

Central American Seminar on Agricultural Credit

Guatemala City, September 1 - September 30, 1952

Prospectus

1. Antecedents.

At the third and fourth sessions of ECLA in Montevideo in June, 1950, and in Mexico in June, 1951, resolutions were adopted by which the member governments recommended that the Executive Secretary of the Economic Commission for Latin America and the Director-General of the Food and Agriculture Organization of the United Nations, convene, as soon as possible, a meeting of agricultural credit experts in one of the Central American countries.

Recently (November, 1951) the FAO Conference recommended that countries should assign a high priority to measures promoting the establishment of credit facilities and that "the Director-General should undertake in cooperation with other international institutions the organization of regional seminars on agricultural credit."

The Central American Seminar on Agricultural Credit, which will take place in Guatemala City, is being called in order to implement these resolutions.

2. Object.

The Seminar will provide an opportunity to interchange ideas and experience on agricultural credit in the countries of Central America, Panama, Mexico, and the Caribbean and in addition will examine the requirements and obstacles to the expansion of rural credit essential for agricultural development. Particular attention will be given to the policies and principles of agricultural credit that are applicable to the conditions and resources of the countries of Central America. The results of the Seminar might be, moreover, of use to other countries of the Latin American Region and form the basis for similar seminars in other regions of the world.

3. Countries to be served.

(a) The seminar is designed especially to meet the needs of the countries in Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) and Panama. (b) The Seminar is also intended, however, to meet the needs of those countries, such as Mexico, Cuba, Haiti, and the Dominican Republic, which have problems of agricultural credit similar to those of the countries listed under (a). (c) Invitations to attend the Seminar will be extended to the other countries which are members of ECLA, to the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labour Office, the Organization of American States. Other interested bodies having observer status with the FAO will be invited as deemed desirable.

4. Sponsorship.

The Seminar will be organized and conducted cooperatively by the Government of Guatemala, the host country, the Food and Agriculture Organization, and the UN through its Economic Commission for Latin America. The mentioned international organizations, together with other international agencies, will provide a group of experts to participate in the discussions at the Seminar, while the host Government will provide local facilities and make local arrangements, and nominate an Organizational Committee, the Secretary of which will be an expert of the international organizations.

5. Participation.

Each country listed in paragraph 3 (a) and (b) is invited to designate a group of experts composed of four of its officials and other qualified persons to attend the Seminar. The experts should be drawn from those who have broad experience with the problems of agricultural credit and related problems of agricultural development (e.g., officials of public and private credit institutions, agriculturists, agricultural engineers, economists, statisticians, and professors). However, each country could also designate persons to attend the Seminar as a training course. The countries and organizations listed in paragraph 3 (c) are invited to send to the Seminar such of their officials as are concerned with agricultural credit and related problems.

6. Languages.

The Seminar will be conducted in Spanish. However, limited facilities for interpretation will be provided.

7. Duration and Organization.

The Seminar will last four weeks from 1 September to 30 September 1952. During the first three weeks, 5 days per week, a relevant issue of agricultural credit policy and related subjects will be put on the agenda (see paragraph 9 below) with the idea of reaching a conclusion by the end of the day or early the next day. The fourth week will be utilized for assembling the results of the discussions with the assistance of the participants. Some time will be devoted during the meetings for analyzing the work and visiting the facilities of the agricultural bank or banks operating in the host country.

8. Administrative Arrangements.

FAO will contribute half of the travel expenses of each group of participants of the countries listed in paragraph 3 (a) and (b) up to a maximum of four. In addition, FAO will defray the living costs during the Seminar of these delegates at a subsistence rate to be established before the opening of the Seminar. Experts from other countries and organizations will be expected to cover their own costs.

9. Documentation.

The scope of the Seminar will be to discuss the following subjects:

- I. Purpose of agricultural credit.
Agricultural credit as an instrument of agricultural policy.
Relationships with economic development.

- II. Organization of agricultural credit.
- III. Sources of financing.
- IV. Lending Operations.
- V. Interest, security and repayment.
- VI. Control of the use of agricultural loans. Farm planning
- VII. Different types of borrowers. Associations of borrowers. Cooperation and agricultural credit.
- VIII. Supervised agricultural credit.
- IX. Developmental activities ancillary to agricultural credit.
- X. Agricultural credit and land tenure.
- XI. International aspects. Cooperation among Central American countries. Assistance of international organizations.

These issues will be discussed, as mentioned above, during the first three weeks of the Seminar. The Director and Co-Director will be entrusted with the task of summarizing, at the end of each issue, the main conclusions stemming out of the discussions.

Upon receiving the names of the delegates to the Seminar, the Organizational Committee will send to each expert a basic discussion outline. It is expected that each expert attending the Seminar will prepare at least a paper dealing with the point of the agenda in which he is mostly interested. He should try to formulate major principles of policy, basing them on the experience of its own country and supplying relevant statistical information. For a more successful outcome of the Seminar it would be highly desirable that the experts could be prepared to express their opinions on most or all the points of the agenda during the Seminar.

The papers should be sent to the Organizational Committee for the Agricultural Credit Seminar established in Guatemala (Banco de Guatemala) not later than 30 June 1952.

Upon receipt of the papers, the Organizational Committee will circulate the papers to the experts invited to the Seminar so that they can be studied in advance. It is suggested that the papers be discussed by the interested persons of each country. The papers will then serve as a basis for the discussion at the Seminar and will be presented there with a note prepared by the experts of FAO/ECLA summarizing their content.

10. Report.

After the completion of the Seminar a report including the papers, a summary of the discussions, other important documents, and the main conclusions of the meeting will be jointly prepared and published by the Government of Guatemala, by FAO, and ECLA.

11. Further Information.

Governments and experts will be kept advised by the Organizational Committee on subsequent developments in the plans for the Seminar.

12. Inquiries.

Any inquiries or correspondence concerning attendance at the Seminar should be addressed to the Organizational Committee for the Agricultural Credit Seminar, Banco de Guatemala, Guatemala (Cable address: Guatebanco, Guatemala).

Central American Seminar on Agricultural Credit

Guatemala City, September 1 - September 30, 1952

Prospectus

1. Antecedents.

At the third and fourth sessions of ECLA in Montevideo in June, 1950, and in Mexico in June, 1951, resolutions were adopted by which the member governments recommended that the Executive Secretary of the Economic Commission for Latin America and the Director-General of the Food and Agriculture Organization of the United Nations, convene, as soon as possible, a meeting of agricultural credit experts in one of the Central American countries.

Recently (November, 1951) the FAO Conference recommended that countries should assign a high priority to measures promoting the establishment of credit facilities and that "the Director-General should undertake in cooperation with other international institutions the organization of regional seminars in agricultural credit."

The Central American Seminar on Agricultural Credit, which will take place in Guatemala City, is being called in order to implement these resolutions.

2. Object.

The Seminar will provide an opportunity to interchange ideas and experience on agricultural credit in the countries of Central America, Panama, Mexico, and the Caribbean and in addition will examine the requirements and obstacles to the expansion of rural credit essential for agricultural development. Particular attention will be given to the policies and principles of agricultural credit that are applicable to the conditions and resources of the countries of Central America. The results of the Seminar might be, moreover, of use to other countries of the Latin American Region and form the basis for similar seminars in other regions of the world.

3. Countries to be served.

(a) The seminar is designed especially to meet the needs of the countries in Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) and Panama. (b) The Seminar is also intended, however, to meet the needs of those countries, such as Mexico, Cuba, Haiti, and the Dominican Republic, which have problems of agricultural credit similar to those of the countries listed under (a). (c) Invitations to attend the Seminar will be extended to the other countries which are members of ECLA, to the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labour Office, the Organization of American States. Other interested bodies having observer status with the FAO will be invited as deemed desirable.

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

NORTH AMERICAN REGIONAL OFFICE
1325 C Street, S. W.
Washington, D. C.
REpublic 7614, Extension 4368

Issued simultaneously by FAO
and ECLA, 23 February 1952

NARO/LR/44

The Food and Agriculture Organization,
the U.N. Economic Commission for Latin America,
and Guatemala announce the Organization of

Central American Agricultural Credit Seminar

A Seminar to discuss problems in agricultural credit of vital importance to Central America and neighboring countries will be held in Guatemala City this September, according to an announcement issued today jointly by Guatemala, the host country, the Food and Agriculture Organization in Rome, and the U.N. through ECLA.

Ten countries have been invited to designate experts to take part in the discussion, and to make available their experience and recommendations in the field of agricultural credit in order to establish joint policies for their mutual benefit in fostering agricultural development throughout the area. These countries are Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama. In addition, all other countries who are members of ECLA, as well as other interested international organizations, are being invited to attend the Seminar, since it marks an important step in a field of common concern to all countries and organizations concerned with Western Hemisphere economic problems.

