

AGRICULTURAL DEVELOPMENT BANK
MIDAS CREDIT TRAINING PROGRAM

ACCRA, GHANA

END OF CONTRACT REPORT
SMALL FARMER CREDIT ADVISOR

Contract No. AID/afr-C-1313

CLAPP AND MAYNE, INC.

1606 Ponce de León Ave. San Juan, Puerto Rico 00909

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September 24, 1982

Mr. Gerald Zarr
Director
USAID Mission to Ghana
Accra, Ghana

Mr. D.K. Ntiamoah
Acting Managing Director
Agriculture Development Bank
Accra, Ghana

Gentlemen:

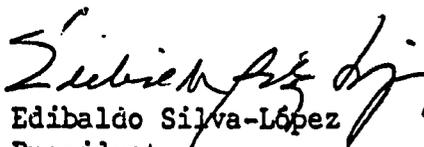
Enclosed is the End of Contract Report of the Small Farmer Credit Advisor as required by Contract No. AID/afr-C-1313 between USAID/W and Clapp and Mayne, Inc. dated April 5, 1977.

The report describes the work of Mr. Rafael Grant who replaced Mr. José Arroyo Riestra. Mr. Grant served in this post from May, 1980 through December, 1981. Covered are: (1) the Scope of Assignment and Arrival at Post; (2) the Revised Work Plan for the Period May, 1980 - December, 1981; (3) Work Accomplished; (4) Outstanding Accomplishments; (5) Related Technical Assistance Rendered; (6) Major Problems in Carrying out the Assignment; (7) Recommendations for Further Action; and (8) Plan for 1982 - 1983.

Work is continuing under the related follow-on Contract No. AID/afr-0102-C-00-2008-00 and a report will be prepared and submitted on the completion of that assignment.

Sincerely yours,

CLAPP AND MAYNE, INC.


Edibaldo Silva-López
President

ESL:mri

Encl.: 10

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END OF CONTRACT REPORT - SMALL FARMER CREDIT ADVISOR

Contract No. AID/Afr- C -1313
Clapp and Mayne, Inc. and AID/W

I. Scope of Assignment and Arrival at Post

1. Advisor's Responsibilities:

- (a) Assisting ADB Head Office staff in the locating and establishing new Farm Loan Offices (FLOs) which would provide annual production and medium term credit to small farmers in Ghana.
- (b) Assisting ADB Head Office in managing, supervising and monitoring all aspects of the FLOs small farmers credit operations.
- (c) Assisting ADB Head Office and FLOs field staff in the implementation of newly recommended procedures for streamlining the decentralization of small farmers credit operation through FLOs.
- (d) Assisting ADB Head Office staff in the implementation of newly recommended agricultural lending policies which will assure that a larger number of small farmers and groups will have ready access to credit in cash or kind.
- (e) Assisting and monitoring ADB field staff in:
 - (1) Maintaining proper records and accounts.
 - (2) Implementing new methods of determining credit worthiness and appropriate loan amounts to small farmers for production and consumption.
 - (3) Implementing new techniques of borrower follow-up and credit supervision, and educating farmers in the most effective and productive use of credit.

- (4) Implementing new techniques of loan disbursement in cash or kind through groups or to individual farmers.
- (5) Implementing new methods for account collection, rescheduling, reamortization of notes and handling delinquencies and bad debts.
- (6) Coordination with extension, production, input distribution, marketing systems, agricultural processors, credit unions, cooperatives and commercial banks.
- (7) Forming farm groups and associations for specific credit schemes.

2. The Small Farmer Credit Advisor arrived in the country on 19th May, 1977, to assume vacant ADB Credit Advisor's position and was attached to the ADB Projects Department responding directly to the Managing Director.

II. The Revised Work Plan for the Period May/80 to Dec./81.

Initially, a short period ensued for orientation and information about the MIDAS Project, its Credit Component and for an overall view of the rural credit situation of the country. All documents left by the Farmer Credit Advisor, as well as all those available at ADB, were carefully studied in order to obtain a better perspective of the job to be developed in the light of the terms of the AID/Clapp and Mayne Contract and the realities and needs of the Bank.

