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REPORT ON FAO/ECA DEVELOPMENT CENTRE
ON AGRICULTURAL CREDIT FOR AFRICA

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REPORT ON
FAO/ECA DEVELOPMENT CENTRE
ON AGRICULTURAL CREDIT FOR AFRICA

Addis Ababa, 7 to 17 May 1962

1. The Economic Commission for Africa in collaboration with FAO co-sponsored a development centre on Agricultural Credit for Africa, which was held from 7 to 17 May 1962 in Africa Hall, Addis Ababa, Ethiopia. The Centre was the fifth in a series of regional centres on agricultural credit organized by FAO, but the first in Africa. It was organized primarily for the benefit of "English-speaking" African countries. Participants in a personal technical capacity from the following countries attended the Centre: Basutoland, Bechuanaland, Ethiopia, Federation of Rhodesia & Nyasaland, Gambia, Ghana, Kenya, Liberia, Libya, Mauritius, Nigeria, Republic of S.Africa, Sierra Leone, Sudan, Tanganyika, Uganda and Zanzibar. Consultants and staff members of ECA and FAO also took an active part in the Centre.

2. A similar centre for other countries of Africa particularly the "French-speaking" countries is contemplated for 1965. However, the experience of Morocco and Tunisia in the field of agricultural credit was presented in order to provide an opportunity to the participants to compare various approaches to the problems and solutions involved in organising agricultural credit.

3. The objectives of the Centre were to give an opportunity to officers of credit institutions and policy makers in the fields of agricultural credit, including cooperative and supervised credit, and in agricultural development programming in Africa to exchange views and experiences, to examine the needs for credit facilities for farmers and the kind of facilities likely to be most effective. The ultimate objective was to

examine the role of credit in stimulating agricultural development in African countries, increasing production and raising the standard of living of the rural population.

4. In order to ensure efficiency in the operation of the Centre as well as the rapid exchange of information, participants were asked to prepare country papers on credit conditions in their countries; background documents were prepared by experts from the secretariats of ECA and FAO.

5. Among the major subjects discussed at the Centre were the following: Economic and Social conditions affecting agricultural credit requirements including the predominance of subsistence agriculture and the small volume of cash crops, low agricultural productivity and low income, shifting cultivation or nomadic pastoral farming, family and tribal relations, land tenure systems, farmers response to economic incentives; marketing facilities; existing credit facilities and institutions; the role of government in initiating and developing agricultural credit systems; and the coordination of agricultural credit policies and loan plans with national agricultural development programmes.

6. Background documents dealt with crucial relevant issues such as: the place of agricultural credit in agricultural development, sources of finance for agricultural credit institutions, integration of agricultural credit with marketing and farm production, coordination of credit with agricultural credit combined with co-operatives and co-operative credit, and training of staff.

7. Participants attended the Centre in their capacity as practising specialists; no resolutions were passed nor any governments committed. However, on all major issues a consensus of opinion emerged. The Centre underlined that agricultural credit institutions were still

inadequate in the countries represented particularly in view of the increasing needs for capital, that loanable funds were insufficient, and that one of the main obstacles to expanding institutional credit facilities was lack of trained personnel.

8. Africa remains very largely agricultural and has very low levels of income. Most of the population is rural. Moreover, a large part of the rural population is engaged in subsistence agriculture. The continent even with its present sparse population and relative abundance of natural resources is already a net importer of food and a large proportion of the people suffer from seasonal hunger and widespread mal-nutrition. Present technology and social structures cannot cope with the needs of the present small population. Rapid and widespread changes of a fundamental nature are needed to promote economic growth.

9. Under African conditions four stages of agricultural development were recognized:

- (i) Purely subsistence activities
- (ii) Mainly subsistence but with some sales for cash
- (iii) Largely or mainly commercial
- (iv) Entirely commercial

These four stages can and do exist together in practically all African countries and the main objective of agricultural policy should be to facilitate rapid progress from (i) to (iv), in coordination with an expanding industrial sector to provide growing markets and employment opportunities, preferably as part of an integrated plan for economic growth.

10. The organization and effectiveness of agricultural credit varies for the four stages mentioned above. However, it was emphasized that agricultural credit, per se, is not a panacea, but should be combined

with vigorous measures to improve marketing and communications, land tenure arrangements, and extension services to farmers.

11. Different measures will be more effective at different stages of agricultural development. In the first stage provision of marketing facilities is the first step. Marketing credit may become important at the second stage. Agricultural credit for production assumes a major role in the third and fourth stages and should be closely linked with effective extension services. Government credit should be concentrated on stages (ii) and (iii). Stage (iv) may be largely financed by commercial credit agencies.

12. Agricultural credit should not be confused with relief, nor should it, in the long run, encourage uneconomic types of farming. Thus credit should be made readily available to progressive farmers both large and small who market a substantial proportion of their output. Agricultural credit as a means for providing farmers with the financial means needed to increase output must be an integral part of the governments' agricultural plans and programmes which in turn ought to be designed according to a country's stage of economic development. There should be one agency at the central government level for setting agricultural credit policies and for co-ordinating the actual lending operations at the lower levels.

13. In most African countries governments must play a leading role in the organization, financing and supervision of agricultural credit and provide supporting services which enhance the effectiveness of agricultural credit.

14. Many specific points about the technical aspects of agricultural credit came into focus including:

- a. Loans in kind rather than in cash are more suitable to prevailing conditions in many parts of Africa.

- b. Due to lack of mortgage security in most African countries loans may be advanced on the basis of the borrowers capacity to repay measured in terms of his productive ability and may be tied up with marketing of his produce.
- c. Supervised agricultural credit appears to be an effective method of organization for many areas.
- d. Demand for credit increases as a result of successful extension programmes.
- e. Short-term credit is in relatively higher demand than medium-term and long-term loans under present conditions in most African countries.
- f. Cooperative societies and marketing organizations should be encouraged and utilized in channelling farm credit.
- g. Efforts should be made to regulate moneylenders to relieve the farmers of unnecessary high burdens of rural indebtedness. Rural indebtedness, diminishes and sometimes does not arise where effective sources of institutional credit prevail.
- h. The purpose of advancing agricultural credit should be, generally speaking, to improve the farmers' business and raise their levels of living to such an extent that the borrowers are able to meet (1) principal and cost of the loan (2) farm expenses (3) home expenses and (4) further investments to improve the farm business.
- i. The injection of capital into agriculture should be accompanied by changing attitudes, the use of better farm techniques, better farmers' organizations, more effective leadership, and freedom from restrictive land tenure arrangements.

15. A full report on the content and conclusions of the discussions at the Development Centre is in preparation.