The "Central American Seminar on Agricultural Credit", as it is officially known, will begin September 1, and will last four weeks. It is jointly sponsored by the Food and Agriculture Organization, the U.N. Economic Commission for Latin America, and the Government of Guatemala, acting as host country. The two International Organizations will make available from their own staffs and the staffs of other specialized agencies of the United Nations a number of experts in agricultural credit to participate in the discussions. The invited countries are expected to bring to the Seminar as experts their foremost authorities in agricultural credit, drawn from public and private life.

The Seminar is an example of regional cooperation under the Expanded Program for Technical Assistance of the United Nations in a concerted effort to bring regional experience to bear on regional and national problems. The prospectus of the Seminar is attached. This is the first regional seminar of this type conducted in any region. If it proves as useful as expected, similar meetings will be conducted subsequently in other regions.

4. Sponsorship.

The Seminar will be organized and conducted cooperatively by the Government of Guatemala, the host country, the Food and Agriculture Organization, and the UN through its Economic Commission for Latin America. The mentioned international organizations, together with other international agencies, will provide a group of experts to participate in the discussions at the Seminar, while the host Government will provide local facilities and make local arrangements, and nominate an Organizational Committee, the Secretary of which will be an expert of the international organizations.

5. Participation.

Each country listed in paragraph 3 (a) and (b) is invited to designate a group of experts composed of four of its officials and other qualified persons to attend the Seminar. The experts should be drawn from those who have broad experience with the problems of agricultural credit and related problems of agricultural development (e.g., officials of public and private credit institutions. However, each country could also designate persons to attend the Seminar as a training course. The countries and organizations listed in paragraph 3 (c) are invited to send to the Seminar such of their officials as are concerned with agricultural credit and related problems.

6. Languages.

The Seminar will be conducted in Spanish. However, limited facilities for interpretation will be provided.

7. Duration and Organization.

The Seminar will last four weeks from 1 September to 30 September 1952. During the first three weeks, 5 days per week, a relevant issue of agricultural credit policy and related subjects will be put on the agenda (see paragraph 9) below) with the idea of reaching a conclusion by the end of the day or early the next day. The fourth week will be utilized for assembling the results of the discussions with the assistance of the participants. Some time will be devoted during the meetings for analyzing the work and visiting the facilities of the agricultural bank or banks operating in the host country.

8. Administrative Arrangements.

FAO will contribute half of the travel expenses of each group of participants of the countries listed in paragraph 3 (a) and (b) up to a maximum of four. In addition, FAO will defray the living costs during the Seminar of these delegates at a subsistence rate to be established before the opening of the Seminar. Experts from other countries organizations will be expected to cover their own costs.

9. Documentation.

The scope of the Seminar will be to discuss the following subjects:

- I. Purpose of agricultural credit.
Agricultural credit as an instrument of agricultural policy.
Relationships with economic development.
- II. Organization of agricultural credit.
- III. Sources of financing.
- IV. Lending operations.

- V. Interest, security and repayment.
- VI. Control of the use of agricultural loans. Farm planning
- VII. Different types of borrowers. Associations of borrowers. Cooperation and agricultural credit.
- VIII. Supervised agricultural credit.
- IX. Developmental activities ancillary to agricultural credit.
- X. Agricultural credit and land tenure.
- XI. International aspects. Cooperation among Central American countries. Assistance of international organizations.

These issues will be discussed, as mentioned above, during the first three weeks of the Seminar. The Director and Co-Director will be entrusted with the task of summarizing, at the end of each issue, the main conclusions stemming out of the discussions.

Upon receiving the names of the delegates to the Seminar, the Organizational Committee will send to each expert a basic discussion outline. It is expected that each expert attending the Seminar will prepare at least a paper dealing with the point of the agenda in which he is mostly interested. He should try to formulate major principles of policy, basing them on the experience of his own country and supplying relevant statistical information. For a more successful outcome of the Seminar it would be highly desirable that the experts could be prepared to express their opinions on most or all the points of the agenda during the Seminar.

The papers should be sent to the Organizational Committee for the Agricultural Credit Seminar established in Guatemala (Banco de Guatemala) not later than 30 June 1952.

Upon receipt of the papers, the Organizational Committee will circulate the papers to the experts invited to the Seminar so that they can be studied in advance. It is suggested that the papers be discussed by the interested persons of each country. The papers will then serve as a basis for the discussion at the Seminar and will be presented there with a note prepared by the experts of FAO/ECLA summarizing their content.

10. Report.

After the completion of the Seminar a report including the papers, a summary of the discussions, other important documents, and the main conclusions of the meeting will be jointly prepared and published by the Government of Guatemala, by FAO, and ECLA.

11. Further Information.

Governments and experts will be kept advised by the Organizational Committee on subsequent developments in the plans for the Seminar.

12. Inquiries.

Any inquiries or correspondence concerning attendance at the Seminar should be addressed to the Organizational Committee for the Agricultural Credit Seminar, Banco de Guatemala, Guatemala (Cable address: Guatebanco, Guatemala).

Central American Seminar on Agricultural Credit

Guatemala City, September 1 - September 30, 1952

Prospectus

1. Antecedents.

At the third and fourth sessions of ECLA in Montevideo in June, 1950, and in Mexico in June, 1951, resolutions were adopted by which the member governments recommended that the Executive Secretary of the Economic Commission for Latin America and the Director-General of the Food and Agriculture Organization of the United Nations, convene, as soon as possible, a meeting of agricultural credit experts in one of the Central American countries.

Recently (November, 1951) the FAO Conference recommended that countries should assign a high priority to measures promoting the establishment of credit facilities and that "the Director-General should undertake in cooperation with other international institutions the organization of regional seminars in agricultural credit."

The Central American Seminar on Agricultural Credit, which will take place in Guatemala City, is being called in order to implement these resolutions.

2. Object.

The Seminar will provide an opportunity to interchange ideas and experience on agricultural credit in the countries of Central America, Panama, Mexico, and the Caribbean and in addition will examine the requirements and obstacles to the expansion of rural credit essential for agricultural development. Particular attention will be given to the policies and principles of agricultural credit that are applicable to the conditions and resources of the countries of Central America. The results of the Seminar might be, moreover, of use to other countries of the Latin American Region and form the basis for similar seminars in other regions of the world.

3. Countries to be served.

(a) The seminar is designed especially to meet the needs of the countries in Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) and Panama. (b) The Seminar is also intended, however, to meet the needs of those countries, such as Mexico, Cuba, Haiti, and the Dominican Republic, which have problems of agricultural credit similar to those of the countries listed under (a). (c) Invitations to attend the Seminar will be extended to the other countries which are members of ECLA, to the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labour Office, the Organization of American States. Other interested bodies having observer status with the FAO will be invited as deemed desirable.

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

NORTH AMERICAN REGIONAL OFFICE
1325 G Street, S. W.
Washington, D. C.
RRepublic 7614, Extension 4368

Issued simultaneously by FAO
and ECLA, 23 February 1952

NARO/LR/44

The Food and Agriculture Organization,
the U.N. Economic Commission for Latin America,
and Guatemala announce the Organization of

Central American Agricultural Credit Seminar

A Seminar to discuss problems in agricultural credit of vital importance to Central America and neighboring countries will be held in Guatemala City this September, according to an announcement issued today jointly by Guatemala, the host country, the Food and Agriculture Organization in Rome, and the U.N. through ECLA.

Ten countries have been invited to designate experts to take part in the discussion, and to make available their experience and recommendations in the field of agricultural credit in order to establish joint policies for their mutual benefit in fostering agricultural development throughout the area. These countries are Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama. In addition, all other countries who are members of ECLA, as well as other interested international organizations, are being invited to attend the Seminar, since it marks an important step in a field of common concern to all countries and organizations concerned with Western Hemisphere economic problems.

The "Central American Seminar on Agricultural Credit", as it is officially known, will begin September 1, and will last four weeks. It is jointly sponsored by the Food and Agriculture Organization, the U.N. Economic Commission for Latin America, and the Government of Guatemala, acting as host country. The two International Organizations will make available from their own staffs and the staffs of other specialized agencies of the United Nations a number of experts in agricultural credit to participate in the discussions. The invited countries are expected to bring to the Seminar as experts their foremost authorities in agricultural credit, drawn from public and private life.

The Seminar is an example of regional cooperation under the Expanded Program for Technical Assistance of the United Nations in a concerted effort to bring regional experience to bear on regional and national problems. The prospectus of the Seminar is attached. This is the first regional seminar of this type conducted in any region. If it proves as useful as expected, similar meetings will be conducted subsequently in other regions.