As a logical point of departure, a detailed inventory was taken of all work accomplished to date and the status of each task to be undertaken by the Small Farmer Credit Advisor. Steps yet required to accomplish the purposes of the small farmer credit component of the MIDAS Project were determined and prepared for discussion and approval by the ADB/MIDAS Implementation Committee. In this work, the Credit Advisor had the support of one of the Principals of

Clapp and Mayne, Inc., USAID Project Officer and was assisted by the ADB Counterpart. From this activity a Plan was evolved, entitled "Proposed Updating and Revision of Work Plan and Schedule: Small Farmer Credit Advisor".

The Work Plan was approved by the MIDAS Implementation Committee and forwarded to Management for final sanction. Subsequently, the Plan was phased-in with the Implementation Plan of the MIDAS Project that was approved by the MIDAS Project Executive Committee (MPEC). The ADB Management granted authority to carry out the Plan in November, 1980.

The Plan covered assistance in the following areas:

- A. Location and establishment of new credit facilities organized to carry out the desired credit expansion;
- B. Decentralization and delegation of loan approval authority to the Farm Loan Offices;
- C. Design, installation and monitoring procedures which will help ensure the smooth and effective operation of these facilities as they serve the needs of small farmers. The procedures to be covered in the Plan are those relating to loan applications and appraisal/approvals, disbursements, loan supervision and loan collections;
- D. Education and training;
- E. Evaluation;
- F. Procurement;
- G. Coordination with other agencies; and
- H. Technical advice as requested by ADB and USAID.

III. Work Accomplished

In order to systematize the presentation of the work performed during the period concerned, areas identified with capital letters in the Work Plan correspond to areas in capital letters in the former paragraph which at the same time correspond to the same areas discussed below. The same letter sequence is also followed throughout the report. This will facilitate comparison of the work accomplished with the various areas of the Work Plan established for the period.

A. Credit Facilities:

The revised MIDAS II Project Paper and the new Loan Agreement entered into by USAID and GOG have injected new concepts and new issues into the Project. Two of these are (1) the confinement of the Project to one single region, that is, the Brong Ahafo Region; and (2) the incorporation into the Project efforts of the rural bank program of the Bank of Ghana. These two elements affected the criteria for selecting new credit facilities. Consequently, old guidelines prepared by the former Credit Advisor were revised and a new paper "Criteria for Selecting New Credit Facilities Locations" was presented to the Implementation Committee taking into account BOG's rural banks inclusion in by the MIDAS II PP and Loan Agreement.

The first basic criterion recommended was "to thoroughly involve the Area Manager in the research and planning of new credit facility exercise and in the potential development of new credit areas". The concentration of the Project in the Brong Ahafo Region made it imperative that the key man in that Region, the Area Manager, be made an integral part in the planning and implementation process. To that effect, the Credit

Advisor and the AID/Project Manager jointly and insistently called the attention of ADB's Management to the necessity of placing the Area Manager in the mainstream of the Project. Planning and initial implementation, including the preparation of the initial budget, had taken place without the concurrence and the benefit of the experience of the Area Manager. The important role of the Area Manager as principal project implementor in the Region was recognized by Management, making this functionary a member of the MIDAS Implementation Committee and vesting in him responsibility for the implementation of important aspects of the Project.

Another basic criterion introduced in the Project Paper is related to the coordination of efforts between ADB and BOG in establishing new credit facilities. Again, taking into account PP and Loan Agreement, the criterion was established that "as a matter of principle no ADB or BOG credit facility should be established where either has a definite prospect of establishing a credit facility, except when extremely good reasons dictate otherwise". The ADB Research and Planning Department had proposed that a credit facility be established in Kintampo where a credit facility, a Rural Bank, had already been in operation for some months. The Implementation Committee deemed it proper to postpone the Kintampo proposal in view of the desirability of coordinating efforts with the BOG.

The third basic criterion put forward confronts the socio-graphic configuration of an economic community and its relation to the selection of locations for credit facilities. Thus,

"the topography and natural physical barriers, the covering of the economic and the cultural activity and the gravitation toward extended family relations, elders and specific leaders" are to be considered in site selections for new credit facilities.

The Paper on Criteria for Selecting New Credit Facilities Locations was approved in November 1980 by the Implementation Committee and forwarded to Management. The Managing Director indicated that the Paper was received by Management and that action would be taken on it. By the end of 1980 two credit facilities were established in the Brong Ahafo Region; one at Berekum and the other at Goaso. Techiman (instead of Kintampo) was selected as a site for the third credit facility to be established in 1981. At the end of 1981, Techiman had not been opened as yet for credit transactions; nevertheless, installation arrangements were ready with staff appointed and with construction 80% completed.