4. Sponsorship.

The Seminar will be organized and conducted cooperatively by the Government of Guatemala, the host country, the Food and Agriculture Organization, and the UN through its Economic Commission for Latin America. The mentioned international organizations, together with other international agencies, will provide a group of experts to participate in the discussions at the Seminar, while the host Government will provide local facilities and make local arrangements, and nominate an Organizational Committee, the Secretary of which will be an expert of the international organizations.

5. Participation.

Each country listed in paragraph 3 (a) and (b) is invited to designate a group of experts composed of four of its officials and other qualified persons to attend the Seminar. The experts should be drawn from those who have broad experience with the problems of agricultural credit and related problems of agricultural development (e.g., officials of public and private credit institutions. However, each country could also designate persons to attend the Seminar as a training course. The countries and organizations listed in paragraph 3 (c) are invited to send to the Seminar such of their officials as are concerned with agricultural credit and related problems.

6. Languages.

The Seminar will be conducted in Spanish. However, limited facilities for interpretation will be provided.

7. Duration and Organization.

The Seminar will last four weeks from 1 September to 30 September 1952. During the first three weeks, 5 days per week, a relevant issue of agricultural credit policy and related subjects will be put on the agenda (see paragraph 9 below) with the idea of reaching a conclusion by the end of the day or early the next day. The fourth week will be utilized for assembling the results of the discussions with the assistance of the participants. Some time will be devoted during the meetings for analyzing the work and visiting the facilities of the agricultural bank or banks operating in the host country.

8. Administrative Arrangements.

FAO will contribute half of the travel expenses of each group of participants of the countries listed in paragraph 3 (a) and (b) up to a maximum of four. In addition, FAO will defray the living costs during the Seminar of these delegates at a subsistence rate to be established before the opening of the Seminar. Experts from other countries organizations will be expected to cover their own costs.

9. Documentation.

The scope of the Seminar will be to discuss the following subjects:

- I. Purpose of agricultural credit.
Agricultural credit as an instrument of agricultural policy.
Relationships with economic development.
- II. Organization of agricultural credit.
- III. Sources of financing.
- IV. Lending operations.

- V. Interest, security and repayment.
- VI. Control of the use of agricultural loans. Farm planning
- VII. Different types of borrowers. Associations of borrowers. Cooperation and agricultural credit.
- VIII. Supervised agricultural credit.
- IX. Developmental activities ancillary to agricultural credit.
- X. Agricultural credit and land tenure.
- XI. International aspects. Cooperation among Central American countries. Assistance of international organizations.

These issues will be discussed, as mentioned above, during the first three weeks of the Seminar. The Director and Co-Director will be entrusted with the task of summarizing, at the end of each issue, the main conclusions stemming out of the discussions.

Upon receiving the names of the delegates to the Seminar, the Organizational Committee will send to each expert a basic discussion outline. It is expected that each expert attending the Seminar will prepare at least a paper dealing with the point of the agenda in which he is mostly interested. He should try to formulate major principles of policy, basing them on the experience of his own country and supplying relevant statistical information. For a more successful outcome of the Seminar it would be highly desirable that the experts could be prepared to express their opinions on most or all the points of the agenda during the Seminar.

The papers should be sent to the Organizational Committee for the Agricultural Credit Seminar established in Guatemala (Banco de Guatemala) not later than 30 June 1952.

Upon receipt of the papers, the Organizational Committee will circulate the papers to the experts invited to the Seminar so that they can be studied in advance. It is suggested that the papers be discussed by the interested persons of each country. The papers will then serve as a basis for the discussion at the Seminar and will be presented there with a note prepared by the experts of FAO/ECLA summarizing their content.

10. Report.

After the completion of the Seminar a report including the papers, a summary of the discussions, other important documents, and the main conclusions of the meeting will be jointly prepared and published by the Government of Guatemala, by FAO, and ECLA.

11. Further Information.

Governments and experts will be kept advised by the Organizational Committee on subsequent developments in the plans for the Seminar.

12. Inquiries.

Any inquiries or correspondence concerning attendance at the Seminar should be addressed to the Organizational Committee for the Agricultural Credit Seminar, Banco de Guatemala, Guatemala (Cable address: Guatebanco, Guatemala).

Central American Seminar on Agricultural Credit

(1 September - 30 September 1952)

Prospectus

1. - Antecedents. At the third and fourth sessions of ECLA in Montevideo in June 1950 and in Mexico in June 1951 resolutions were adopted by which the member governments recommended that the Executive Secretary of the Economic Commission for Latin America and the Director General of the Food and Agricultural Organization of the United Nations, convene, as soon as possible, a meeting of agricultural credit experts in one of the Central American countries.

Recently (November 1951) the FAO Conference recommended that countries should assign a high priority to measures promoting the establishment of credit facilities and that "the Director General should undertake in cooperation with other international institutions the organization of regional seminars on agricultural credit."

The Central American Seminar on Agricultural Credit is being called in order to implement these resolutions.

2. - Object. The Seminar will provide an opportunity to interchange ideas and experience on agricultural credit, to discuss major problems of agricultural credit policy and related subject and to establish main principles to be followed by the countries of the Central American Region in their efforts to foster agricultural development through rural credit. The result of the Seminar might be, moreover, of use to other countries of the Latin American Region and form the basis for similar seminars in other regions of the world.

3. - Countries to be served. (a) The Seminar is designed especially to meet the needs of the countries of the Central American Region, including Mexico, Honduras, Guatemala, Nicaragua, El Salvador, Costa Rica, Panama, Cuba, Haiti and Dominican Republic. (b) Invitations to attend the Seminar will also be extended to other Latin American countries, to the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labour Office, the Pan American Union, the Caribbean Commission, and to other governments interested in the agricultural progress of the Region, namely the United States, the United Kingdom, France and Netherlands. Also the Holy See will be invited to participate.
4. - Sponsorship. The Seminar will be conducted cooperatively by the Food and Agricultural Organization, the U.N. Economic Commission for Latin America and....., the host country, The mentioned International Organizations, together with other international agencies, will provide a panel of experts to introduce and lead the discussion at the Seminar, while the host government will provide local facilities and make local arrangements.
5. - Participation. Each country of the Central American Region listed in para 3 (a) is invited to designate a delegation composed of four of its officials and other qualified persons to attend the Seminar. The participants should be drawn from those who have had broad experience with the problems of agricultural credit and related problems of agricultural development (e.g. bankers, agriculturists, agricultural engineers, economists, statisticians and professors).

6. - Languages. The Seminar will be conducted in Spanish. However limited facilities for interpretation will be provided if necessary.
7. - Duration and Organization. The Seminar will last four weeks from 1 September to 30 September 1952. During the first three weeks, 5 days per week, a relevant issue of agricultural credit policy and related subjects will be put on the agenda (see para 9 below) with the idea of reaching a conclusion by the end of the day or early the next day. The fourth week will be utilized for assembling the results of the discussions with the assistance of the participants. Some time will be devoted during the meetings for analysing the work and visiting the facilities of the agricultural bank or banks operating in the host country.
8. - Administrative Arrangements. FAO will contribute half of the travel expenses of each Central American delegation to the Seminar (the countries listed in para 3 (a) up to a maximum of four. In addition, FAO will defray the living costs of the Seminar of these delegates at a subsistence rate to be established before the opening of the Seminar. Delegations from other countries and organizations will be expected to cover their own costs.
9. - Documentation. The scope of the Seminar will be to discuss the following subjects:
- (I) purpose of agricultural credit,
 - (II) sources of funds,
 - (III) lending operations,
 - (IV) terms of loans: interest, security, repayment,

- (V) active vs passive credit policy,
- (VI) outstanding features of agricultural credit: Supervision,
- (VII) agricultural credit and cooperation,
- (VIII) banking credit and supervised credit,
- (IX) agricultural credit and other developmental activities,
- (X) agricultural credit and land reform.

These issues will be discussed, as mentioned above, during the first three weeks of the Seminar. The Chairman and Vice-Chairman will be entrusted with the task of summarizing, at the end of each issue, the main conclusions stemming out of the discussions.

Upon receiving the names of the delegates to the Seminar sent by the invited governments and other agencies, the FAO and ECLA will issue jointly a document in which each item of the agenda will be briefly introduced by general remarks and will then include a list of questions and requests for information to the effect of leading the discussion of the Seminar and providing the necessary background data. This document will be sent directly to the delegates. It is expected that each delegation of the Central American Region will prepare a basic document in which all the problems outlined in the FAO/ECLA document will be discussed on the basis of the experience of its country. Any participant at the Seminar, either belonging to the official delegation or not, should feel free however, to produce a personal paper discussing any particular issue of the agenda. The documents and papers should be sent to the FAO/ECLA Secretariat for the Agricultural Credit Seminar (C/o CEPAL, Paseo de la Reforma 476, Mexico 5, D.F.) not later than 30 June 1952. A compendium of all papers will be prepared at the FAO/ECLA Secretariat and circulated before the Seminar to all the governments and other organizations invited to the Seminar. The papers will form the basis for the discussion at the Seminar.

10. - Report. After the completion of the Seminar a report including the discussions and the main conclusions of the meeting will be jointly prepared and published by FAO and ECLA.
11. - Further Information. Governments will be kept advised on subsequent developments in the plans for the Seminar.
12. - Inquiries. Any inquiries or correspondence concerning attendance at the Seminar should be addressed to: Economics Division
Food and Agriculture Organization of the U.N.
Viale delle Terme di Caracalla - Rome, Italy
(Cable Address: ECONOMICS FOODAGRI ROME)

V. Marañón

D R A F T
14 January 1952

FAO

Terme Caracalla

Rome

Central American Seminar on Agricultural Credit

(1 September - 30 September 1952)

Prospectus

1. - Antecedents. At the third and fourth sessions of ECLA in Montevideo in June 1950 and in Mexico in June 1951 resolutions were adopted by which the member governments recommended that the Executive Secretary of the Economic Commission for Latin America and the Director General of the Food and Agricultural Organization of the United Nations, convene, as soon as possible, a meeting of agricultural credit experts in one of the Central American countries.

Recently (November 1951) the FAO Conference recommended that countries should assign a high priority to measures promoting the establishment of credit facilities and that "the Director General should undertake in cooperation with other international institutions the organization of regional seminars on agricultural credit."

The Central American Seminar on Agricultural Credit is being called in order to implement these resolutions.

2. - Object. The Seminar will provide an opportunity to interchange ideas and experience on agricultural credit, to discuss major problems of agricultural credit policy and related subject and to establish main principles to be followed by the countries of the Central American Region in their efforts to foster agricultural development through rural credit. The result of the Seminar might be, moreover, of use to other countries of the Latin American Region and form the basis for similar seminars in other regions of the world.

3. - Countries to be served. (a) The Seminar is designed especially to meet the needs of the countries of the Central American Region, including Mexico, Honduras, Guatemala, Nicaragua, El Salvador, Costa Rica, Panama, Cuba, Haiti and Dominican Republic. (b) Invitations to attend the Seminar will also be extended to other Latin American countries, to the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labour Office, the Pan American Union, the Caribbean Commission, and to other governments interested in the agricultural progress of the Region, namely the United States, the United Kingdom, France and Netherlands. Also the Holy See will be invited to participate.
4. - Sponsorship. The Seminar will be conducted cooperatively by the Food and Agricultural Organization, the U.N. Economic Commission for Latin America and....., the host country, The mentioned International Organizations, together with other international agencies, will provide a panel of experts to introduce and lead the discussion at the Seminar, while the host government will provide local facilities and make local arrangements.
5. - Participation. Each country of the Central American Region listed in para 3 (a) is invited to designate a delegation composed of four of its officials and other qualified persons to attend the Seminar. The participants should be drawn from those who have had broad experience with the problems of agricultural credit and related problems of agricultural development (e.g. bankers, agriculturists, agricultural engineers, economists, statisticians and professors).

6. - Languages. The Seminar will be conducted in Spanish. However limited facilities for interpretation will be provided if necessary.
7. - Duration and Organization. The Seminar will last four weeks from 1 September to 30 September 1952. During the first three weeks, 5 days per week, a relevant issue of agricultural credit policy and related subjects will be put on the agenda (see para 9 below) with the idea of reaching a conclusion by the end of the day or early the next day. The fourth week will be utilized for assembling the results of the discussions with the assistance of the participants. Some time will be devoted during the meetings for analysing the work and visiting the facilities of the agricultural bank or banks operating in the host country.
8. - Administrative Arrangements. FAO will contribute half of the travel expenses of each Central American delegation to the Seminar (the countries listed in para 3 (a) up to a maximum of four. In addition, FAO will defray the living costs of the Seminar of these delegates at a subsistence rate to be established before the opening of the Seminar. Delegations from other countries and organizations will be expected to cover their own costs.
9. - Documentation. The scope of the Seminar will be to discuss the following subjects:
- (I) purpose of agricultural credit,
 - (II) sources of funds,
 - (III) lending operations,
 - (IV) terms of loans: interest, security, repayment,

- (V) active vs passive credit policy,
- (VI) outstanding features of agricultural credit: Supervision,
- (VII) agricultural credit and cooperation,
- (VIII) banking credit and supervised credit,
- (IX) agricultural credit and other developmental activities,
- (X) agricultural credit and land reform.

These issues will be discussed, as mentioned above, during the first three weeks of the Seminar. The Chairman and Vice-Chairman will be entrusted with the task of summarizing, at the end of each issue, the main conclusions stemming out of the discussions.

Upon receiving the names of the delegates to the Seminar sent by the invited governments and other agencies, the FAO and ECLA will issue jointly a document in which each item of the agenda will be briefly introduced by general remarks and will then include a list of questions and requests for information to the effect of leading the discussion of the Seminar and providing the necessary background data. This document will be sent directly to the delegates. It is expected that each delegation of the Central American Region will prepare a basic document in which all the problems outlined in the FAO/ECLA document will be discussed on the basis of the experience of its country. Any participant at the Seminar, either belonging to the official delegation or not, should feel free however, to produce a personal paper discussing any particular issue of the agenda. The documents and papers should be sent to the FAO/ECLA Secretariat for the Agricultural Credit Seminar (C/o CEPAL, Paseo de la Reforma 476, Mexico 5, D.F.) not later than 30 June 1952. A compendium of all papers will be prepared at the FAO/ECLA Secretariat and circulated before the Seminar to all the governments and other organizations invited to the Seminar. The papers will form the basis for the discussion at the Seminar.

10. - Report. After the completion of the Seminar a report including the discussions and the main conclusions of the meeting will be jointly prepared and published by FAO and ECLA.
11. - Further Information. Governments will be kept advised on subsequent developments in the plans for the Seminar.
12. - Inquiries. Any inquiries or correspondence concerning attendance at the Seminar should be addressed to: Economics Division
Food and Agriculture Organization of the U.N.
Viale delle Terme di Caracalla - Rome, Italy
(Cable Address: ECONOMICS FOODAGRI ROME)

Dr. Cushman
D R A F T
V. Marrama
10 January 1952
F A O .

NOTES TO PARTICIPANTS ON THE PROBLEMS TO BE DISCUSSED AT THE
CENTRAL AMERICAN SEMINAR ON AGRICULTURAL CREDIT
(September, 1952)

Preliminary Remarks

The problem of agrarian structures in underdeveloped countries is receiving more and more attention of responsible people throughout the world. The existing defects in these structures are increasingly indicated as the major obstacle to economic development. Under resolutions adopted by their member governments, the International Organizations have been directed to assume leadership in aiding in the rationalization of prevailing agrarian structures. Great emphasis is placed, in particular, on the necessity of adequate credit facilities for farm operators.

As stated in the "Prospectus" and in the letters of invitation to governments, the Central American Seminar on Agricultural Credit has been called as a step toward implementing the resolutions passed by the ECLA meetings in Montevideo (1950) and Mexico (1951) as well as the resolutions adopted at the recent UN and FAO Conferences.

The object and the organization of the Seminar are indicated in detail in the "Prospectus" which is attached herewith.

This statement is being sent to all the participants to the Seminar. It suggests the lines along which the discussion at the Seminar could be conducted. The agenda of the Seminar includes the following subjects:

- I. Purpose of Agricultural Credit
- II. Sources of Funds
- ✓ III. Lending Operations
- ✓ IV. Terms of Loans: Interest, Security, Repayment
- ✓ V. Active VS Passive Credit Policy
- ✓ VI. Outstanding Feature of Agricultural Credit: Supervision
- ✓ VII. Agricultural Credit and Cooperation
- ✓ VIII. Banking Credit and Supervised Credit
- IX. Agricultural Credit and Other Developmental Activities
- X. Agricultural Credit and Land Reform

The following pages discuss these various points in some detail. Each delegation of the Central American Region is asked to prepare in advance a basic document in which the various points on the agenda are discussed on the basis of the experience of its own country. Statistical information is highly desirable and it is therefore requested in this statement if available. Any participant at the Seminar should feel free however, to produce in addition a personal paper discussing any particular issue on the agenda. The documents and papers should

be sent to the FAO/ECLA Secretariat for the Agricultural Credit Seminar (C/o CEPAL, Paseo de la Reforma 476, Mexico, 5, D.F.) not later than 30 June 1952. A compendium of all papers submitted will be prepared at the FAO/ECLA Secretariat and placed before the Seminar for examination by all participants, and possibly circulated in advance.

I. Purpose of Agricultural Credit

The purpose of agricultural credit is to provide the farmer with a reasonably cheap source of funds at conditions which take into account the particular circumstances under which the farmer conducts his business.