B. Decentralization and Delegation of Authority to FLOs:

The granting of autonomy to the FLOs has been a delicate matter. In the last three years of MIDAS no headway has been made in the form of an explicit declaration or policy which grants authority to approve loans at the FLO level. Some reasons can point toward the slow pace in taking decisions in this area: (1) There is a tendency to continue the centralized pattern in the policy and decision making process; (2) Though ADB has exhibited a consistent record at establishing credit facilities throughout the nation and delegating a certain amount of loan approval authority, first to Branch Managers and later

to Area Managers, the Bank has been compelled to delay the granting of loan approval authority to FLOs due to the necessity of upgrading premises and personnel, the cost of appropriately qualified staffing to meet added work load, ^{1/} and the added financial burden of transportation facilities.

In the light of these realities, a new proposal was prepared taking into consideration the historical development and physical decentralization of ADB credit facilities, carefully modulated to follow a smooth transition from previous efforts made by ADB in this area. The new proposal, entitled "Decentralization of Authority", was presented to the MIDAS Implementation Committee in April, 1981. It was studied and thoroughly discussed by the Committee members and approved in principle during May, 1981, pending a second debate on the issue. The second debate came on October, 1981 in the Implementation Committee. The issue was discussed but approval was postponed at this meeting. The Credit Advisor was requested to prepare a briefing paper on the subject for Management review. Accordingly, a new paper was prepared recommending that the ceiling on loan approval authority be increased because of the rapid inflationary spiral. Additionally, supporting papers were prepared for staffing requirements and accounts and controls needed to effectively operate the upgraded FLOs. The third review took place in December, 1981 at the Implementation Committee. The loan approval authority issue was

^{1/} In connection with the staff requirements for upgraded FLOs it was considered necessary to include additional staff needed to handle a new dimension now under consideration: the mobilization of idle rural funds in the form of savings. Recommendations on this subject have been made in a separate paper.

again delayed for reconsideration in the January, 1982 meeting.

C. FLO/Credit Facility Operations Streamlining:

Field trips were made to a sample of areas to assure full understanding of branch and farmer needs, capabilities and views. A representative cross section of ADB branches was selected ranging from old to newly established facilities. Work was carried out at Koforidua, the oldest branch; at Cape Coast, Takoradi and Swedru, these two of intermediate age; and at Juapong, where the branch had been established for little more than a year. A paper was prepared on "Findings, Streamlining Possibilities, and Preliminary Recommendations" to lay the ground work for later formal recommendations. The principal areas considered were: (1) loan applications; (2) disbursement procedures, accounts and records; (3) credit supervision; and (4) collections.

(1) Loan Applications:

A new loan application had been approved by the Management in late 1978 with three branches, Cape Coast, Takoradi and Swedru, selected for testing. Since not much information on the subject could be gathered at the Area Offices, it seemed likely that insufficient Head Office support to the branches could be hindering its actual adoption in the field. Visits were made to the branches and it was found that the initial new application form designed by the former Credit Advisor was either not being adopted and not used or it was only occasionally used for some group association loans. Field personnel stated that the new application form had not been recommended by the Head Office

or the Area Managers and that not enough field research had been done at the branch level. A report followed on the subject with specific recommendations and new guidelines were prepared for the improvement of the loan application and for its effective installation in the Brong Ahafo Region. The guidelines contained: (a) Objectives, (b) Procedures, (c) Installation and Testing Methodology and Scheduling Sequence, (d) Administrative/Technical Delegation, and (e) a Time-Table for Implementation/Adoption/Follow-up. The Credit Advisor and Area and Branch Managers introduced a number of improvements especially to enable the field staff to better appraise the applicants. Continuous follow-up in the field enabled testing and adjustments to facilitate its effective use and application to the Branch and FLO loan making procedure. Recent evidence gathered at all the branches of the Brong Ahafo Region indicate that good field support for the new application form has developed and the form is now in continuous use.

(2) Disbursements, Accounts and Records:

In order to understand the present system of the flow of a loan application through a Branch and to make recommendations concerning changes to be made, the Credit Advisor and the Counterpart studied the procedures of the Swedru and Cape Coast Branches. An analysis was made of the loan procedure, including the flow of documents and time involved in each transaction or step. The sequence of the loan procedure covered: (a) interview; (b) application; (c) farm

visit; (d) feasibility report; (e) submission for approval; (f) loan approval; (g) loan approval advice; (h) documents to execute; (i) application for disbursement; (j) final completion of documents; and (k) release of money.