Usually the farmers of underdeveloped countries have a limited access to the existing sources of credit, such as commercial banks, mortgage banks, commercial houses etc. In such circumstances an efficient system of agricultural credit might be organized so as to cover the needs of all farmers. However, it appears that, in general, large and medium farmers receive some financial assistance from existing credit institutions, while this is very seldom the case for small farmers. A system of agricultural credit in underdeveloped countries might be then conceived as a way of providing credit to all farmers irrespective of the size of their holdings, provided that the funds are used for increasing production, or as a way of providing credit primarily, although not exclusively, to small farmers. It is suggested that the present seminar focus its attention to the latter system of agricultural credit.

The organization of agricultural credit for small farmers in underdeveloped countries may take various forms. It can be organized as:

(a) a special department of existing private credit institutions, such as commercial or mortgage banks. This form has the advantage of utilizing existing organizational facilities, but it has the shortcoming of altering the clear cut structure of a particular credit institution by adding a system of a mixed and quite different nature. Moreover it is difficult to see how a private credit institution can discharge the costly task of providing credit to the small farmer, without being financially assisted by the government.

(b) a special department of the Central Bank. This form has the advantage of unifying the credit policy in the agricultural economy with the overall credit and monetary policies of the country as carried out by the Central Bank, but has the disadvantage of involving the bank entrusted with the issue of money in a particular type of banking activity. There is the danger that, in this way, the Central Bank may lose its characteristic of being the bank of banks and the ultimate controller of the monetary and capital markets.

(c) a special national institution, independent from other institutions and the Central Bank. This form has the advantage of entrusting a single and autonomous institution with the particular requirements of an agricultural credit system, but has the disadvantage of adding a new outfit to the existing credit market. Should this addition represent a competition to existing credit institutions, methods have to be devised in order to minimize such competition.

Because of the fact that agricultural credit for small farmers is a public service, to be performed through a banking institution, the organization suggested under (c) might be preferable.

Questions:

1.- Should a system of agricultural credit devote its funds primarily to the financing of small farmers? To what extent do large and medium farmers receive credit assistance in your country?

2.- How the small farmer can be defined in your country? What criteria do you suggest? On the basis of this criteria what is the percentage of small farmers to total farmers in your country?

3.- Should agricultural credit be entrusted to a special department of existing private banks or of the Central Bank or to independent national banks?

4.- Should the agricultural bank be separated from the Central Bank? What is the case and experience of your country?

5.- Can national agricultural banks be organized, from an administrative standpoint, in such a way as to preserve their independence from political and other pressures?

6.- Should the agricultural bank compete with private banks? If such competition is not desirable, how can it be avoided?

Requests:

You are kindly requested to provide:

(a) a statistical table indicating the loans granted to agriculture by all types of banks operating in your country since 1946, by years.

(b) a breakdown by banks of the total loans to agriculture since 1946, by years.

(c) an estimate of the gross and net value of your agricultural production since 1946, by years. Please specify coverage and method of calculation.

II. Sources of Funds

Assuming that the course of organizing an independent national bank is chosen, the next problem is how to raise its capital. This problem can be met either by allocation of funds from the fiscal budget or partly in this way and partly by floating shares in the capital market. In the latter case the government could keep the majority by contributing more than 50% of the capital.

In view of the special nature of the operations assigned to the banks (credit to small farmers) it might be difficult to raise the necessary capital in the market, particularly when the latter is poorly organized as it is often the case in underdeveloped countries, but this difficulty might be overcome by a government guarantee covering the private capital contributions and possibly a fair return on these contributions. To the extent to which the capital market will contribute to the capitalization of the agricultural bank, an important step forward will have been done in mobilizing domestic savings for agricultural development.

When supplied by public funds the capital of the agricultural bank may be formed either by a fiscal allocation una tantum at the beginning of operations or by periodic allocations usually at the beginning of each fiscal year. In order to keep the government constantly interested in the progress of the agricultural credit system, the allocations might be established on a recurring basis, possibly by law and not by administrative measures. In this way, moreover, the bank can build in a number of years a substantial capital and fulfill more completely its duties.

In this connection it might be convenient to investigate how the funds for the capitalization of the bank can be raised by the government. In countries with fiscal systems which are regressive and often very much so, an indiscriminate application of new fiscal burdens might easily result in an increased tax pressure upon poor people.

It is probable that the agricultural bank will initiate its own operations by using its capital. Other funds, however, can be raised by collecting deposits, in particular, time and saving deposits, and by issuing mortgage bonds. In countries where capital markets are poorly organized it might be difficult to raise funds in this way. Nevertheless, efforts could be done in order to develop this class of operations. It seems desirable, though difficult to obtain, that large part of the credit operations of the bank be financed with funds collected in the capital market. Favorable terms and attractive conditions, such as relatively high rates of interest and government guarantees, can be established as to stimulate the interest of the public, private institutions and individuals.

Finally the agricultural bank can raise funds by rediscounting its portfolio at the Central Bank. This operation might be limited to short-term papers, but recent tendencies (France) seem to suggest that also medium-term papers might also be brought to the Central Bank for rediscount. The policy of the Central Bank in dealing with the portfolio of the agricultural bank is very relevant to the success of the operations of the agricultural bank.

Questions:

1.- Should the capital of the agricultural bank be formed exclusively by fiscal allocations or partly in this way and partly by resorting to the capital market? What is the experience of your country? What are your comments?

2.- What is your opinion about the fiscal policy to be adopted by the government in order to raise additional funds for capitalizing the agricultural bank? What is the experience of your country?

3.- How can the collection of time and saving deposits be stimulated? Should the agricultural bank collect also demand deposits?

4.- How can the issue of mortgage bonds be stimulated? What terms and conditions do you suggest? Do you think that high rates of interest and government guarantees would represent a sufficient stimulus?

5.- Should the rediscount policy of the Central Bank vis-a-vis the agricultural bank be liberal? What are the relationships between the two institutions in your country in the rediscount operations? Any comment?

Requests:

You are kindly requested to provide:

(a) the balance sheet of your agricultural bank or banks since 1946, by years. Please give explanation of each item.

(b) a statistical table indicating the value of deposits in your agricultural bank or banks, divided into demand, time and saving deposits since 1946, by years.

(c) a statistical table indicating the value of outstanding mortgage and other bonds, broken down by types, issued by your agricultural bank or banks since 1946, by years.

(d) a statistical table indicating the value of the rediscount operations with the Central Bank and other banks of your agricultural bank or banks since 1946, by years.

III. Lending Operations.

If the main concern of the agricultural bank is that of giving financial assistance to the farmer, the active operations of the bank should be conducted in such a way as to be adapted to the achievement of that purpose.

It appears necessary, first of all, to reach the small farmer with the new credit facilities. As long as the agricultural bank operates only in the Capital, where it presumably has been established, little financial assistance will reach the small farmers. For this purpose the bank might give serious consideration to the establishment of rural credit agencies, to be located in the major productive areas or other strategic points which can be easily reached by the small farmers of the zone. The bank may tackle the problem of reaching the small farmer also by organizing mobile credit units dashing from headquarters to various regions of the country as often as possible in order to collect applications for loans to be largely processed on the spot and then finalized at headquarters. Local credit committees and cooperative credit institutions might be also very useful instruments for helping the bank in carrying out its local operations. Because of their mixed nature resulting from the participation of outsiders (that is people not belonging to the personnel of the bank) these institutions will be dealt with separately under Points VI and VII.

The second way by which the bank can devote its funds primarily to the benefit of the small farmer is by limiting the amount of each loan. This can be obtained by establishing ceilings for the operations at headquarters and for those of the rural credit agencies or the mobile credit units. Even when the ceilings at headquarters are not too low, this practice might be advisable in order to prevent the bank from entering into large scale operations which would severely deplete available funds. In each country the ceilings to be established will depend upon local conditions, but in every case they might be sufficiently low as to show quite clearly to the public what is the main purpose of the bank.

Another way of helping the small farmer is by concentrating on short- and perhaps medium-term operations. Normally the agricultural bank will be entitled by the law to enter into short-medium or long-term credit operations. Short-term loans are those required for defraying costs of cultivation, buying livestock for fattening etc. and in general for all those agricultural activities which bear fruits in a productive cycle no longer than one year or one year and a half. Medium-term loans, on the contrary, are those intended to foster improvements on the farm such as those resulting from the purchase of implements and tools, of fertilizers of slow assimilation, of small agricultural machinery, working animals etc. as well as those intended to finance activities with a longer productive cycle such as breeding of cattle, planting of permanent crops etc. Normally these loans are granted for periods up to 3-to 7 years. Long-term loans, finally, are those intended to finance the acquisition of land, the purchase or construction of rural buildings etc. and they go normally up to 15 and in some cases 25 years.