Based on this analysis a paper entitled "New Procedures for Loan Disbursement to Small Farmers and Accounting at FLOs Under MIDAS II Project" was prepared for consideration and action by the Implementation Committee. This paper consists of the following: (a) MIDAS Project Paper guidelines; (b) present procedure; (c) records/accounts; (d) recommended new procedures for disbursement; (e) recommended books and accounts at the FLO; and (f) recommended controls and monitoring of operations at the FLO. This paper is part of a comprehensive package that has been presented to the MIDAS Implementation Committee to instrument the upgrading of FLOs. The package includes: (1) Proposal to grant loan approval authority to FLOs; (2) Staff requirements for upgraded FLOs and; (3) accounts and controls and disbursement procedures.

(3) Credit Supervision:

The post lending tasks are receiving the least attention at ADB. Management has expressed deep concern about improving two specific areas of this post financing process: credit supervision and recoveries. If these areas are not properly serviced, the Branch will continue to decline as a viable banking institution. In Brong Ahafo the case load has soared to over 32,000 loans to be serviced in 1981 by

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a field manpower of 26 technicians. Chronic and acute constraints in transportation facilities make the task even more difficult.

Under these circumstances there is a need to design an innovative approach to reach the greatest number of borrowers in the shortest period of time, with the ultimate goal of reaching all farmers at the beginning of each crop season. A supervisory plan has thus been prepared taking advantage of two factors; (1) borrowers grouped into 1487 Commodity Credit Schemes averaging 22 members per group with each group consisting of three elected executives; and (2) an Extension Service with a force of 157 field technicians in the Brong Ahafo Region.

With appropriate training of the executives in supervised credit and key farm management practices, there is a high probability of spreading the ADB message to a considerable number of borrowers. A paper entitled "Small Farmer Credit Supervision Plan" has been prepared to tackle the supervisory job. This paper included also an in-depth review of past and present efforts in this area. The plan has drawn heavily the coordinative aspect of ADB with the Extension Service as envisaged in the MIDAS II Project Paper. Feedback on the Plan has been received from the Area Manager, the Post Finance / Chief Manager, the AID/Project Manager, Training School, the field staff of ADB, Extension, the Clapp and Mayne Group Consultants, and the executives of schemes themselves. The executives have made

significant contributions to the development of the training curriculum and are enthusiastic about the Plan and the supervisory training program that has been prepared. The development of the Plan should be a meaningful vehicle to bring together institutions, public and private, that have exhibited a degree of uneasiness about each other in trying to obtain the loyalties of farmers. Moreover, the involvement of the MIDAS Extension Component in the Plan should be a strong element in providing needed leadership and a neutral ground where all factions can interact to get more productive results in the use of credit with improved recoveries. The Supervisory Plan was approved by the Implementation Committee at the end of 1981. Initial arrangements have been started with MPEC, Regional Extension Office, Regional ADB Office and the MIDAS Extension Advisor to launch a regional training program to activate the Supervisory Plan during 1982.

4. Collections:

This is the second critical area of Post-financing where Management has expressed concern. A paper has been prepared covering the collection process in general, field work performed to gain insight into the ADB operation, recommendations to improve the collection procedure, and a special recommendation on transportation and an example of a typical collection procedures and schedules. The singularity of yam, a very important crop, has been worked out in detail as the example. This work on collections will dovetail with work on the same subject to be continued and

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intensified in 1982 to streamline the collection process and the quality of the communication methodology, which are both very important in attaining positive results in recoveries.

In order to improve on the limited transportation facilities which are crucial to collection work, training sessions for mechanics and drivers to upgrade performance and improve the maintenance of vehicles were coordinated with the Training Department of the AID sponsored Opportunities Industrialization Centre in Accra and Kumasi. Assistance was rendered in the development of the curriculum by the Credit Advisor.

5. Accounts and Records:

The subject of accounts and record has been discussed in detail under No. 2 above. Disbursements, accounts and records are treated together because they are closely interconnected. As mentioned before, these three subjects are part of the package submitted for the upgrading of FLOs.

Additional work in developing records for monitoring the MIDAS Credit Program in Brong Ahafo Region is discussed below under sub-title H. "Other Related Technical Assistance".

D. Education and Training:

Coordinated closely with the Training Advisor and the Training School, the Credit Advisor and the Counterpart have taken active part in ADB staff training courses at the Training School, having prepared training materials for the MIDAS II Credit Component: Lending Policies and the New Application Form. Training

sessions have been conducted in the above areas geared to the Brong Ahafo Region as well as three workshops which were conducted with senior and junior staff of ADB on "Possibilities to Streamline Branch Operations". Selected feedback on this subject was incorporated into the various recommendations developed by the Credit Advisor on the subject.

In coordination with the Training School and the AID/Project Manager a program was designed to train Brong Ahafo Managers and Seconds-in-Command on the MIDAS II Project Credit Component as well as the other five components of the Project.

Prior to the development of activities under MIDAS II the Credit Advisor and the AID/Project Manager had several in-depth training sessions with the Brong Ahafo Area Manager. A two-day discussion was carried out for the interpretation, implementation and development of MIDAS II in the light of the Project Paper.

In relation to the training aspects of the Credit Advisor Counterpart, a deliberate effort has been made to integrate him into the mainstream of the credit component work. The Counterpart has actively participated with the Credit Advisor in the field work as well as in the preparation of subject papers for presentation to the Implementation Committee. The Counterpart has also participated in weekly staff meetings held with the USAID/Project Manager and the Credit Advisor concerning aspects of the preceding week's work and/or the upcoming planned work to be accomplished. In many instances appropriate delegation was given to the Counterpart, with the support of the Credit Advisor, to take the lead in many discussions at the MIDAS Project

Executive Committee, the Implementation Committee, USAID, at the field branches, at seminars and for course presentations at the Training School. Specific delegation has also been given to the ADB Credit Advisor Counterpart in the areas of disbursement, records and controls and the preparation of the MIDAS Progress Quarterly Report, with technical assistance of the Credit Advisor. A recommendation was made and approved for the Counterpart to participate in a rural credit development short course at the African Finance Center, Milan, Italy.

E. Evaluation:

Based on the original form "Small Farmers Credit Monthly Report" developed earlier, the ADB Research and Planning Department has refined the monitoring/reporting system into various forms that will serve the purpose of: (1) internal reporting for ADB; (2) reporting to BOG; and (3) information to be fed into the Evaluation Design which has been prepared by a Principal of Clapp and Mayne, Inc.

The Clapp and Mayne, Inc. contract specifies that it will assist the ADB in the design and implementation of an evaluation system to measure the operations and effectiveness of the credit facilities involved and to assess the impact of the extended credit on small farmers in areas served by these facilities. The Credit Advisor and the AID/Project Manager have assisted Research and Planning in the development and refining of detailed forms and procedures for the collection and reporting of data regarding loans processed and disbursed, the use of funds by the target farmers, resulting production and loan recoveries. This

information is an important part of the overall evaluation system. The Research and Planning Department assisted by the Credit Advisor and the AID/Project Manager, has conducted seminars for staff in the preparation of the said reports. The Contractor furnished a short-term consultant to assist ADB to implement the Evaluation Design developed earlier by the Contractor. A report on the subject was presented to USAID/F&A in December, 1981.

F. Procurement:

The issue has been raised by the ADB field and Head Office staff as to the problems and short-comings of the Chevrolet Blazers used in the field. These vehicles, though rugged by American standards, do not seem to be suited for the rough conditions of Ghana's secondary and feeder roads. The problems are further compounded because of the lack of adequate maintenance and repair facilities. High consumption of petrol and the excessive wear and tear due to unfavorable driving conditions have prompted field personnel to express themselves regarding the inconveniences experienced with the Blazer operation. Considering the serious constraints in Ghana, a reappraisal of the proper vehicles for the ADB work seems warranted and more so when the present vehicles are in their third year of operation and when repairs will be more extensive.

The transportation situation will improve with the distribution of motorbikes when have recently arrived. The Credit Advisor assisted the Area Manager in the assignments and distribution of the motorbikes to the Brong Ahafo Region branches. The lack of protective helmets, however, has delayed actual delivery to the sites of operations as of December, 1981.