Since it appears that the small farmer's indebtedness in underdeveloped countries is largely composed of short-term commitments, the type of loan which might help him most, particularly in the first period of the establishment of the agricultural credit system, is a short-term loan for raising the crop. This does not exclude of course that also medium-term loans, particularly those intended to increase the capitalization of the farm through the acquisition of simple agricultural implements, might highly benefit the small farmer, especially when the latter has already obtained enough assistance for raising his crops.

Questions:

- 1.- Once the necessity of establishing rural credit agencies is recognized, what criteria do you suggest in order to determine the number and site of these agencies? What is the experience of your country? What administrative relationship should exist between the rural agency and headquarters?
- 2.- Is it advisable to establish mobile credit units, if local rural agencies are not yet established and in full operation?
- 3.- Is it advisable to fix ceilings for each credit operation? What criteria is to be followed in this connection? Are ceilings established in the loan operations of your agricultural bank or banks?
- 4.- Should the agricultural bank concentrate its operations on short-term loans? What is the main characteristic of the small farmer's indebtedness in your country?
- 5.- How much effort and funds should be devoted to medium-term improvements loans and to long-term mortgage loans?

Requests:

You are kindly requested to provide:

- (a) a statistical table indicating the total amount of loans granted by the agricultural bank or banks operating in your country, broken down by short-medium and long-term loans since 1946, by years.
- (b) a statistical table indicating the distribution by size of the loans granted by your agricultural bank or banks possibly since 1946, by years. It is suggested that the following breakdown be adopted: up to the equivalent of \$500, \$500 - 1,000, \$1,000 - 2,000, \$2,000 - 3,000, \$3,000 - 5,000, \$5,000 - 10,000, \$10,000 - 20,000, \$20,000 and above. For each class, give the number of loans and their total amount.
- (c) a statistical table indicating the type and amount of other investments of the agricultural banks or banks of your country, since 1946, by year.

IV. - Terms of Loans: Interest, Security, Repayment

The problem of the rates of interest to be charged by the agricultural bank is probably one of the most delicate in view of its broad monetary and economic implications. Two tendencies are at work in this matter, that of giving the farmer the chance of borrowing money at a low rate of interest and that of giving the bank the chance of covering the high administrative costs and possible losses involved in agricultural credit and of raising additional funds in the capital market. It is reasonable to expect that the small farmer, who has never or rarely enjoyed the benefit of credit facilities established on

an official basis, will hope to get the money at a very low rate of interest or even none, but it is quite clear that if the bank should operate at these low levels it would not be in a position to cover its administrative expenses and would find difficulties in collecting deposits and floating bonds. On the other hand, should the agricultural bank operate at high rates of interest, the farmer might feel that once again no real assistance is given to him. The right solution lies somewhere in the middle between these two extremes, too low or too high rates of interest.

Prevailing interest rates in underdeveloped countries are usually rather high for loans less costly and risky than agricultural loans. In the establishment of the system of interest rates of the agricultural bank this market situation should be carefully considered. The optimum system of interest appears to be the one securing efficient operations with limited profits.

When ceilings are established for the interest rates, which can be collected for different types of operations, the alternative is whether these ceilings are to be fixed by law or by resolutions of the Central Bank. While the method of the law has the advantage of securing the market against sudden and undiscussed changes, the method of the Central Bank resolution has the advantage of giving the system of interest rates a greater elasticity, since it is easier to change according to circumstances a resolution of the Central Bank rather than a law, and moreover of entrusting the Central Bank with the overall control of the credit market.

One interesting question is whether the Central Bank (or other competent authority) should establish the ceilings by types of operations (short-medium and long-term loans) and/or by types of security (chattel-mortgage, real estate mortgage, fiduciary etc.) so that any bank (the agricultural bank or any other) will act within those ceilings as long as it makes the specified operations, or whether the ceilings should be by types of bank, in which case the agricultural bank will be separated from the other banks even in the case of similar operations.

When the discrimination of interest rates is by types of operations, lower or preferential rates might be charged for short and medium-term loans. In view of the greater risks of these types of operations, which do not call for a mortgage security, compared with long-term loans, it might appear that preferential rates are not justified. It is equally true, however, that the duration of a loan is by itself a benefit which has to be paid. Moreover, considering that the small farmer is supposed to be the one to benefit most from short-and medium-term loans, the case for preferential rates becomes stronger.

Turning now to the security for agricultural loans, it might be said that in this field of operations, as well as in others, the best type of guarantee is the personal knowledge that the bank has of its borrowers. While, however, this knowledge is relatively easy to gather in the case of a commercial bank which operates in large towns primarily with firms or individuals of known reputation, the same knowledge is very difficult to accumulate in the case of the agricultural bank which is supposed to operate primarily in small villages far apart from each other and with a clientele of small farmers. This is one place where the administrative costs of the agricultural bank go up, but there is also the very foundation of a sound system of agricultural credit.

No amount of real securities can substitute for the sort of guarantee provided by personal knowledge of the borrowers. As among the various types of real security the preference would naturally go to the land itself. This type of guarantee is necessary in the case of long-term loans, but ought to be optional in the case of short- and medium-term loans, which will be guaranteed by maturing crops, agricultural implements, livestock, liquid assets, endorsement of a responsible third party etc.

If the best security is to be found in the personal features of the borrower, the fact that the loan represents 50 or 60% of the real security is largely irrelevant. When the margins of security are fixed periodically by the management of the bank within the limits established by the law, they vary according to the degree of accuracy which a particular real security allows for during the process of valuation. When the security consists of shares and bonds or other liquid assets no margin of security is usually requested; the amount of the loan may equal the value of the guarantee. When, on the contrary, the security consists of chattel mortgage or land mortgage the margins might oscillate between 20 and 50% in the sense that the amount of the loan cannot be greater than 80 or 50% of the appraised value of the guarantee.

No particular problem seems to arise in the last phase of the credit operation, that is the recovery of the loan. The repayment of short-term loans will normally occur at the time of the sale of the products which the loan helped in raising. The repayment of medium- and long-term loans, on the contrary, will occur at periodical intervals according to an amortisation plan which the bank prepares and hands to the borrower at the time of the loan agreement. The high administrative costs of the recovery, particularly of short-term loans, will again characterize the agricultural bank vi-a-vis other banks.

Questions:

1.- What is your opinion about the level of interest rates for agricultural credit in countries where rates are usually high? What is the particular experience of your country?

2.- Is the establishment of ceilings for interest rates advisable? If so, do you think that this task should be assigned to the Central Bank? What is the experience of your country?

3.- What is your opinion about the discrimination by types of banks in the establishment of the system of rates of interest? Is the agricultural bank of your country considered separately in this respect?

4.- Is it advisable to discriminate between agricultural loans granted in the Capital and the same granted in the field from the standpoint of interest rates.

5.- What is your opinion about preferential rates for short- and medium-term loans? Have you preferential rates? Will you specify them?

6.- What is your opinion about the kind of real security to be requested for different types of loans? What about the margin of security?

7.- Is it advisable to follow a liberal policy so far as postponements of repayments are concerned? If so, to what extent?

Requests:

You are kindly requested to provide:

(a) a table indicating the profit and loss account of your agricultural bank or banks since 1946, by year. Please illustrate each item.

(b) a description of the system of interest rates and other charges in force in your agricultural bank or banks. Please indicate changes since 1946 and reasons thereof.

(c) a description of the types of securities requested by your agricultural bank or banks, the methods of valuation and the margins required.

(d) a statistical table indicating the number and amount of loans in default since 1946 by years. It would be desirable if possible to have the information broken down by size of loans (see under Point III, Request (b) for suggested class breakdown).

V. - Active VS Passive Credit Policy

The normal procedure of granting any loan is that of perusing the applications presented by the potential borrowers, investigating their real needs, guarantees, personal qualities and abilities etc. and then, if everything suits the standard of operation of the bank, signing the agreement which will indicate the various terms and conditions of the loan. The agricultural bank follows this procedure as any other bank. However, in one important respect the agricultural bank may distinguish itself from the others, that is in adopting an active credit policy and maintain it consistently. By active credit policy it is meant the administrative action by which the bank orients its operations toward particular objectives according to a pre-established plan. This type of policy stands against the opposite one, i.e. a passive credit policy, by which the bank manages to meet the demand of the market as it is.

active

In the present Seminar a definite credit policy is under examination, i.e. that of helping primarily the small farmers. It seems worthwhile, however, to investigate whether or not the bank should go further in the way of orienting its operations.

The next "piece" of active credit policy which an agricultural bank may consider is that of orienting the loan operations toward particular sectors of the agricultural economy of the country. For instance, the bank might orient its operations toward coffee producers or alternatively to cattle breeders, in accordance with the agricultural policy or program of the country as a whole. Or the bank may consider the alternative policies of devoting more funds to the operations that stimulate the production of those agricultural products which (1) enter into the export trade of the country, or (2) are to be used as substitutes for imported goods, (3) or represent the basic subsistence of the population. The fact of taking steps in order to channel the available funds toward a particular sector of the agricultural economy may not be contradictory to the main purpose of the bank, that of assisting the small farmer.