G. Coordination with Other Agencies and Coordination within ADB:

The progress of the Credit Advisor's work has required a high level of coordinative efforts. Consequently, coordination sessions have taken place at Sunyani and Atebubu to liaison with the Extension Service in the development of the Small Farmer Supervision Plan intended to increase production net income and improve loan recoveries. Joint sessions were held at Sunyani and Atebubu with agencies that will deliver the inputs and agricultural services, such as mechanization of field operations, and to coordinate schedules of services according to planting and harvesting seasons. At BOG various meetings were held to coordinate efforts in the developing of monitoring and reporting instruments, coordination on selection of credit facility locations and on release of funds for the credit program, as well as to promote better understanding of the credit expansion program and its relations with the objectives of MIDAS II credit program.

In order to avoid duplication of loans or to check such practice before it gets out of hand, coordination sessions took place at Sunyani, Knoranza and Atebubu, at the Credit Unions, Commercial Banks and at the Rural Bank of Manfe. These visits have taken place along with the respective ADB Branch Managers or FLO-Officers-in-Charge. To explore the exchange of training facilities a discussion was arranged in Sunyani at the Catholic Credit Cooperative, who expressed desire to attend the ADB Training School. Numerous coordination sessions have been held with the Area and Branch Managers and Accountants, the Research and Planning Department, Pre and Post Finance Departments, GSO,

Personnel, Legal Office, Public Relations, the USAID/Project Manager and Consultants from Clapp and Mayne, Inc.

H. Other Related Technical Assistance:

The Plan of Work of the Credit Advisor calls for a provision of assistance to the ADB in other related matters. Management called upon the Credit Advisor and the Counterpart to attend to the request of BOG for accounting for ₦2.6 million released by that institution to ADB relative to the initial advance of the MIDAS II credit program. Consequently, work was performed at Cape Coast and Swedru, where the funds had been invested, and after numerous sessions with the Branch Accountant and Managers, a report was prepared to comply with the request of BOG which required this work as a condition for the release of further funds.

Management also requested the Credit Advisor to look into alternatives to deal with two sizeable loans to sugar cane farmers, approximately ₦2.4 million, which were past due because of financial difficulties of the sugar mills involved. One alternative proposed a split method of transportation of the raw material using stationary field cranes and small cane carts as an intermediate step in the hauling of the cane to release lorries of trips into rugged terrain, thus saving fuel and repairs. Other alternatives for debt rescheduling and/or reamortization adjustments were discussed with the farmers and management of the mills, and the possibility of introducing animal (bullock) traction for plowing, harrowing and short hauling to alleviate the petrol and spare parts situation was reviewed.

Management requested the Advisor to assist the Research and

Planning Department to elaborate the MIDAS II 1982 Budget for presentation to the Ministry of Finance and MIDAS Project Executive Committee. In order to prepare this budget, new cost of production figures were prepared for the various crops to be financed in the Brong Ahafo Region. A meeting was held with the representatives of BOG and the Ministry of Economic Planning and the MIDAS Project Manager to prepare a preliminary budget prior to the preparation of the final version to comply with the provisions of the MIDAS II Project Paper. This budget work was performed mainly by the Counterpart with the assistance of ADB's Research and Planning. The final detailed budget was prepared by ADB and presented to the MPEC for approval in September.

All the MIDAS II Progress Reports for the Credit Component were prepared by the Counterpart in collaboration with the Credit Advisor. These reports are intended for AID, MIDAS Project Executive Committee and ADB Implementation Committee.

The Credit Advisor also assisted the Contractor's Group Association Consultant in planning and performing field work at Juapong, Sunyani and Knoranza.

The necessity to revise the interest rate policy as visualized in the MIDAS II Project Paper (in order to offset in some measure the erosion of working capital and to attract new sources of financing for agricultural production), has been consistently raised by the AID/Project Manager and the Credit Advisor at numerous forums and occasions. Stressed has been the inevitability of raising interest rates to keep pace with the cost of money and the cost of doing business in the economy. By the end of

year 1981 the BOG informed ADB of an upward revision for the rates which ADB should apply to agricultural loans. The new rates have been adopted and are now in effect.

I. Communications Equipment and Maintenance:

To facilitate communications with the Branches from Head Office and vice versa, the Branches should be supplied with small generators where electricity is not available only or partially available during the day, to activate Motorolas at selected Branches. Also, scheduled periodic preventive maintenance should be rigidly instituted to minimize down time of the communications equipment.

IV. Outstanding Accomplishments:

A. Streamlined Loan Application Form:

A new streamlined loan application form has been adopted in all ADB Branches of the Brong Ahafo Region since August, 1981, starting with the major cropping season of 1981-82. This new loan application has streamlined features that enable the small borrowers to offer the necessary information to transact business and for ADB to have a reasonable basis to assess the merits, credit worthiness and repayment probabilities of borrowers.