An active credit policy is largely conditioned by the liquidity of the portfolio. Only a high rate of turnover of the available funds can allow for shifts from one productive sector to another one in a relatively short period of time. A low rate of turnover would not, on the contrary, allow for these shifts and would therefore limit the possibilities of an active credit policy. This may need a greater concentration of funds in short-term loans.

Questions:

1.- Is it advisable that the agricultural bank follows an active rather than a passive credit policy? What is the experience of your country in this field? Do you prepare a credit plan at regular intervals?

2.- Do you think that a discrimination by productive sectors of the agricultural economy is advisable? Is there any general principle to be applied in this discrimination?

3.- What methods can be adopted in order to carry out an active credit policy without creating unfavorable market reactions?

4.- Does an active credit policy largely depend upon the liquidity of the portfolio? If so, would you suggest a greater concentration of funds in short-term operations? Otherwise, what alternative do you propose?

Requests:

You are kindly requested to provide:

(a) a statistical table indicating the total amount of loans granted by your agricultural bank or banks, broken down by major agricultural productive sectors, such as coffee, livestock, maize, etc., since 1946 by years.

(b) a description of the agricultural credit plan, if any, of your agricultural bank or banks, of the criteria followed in the preparation of the plans, and of the method for periodical controls. Please indicate whether notable discrepancies between actual and planned operations arose in the past and the reasons thereof.

VI. Outstanding Feature of Agricultural Credit: Supervision

The various aspects of agricultural credit, which have been previously discussed, indicate that this type of credit is unique. Yet the agricultural bank seems to operate like any other bank from the moment in which it appraises the application for credit to the moment in which it recovers the loan. In one important respect, however, the agricultural bank seems to differ from other banking institutions, in that it is highly concerned about the way in which the money is spent by the borrower. This may require a continuous supervision of the activities of the farmer during the time of the loan.

To the extent that the agricultural bank supervises the utilization of the loan it performs a function which takes it close to the borderline between banking and developmental institutions. As a matter of fact frequently some advisory or technical assistance to the small farmer is associated with supervision. This association might be looked upon as a regular feature of the supervision.

The supervision of the use of loans by the agricultural bank does not change materially the banking connotation of the undertaking. Therefore one ought not to confuse this with the so-called "supervised credit". This type of credit has little in it of banking procedures, as it will be seen under Point VIII. Agricultural banks are something in between commercial or other private banks and the institutions granting supervised credit. They differ from the former because they closely supervise the utilization of their loans and from the latter because they follow in every other aspect genuine banking procedures.

An efficient supervision of the loans is a necessary condition for success of the agricultural bank. It requires continuous visits of the personnel of the bank to the borrower in order to investigate his needs and accomplishments. This is particularly necessary when the loan is granted in installments, as is often suggested for greater security, instead of in a lump sum at the time of the signing of the agreement. Supervision is the most costly aspect of agricultural credit, requires a long and careful organization, and calls for extended programs for the training of personnel to be dispatched to the various regions of the country.

The task of supervision may be somewhat eased by using local committees composed of persons well known to the borrowers and favorably accepted by them. These committees may perform a useful function both by investigating and advising the bank about the utilization of the loan and by assisting the small farmer in technical matters. They can, however, be entrusted with somewhat larger functions than the one strictly related to supervision. In that way they would form an important link in the chain of the rural activities of the bank which goes from the mobile credit units to the rural credit agencies. When the committees also performs some banking functions they might be called local credit committees.

Questions:

1.- What is your opinion about supervision as an outstanding feature of agricultural credit? Should supervision be associated, when convenient, with some education or technical assistance to the farmer? What is the experience of your country?

2.- What solutions do you propose in order to reduce the high costs of supervision?

3.- Is it advisable to form local committees to discharge part of the responsibilities of supervision? Should their duties be limited to advisory functions?

4.- Do you think it is advisable, after due preparation, to extend the functions of the local committees beyond the field of supervision into some banking activities?

Requests:

You are kindly requested to provide:

(a) a statement of the extent to which the use of agricultural loans in your country are supervised by each lending agency.

(b) a rough estimate of the cost of supervision in the agricultural bank or banks of your country. Compare this cost with total administrative costs.

(c) a description of the characteristics and functions of the local committees, if any, organized in your agricultural credit system.

VII. Agricultural Credit and Cooperation

The ideal organization for providing short term credit to the small farmer seems to be the cooperative society. The credit society with unlimited liability (Raiffeison type) has been remarkably successful not only in developed countries in Europe but in a number of underdeveloped countries. In countries where the cooperative credit movement has not met with success the failure can in many cases be traced to the initiation of the movement without properly trained staff and the necessary preparatory educational work.

In underdeveloped countries the cooperative credit movement cannot be expected to develop of its own accord. Governments should take an active interest and in particular provide a sound cooperative law and a Cooperative Department with adequately trained staff to aid and encourage the development of cooperative organizations.

Supervision and guidance of cooperatives are necessary for a number of years and premature withdrawal of supervision may lead to collapse.

In some areas it may not be possible to establish cooperative credit societies with unlimited liability as the farmers may be tenants or have little or no property with which to back their liability. Here the solution may lie in societies with limited liability which combine both marketing and credit functions. The members may undertake to market their crop through the societies and receive advances which will be repaid when the crop is sold.

Credit societies may also, within limits, undertake certain supply functions. The society may collect binding orders from its members for fertilizers and seed which may be supplied on credit, the loans being repaid from the proceeds of the crop for which the commodities were supplied. It must be stressed, however, that societies, when carrying out their functions of marketing and supply, should not undertake any speculative undertakings. In marketing the society should not purchase members' crops but should merely act as a selling agent, possibly with a partial advance payment, and in supply only the amount which members have undertaken to buy should be ordered. It is particularly dangerous to try to combine credit with the sale of consumers goods.

When cooperative credit societies are formed the eventual object should be to unite them in a secondary credit institution - a cooperative central bank. Until such a bank can be formed, however, (and it may be years before there are enough sound and credit-worthy societies to warrant its establishment) it should be made possible for societies to turn to the agricultural bank for funds for the normal credit requirements of their members. Reference has been made under Point VI to the local committees as connecting links between the producer and the agricultural bank. These committees, with the knowledge they have gained of the farmers of their area and their needs, might well become organization and education centres for cooperatives and might provide the nucleus from which societies might grow.

Questions:

1.- In what field (credit, marketing or supply) is the organization of cooperatives most necessary in your country?

2.- What are the obstacles to the establishment of cooperative credit societies? What are the possibilities of cooperative finance through deposits with societies? In what way do you consider the establishment of cooperative societies should be encouraged?

3.- Is there in your country an adequate and comprehensive cooperative law? Under the law what degree of control or supervision is in the hands of the government? Is there a special Department for Cooperation and has it a trained staff? What training have they received?

4.- How can relationships between cooperatives and the agricultural bank be organized in practice?

5.- What has been the experience of the cooperative movement in general in your country? What have been the principal causes of success or failure?

Requests:

You are kindly requested to provide:

(a) a statistical table indicating the number of credit cooperatives and other types of cooperatives involving credit which operate in your country since 1946, by years. Please indicate membership of each cooperative.

(b) a statistical table indicating the sources of funds of such cooperatives since 1946, by years.

(c) a statistical table indicating the number and amount of loans granted to farmers by cooperatives, broken down by duration and size, since 1946 by years. Please specify the conditions (interest and guarantee) of such loans.

VIII.- Banking Credit and Supervised Credit

When the small farmer has not at present and will probably not have in the future, even as a result of the financial assistance given to him, the capacity to refund the loan under normal banking conditions, the agricultural bank might refrain from operating with him in order to avoid losses.

On the other hand it is well known that in under-developed countries the number of small farmers, who live beyond the group to be covered by the operations of an agricultural bank, is normally large. The fact that the bank may not enter into credit operations with them, would leave this group of farmers out of the agricultural credit system and the envisaged set-up would be plainly incomplete. A complementary organization has then to be devised in order to help these farmers, who deserve in many cases financial assistance even more than their companions. A doctrine and a parallel practice have been introduced not long ago which seem to cope with the peculiar situation of these farmers: that of supervised credit.

Supervised credit is to be considered as a rural welfare service which combines credit and education. If in the past agricultural credit for small backward farmers has been a very difficult problem in underdeveloped countries, the reason is that the problem of small backward farmers is not just a problem of credit, but a very complex one, and requires an integrated program of action of which credit and extension education (including home economics) are the most important elements.