B. Streamlined Supervisory Program:

For the first time in the history of the Bank, a streamlined, institutionalized and systematic supervisory system has been approved utilizing the resources of key executive leader borrowers within the community scheme organizations and the field resources of the Extension Service. This supervisory program has an educational component that makes possible the fulfillment of one of

the long standing ADB 1965 Charter requirements of "benefiting the small farmer borrowers through a direct credit educational program".

C. Streamlined Budget Preparation and Approval:

One of the serious constraints in providing timely credit to farmers has been the belated preparation and approval of operating budgets very close to the end of the calendar year. As a consequence, the go-ahead to initiate lending operations is given late and this has been a constant source of criticism on the part of the farmer borrowers. MIDAS introduced a new feature in the preparation of its operational budget for the Brong Ahafo Region. As early as August, 1981 the budget had been prepared and as early as September, 1981 it had been approved by ADB. This constitutes a record. The early approval of the operational budget enables timely disbursements to farmers.

D. Incorporation of the Area Manager of Brong Ahafo into the Decision Making and Implementation Processes of the Credit Program:

The active participation in decision making and implementation of an Area Manager in any credit program may seem matter-of factish to western eyes. In actuality, the opposite is commonplace in the local ambiance and MIDAS, at the start, was no exception: the allocation of financial resources for the Brong Ahafo Region had been prepared at Head Office in isolation from a key incumbent, the Area Manager. Consequently, serious imbalances affecting the credit program of some branches were introduced. Through a concerted and sustained effort between the Credit Advisor and the AID/Project Manager, the management of ADB was persuaded to bring the Area Manager into the mainstream of the decision making and

implementation process of the credit program. The Area Manager is now consulted in every phase of the program and has been made chief program implementor in Brong Ahafo, with complete delegated authority.

V. Related Technical Assistance Rendered:

A. Training/Technical Assistance:

There has been a close association with the Training School and with its Training Advisor. Through coordinated efforts, training in credit development and administration has been given in five training courses for junior and senior staff of ADB as well as special training on the MIDAS Project to the field staff of the Brong Ahafo Region. Additionally, the Training School courses have served as a means to upgrade the professional skills of the Credit Advisor Counterpart.

B. Extension/Technical Assistance:

The Extension Component of MIDAS has liaised with the Credit Advisor in furthering the field work necessary to carry on the proposed Supervisory Program, the purpose of which is to upgrade the skills of the executives of schemes, so that these executives help the Bank in the credit supervision of member borrowers. By the end of the year plans had been drawn to initiate the supervisory program early in 1982 in the Atebubu area.

VI. Major Problems in Carrying Out the Assignment:

A. Belated or Lack of Capital Contributions from GOG:

As stated in the Loan Agreement the GOG through BOG is to advance substantial amounts of working capital to assist in implementing the Small Farmer Loan Program. The difficulties

encountered in advancing these funds have become now almost a legend and have caused delays and/or curtailments in farm operations due to the lack of timely credit. It is clear that this has been one of the most serious problems encountered by the credit expansion program.

B. Resistance of Management to Recommendations:

The reluctance of Management at times to accept assistance and advise has imposed constraints on the effectiveness of the technical assistance in some areas. For instance, the Loan Agreement between GOG and USAID is explicit in the granting of loan approval authority for FLOs. This issue has been the object of lengthy debates over a number of years and it seems difficult for ADB to comply with that part of the agreement. ADB contends that such a step would entail a cost layout that ADB is not prepared to meet. Other banking institutions have adopted the modality of directly competing with ADB, thus lowering the prospects of maintaining or increasing the ADB loan portfolio.

It must be pointed out in fairness to ADB that it has adopted other recommendations referred to earlier under IV. "Accomplishments"

C. Lack of Counterpart Continuity

One crucial element of the technical assistance is the transfer of expertise to the local staff. We have not been successful in this area for the two Counterparts that the Credit Advisor has had either resigned from the Bank or was assigned to other duties that he would have normally been assigned even without the counterpart training.

D. Delays in Fully Implementing the Evaluation System:

The Credit Advisor was assigned the responsibility of assisting Research and Planning in developing the monitoring instruments for the data to be fed into Clapp and Mayne evaluation design. Though this work was completed in 1980, it was not until the last trimester of 1981 that an Evaluation Unit was established in Research and Planning to carry on the MIDAS I evaluation. An incomplete evaluation report was prepared in December, 1981.