Experience in some countries has demonstrated that the system of supervised agricultural credit, with the necessary adaptation to the economic and social conditions of each country, is perhaps the most effective approach for bettering the living standards of backward rural populations.

The main features of supervised credit can be summarized as follows: (a) it is not a banking credit since it mainly rests upon the action performed by the "supervisor", who assists technically the farmer in planning his work, carrying it properly and marketing the product, and by the "social supervisor" (usually a woman) who assists the farmer's family in household affairs; (b) it is a "total" credit in so far as its amount depends on the plan of work prepared by the farmer together with the supervisor and the farmer is not expected to contribute any money for carrying the plan; (c) it may not require real guarantees and, if guarantees are taken, they only have a psychological meaning, and in no case are margins of security requested; (d) the purpose of the loan is strictly defined in the plan of work and its use is continuously supervised; (e) it is very cheap and no rigid relationships are established between costs and returns within the organization administering the system; (f) it does require repayment but the latter is often related to the net income of the farmer and not to a definite date; (g) it is supposed to be a temporary service to the farmer which will be discontinued as soon as he will be in a position to apply to the normal sources of agricultural credit; (h) it represents a complement to the work of agricultural extension and advisory service performed by the supervisors rather than the other way round.

Questions:

1.- What is your opinion about credit assistance to those farmers who do not represent good banking risks even for an agricultural bank? Should the agricultural bank operate with these farmers?

2.- What do you think of a system of supervised credit in order to meet the financial and technical assistance needs of these groups? What is the experience of your country?

3.- How can a system of supervised credit be organized in order to achieve a satisfactory degree of efficiency?

4.- What do you think about the relationships between banking and supervised credit? Is it desirable to have both types of credit administered by the same institution though keeping the accounts clearly separated, or is it preferable to assign supervised credit to an independent institution?

Requests:

You are kindly requested to provide:

(a) a description of the system of supervised credit, if any, operating in your country.

(b) a statistical table indicating the amount of loans granted by and sources of funds of your system of supervised credit since it was established.

IX. Agricultural Credit and Other Developmental Activities

An efficient system of rural credit is likely to benefit the small farmer more than any other single measure of agricultural development. However, it should be realized that a rural credit system may not reach the desirable degree of efficiency unless the structural conditions, in which it is supposed to operate, are favorable.

It is not intended here to go into those projects of development (such as construction of roads) or research (such as experimental stations) which are only indirectly related to credit, though forming an integral part of a well conceived agricultural development plan, but rather limit the discussion to those projects which directly complement agricultural credit. The following developmental activities seem to fall under this category: (a) extension services, (b) establishment of marketing and storage facilities, accompanied or not by governmental policy of buying the products at fixed minimum prices. Later the establishment of local stores equipped with everything the farmer might wish to buy in the market, from consumer goods (textiles, chinaware etc.) to capital goods (small agricultural implements and tools, needs etc.), may also be considered. The farmer who gets a loan and is not assisted at the same time by these developmental activities may lose most of the benefit of the assistance granted to him, when he sells his product or when he buys what he needs for his life and his productive effort or both.

While extension services may be organized both within the agricultural bank in connection with the supervision of loan utilization and in a special department of the Ministry of Agriculture or similar governmental body, the other developmental activities (storage facilities and local stores) may be organized either in a special section of the bank with a separate administration and funds or in a completely independent body. When development corporations are at work, these activities are usually carried out by them. In this case the agricultural bank and the development corporation should operate in close contact in order to avoid inconsistencies.

The establishment of an adequate system of storage facilities (grain storages, warehouses etc.) presupposes the solution of a number of problems both of a technical and an economic nature. The problem must be solved, for instance, whether the system will be a centralized or a decentralized one. Conditions of roads, costs of transport, location of production and consumption areas, volume of output which is marketed, are all elements which have to be taken into account in order to solve that problem. Then comes the problem of financing the project and, if the money is not available in sufficient amount, to what products the marketing and storage system will be limited or/and to what areas. The number of problems to be solved even upon the establishment of a satisfactory system is not appreciably reduced. The next one is that of deciding whether the warehouse or grain storage has to buy the products or just store them. In the first case the problem of how to fix the buying and selling prices has to be solved. In the second case the problem is how to establish a procedure by which additional credit can be granted to the farmer while he waits for the opportune time for selling his product.

The establishment of local shopping centers is also an important undertaking. Once the income of the farmer has been greatly enhanced by providing the latter with credit at reasonable terms and with the opportunity of selling or storing his product at fair conditions, it would be unfortunate if that income should be reduced in its purchasing power because of monopolistic prices practiced by a local shopkeeper. Again in this case a number of technical and economic problems arise, which have to be solved according to the conditions prevailing in each country.

Questions:

- 1.- To what extent do you think that the success of an agricultural credit system is conditioned upon the establishment of certain auxiliary developmental activities? In what regions of your country are these most needed?
- 2.- Are, in your opinion, extension services, storage facilities and local shopping centers a necessary complement of agricultural credit? What else do you suggest? What is the experience of your country in these fields?
- 3.- Should these developmental activities be performed by an independent body separated from the agricultural bank? Is a development corporation in operation in your country?

4.- What is your opinion about the policy of buying agricultural products and fixing minimum prices? What about simple storage and loans on stored products?

5.- Should local stores be established? What do you suggest about their organizations and operations?

Requests:

You are kindly requested to provide:

(a) a brief description of the ancillary activities for agricultural development in existence in your country. Please give major details of organization and functions.

(b) significant statistical information on the operations in these fields since 1946, by years.

X. - Agricultural Credit and Land Reform

The various problems discussed at this Seminar may give a picture of a credit system which should be able to meet the credit needs of the small farmer. However, the problem of agricultural credit is not isolated but is deeply integrated with the more general problem of agrarian structures.

One of the principal technical reasons for the shortage of agricultural credit facilities for small farmers in many underdeveloped countries is that their prevailing tenure system does not provide a favorable environment for private banking operations with small farmers.

Under certain conditions tenancy can be the natural stepping stone to independent operatorship. However, the economic and social pattern of most underdeveloped countries tends to establish a permanent tenant class with indigenous poverty and the social backwardness which accompanies the condition. The types of tenure existing in under-developed countries are not favourable, and mostly detrimental, to the establishment of a normal banking business with the small farmers. The usual type is the sharecropper system under which the tenant conducts its operations in some sort of a partnership with the landlord who puts the land at his disposal, to some extent shares in the expenses connected with its cultivation, and in turn receives a fixed proportion, mostly 50%, of the crop. The sharecropper has practically no chance to get credit in private banking institutions, since he cannot give land as security, and usually has no movable property of any value. Frequently he even has no working animals of his own. Even the value of a crop lien, if permitted by law, is reduced by the land-owners prior claim on the crop. The related type of each tenancy is substantially the same from a credit point of view.

No doubt the position of a tenant who has permanent occupancy rights to the land on the basis of a lease is stronger since he at least can mortgage the lease contract. However, the bulk of the farmers in underdeveloped countries generally do not enjoy permanent occupancy rights, based on lease contracts. If such contracts do exist, they are frequently in the hands of speculative leaseholders who subdivide the land to tenants on a share cropper basis.

In areas marked by plantation and large estate cultivation the small owner operator is economically in a very weak position. His land is seldom well consolidated; he lives in the shadow of the large estates who dominate the banking and commercial life of the country. Credit with his small farm as security is no business proposition to the private bank, and if it is given to him it will be under unfavourable conditions. Markets and prices for his commercial products may be dominated by the large plantations. The economic position of the small owners in other areas not marked by land concentration is equally unfavourable because of a generally widespread minute sub-division of the land due to either over-population or maldistribution of the population. Here cultivation is mostly carried out at a very primitive level which reduces the productivity of the land and of the man working in the field. Owner operators of this category are not good lending risks for private banks.

Thus, the shortage of agricultural credit may be in part the result of a defective agrarian structure and may simultaneously be the cause of a continuous deterioration of the tenure system. The establishment of an efficient rural credit system, administered by a national bank, may substantially improve the situation by breaking this vicious circle. Moreover it represents one of the most important tools in the implementation of land reform projects. By providing the tenant with credit, for instance, the bank might enable him to acquire the land sooner or later at reasonable conditions and thus promote the redistribution of ownership. Agricultural credit will then pave the way to independent operatorship and counteract the trend toward a permanent tenant class.

Questions:

- 1.- What is your opinion about the connection between agricultural credit and land tenure?
- 2.- To what extent do you think that the system of land tenure has been responsible for the lack of rural credit in your country?
- 3.- Do you think that a national agricultural bank could operate efficiently within the present systems of land tenure?
- 4.- Can agricultural credit help in carrying out land reform projects? What do you suggest?

Requests:

You are kindly requested to provide:

- (a) a description of the typical tenure systems of your country.
- (b) an estimate of the distribution of the cultivable land in your country by types of tenure.