E. Shortcomings in Clerical Support:

Due to the economic conditions of the country and a general scarcity of commodities and supplies for an extended period of time, the typing of papers and documents was a serious problem during part of 1980 and 1981. Also the drain of talent due to heavy inflation during the same period posed a difficult situation in recruiting secretarial help.

VII. Recommendations for Further Action:

A. Relocation of the Credit Advisor:

It is felt that the Credit Advisor should be reassigned to the Research and Planning Department. That location is a natural one to contact all other Departments of the Bank through the established administrative channels of ADB. Research and Planning is the appropriate place to get information and data and its personnel can be readily resourced to develop the Credit Advisor's work.

B. Leverage for the Credit Advisor:

The Credit Advisor should be close to the decision making centers of the Bank. Besides the direct access to the Managing

Director for prompt communication and feed back, the Credit Advisor should also be a member of the Management Committee with a consideration to either of these two alternatives: (1) with voice and vote or (2) with voice but no vote. This arrangement will allow the Credit Advisor to become more effective (An alternative approved appears below).

C. Strengthening of the Contractor's Team:

If a Senior Management/Advisor were added to the technical services package offered to ADB, then this Advisor should be the one to have direct and timely access to the Managing Director and made part of the Management Committee.^{1/} The Credit Advisor would be in a better position to devote more time to perform more intensive field work. Notwithstanding this arrangement, the Credit Advisor should keep his direct access to the Managing Director.

D. The Innovative Division:

It is suggested that thought be given to the creation of a special unit (which might be called the Innovative Division within the Research and Planning Department). Such a Division would have responsibility for continuing the work of the Credit Advisor after completion of the contract work and it would be manned by the Credit Advisor Counterpart. Since improvement is an ongoing never-ending process and as ADB should encourage creativeness, this unit would promote further innovations needed to be introduced in the Bank to constantly upgrade its operation.

^{1/} This was subsequently proposed by the Contractor and the post was entitled "Bank Management Consultant/Assistant to the Managing Director".

A significant element of this Division could be the implementation of an incentive program to promote meaningful feed-back from all members of the staff, seniors or juniors. Ideas, suggestions, problems and schemes to solve them, etc., would be considered by a commission composed of, for instance, the Head of Research and Planning, the Financial Officer, the Legal Officer, and the Innovation Officer (Credit Advisor Counterpart) who could also serve as its secretary. Meritorious ideas would be awarded prizes in cash and/or in symbolic forms according to criteria of effectiveness, cost-saving, labor-savings, etc. This sort of arrangement would motivate interested staff to be creative and to improve upon their work and would serve as a morale booster. As an instance of a creative idea, consider the interesting possibilities of some of the staff coming up with a scheme that would allow the Bank to recycle their working capital so that the loan portfolio could be increased by up to 50%.

E. The Counterpart:

The Credit Advisor Counterpart should be a senior staff member with the rank of full Manager to motivate the candidate to stay with the organization. Turnover of this type of personnel is very expensive to the Bank.

F. The Computer Division:

A most effective arm for the development of the work of the Credit Advisors is the access to updated and timely data and information from the different Branches and Departments of the Bank. It is strongly recommended that the Computer Division, which was dismantled some time ago, be re-established and upgraded.

The Head of the Computing Division along with the Credit Advisors and the Management/Financial Advisor should develop the necessary monitoring and control system that the ADB Management requires to make sound and prompt decisions.

G. The Computer Hardware:

Intimately related to the above letter (F) is the need to assist ADB to acquire the NCR 8250 Computer that has been ordered over a year ago. Difficulties with foreign exchange has prevented ADB to benefit from this indispensable piece of equipment.

H. Extension of Improvements to Other Regions:

Efforts should be made to extend practical improvements to other branches outside of the Brong Ahafo Region. Improvements that have or eventually will be introduced in the Branches of Brong Ahafo should be adopted nationwide. This would be a most interesting endeavor for the Counterpart with the Credit Advisor assistance, to pursue.

VIII. Plan for 1982 and 1983:

The preparation of the Work Plan for the period 1982-1983 has been started taking into consideration the needs of ADB; the suggestions and requests of the ADB MIDAS Implementation Committee, the USAID, and the Clapp and Mayne, Inc. proposal for technical services; and the inputs of the Credit Advisor.