

*PDAM 668*

ANNUAL ADMINISTRATIVE REPORT NO. 3  
for the  
SMALL FARM CREDIT PROFITABILITY AND REPAYMENT PROJECT  
October 1, 1979 - September 30, 1980

Cooperative Agreement No. AID/ta-CA-3 under  
Basic Memorandum of Agreement No. AID/ta-BMA-6

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TABLE OF CONTENTS

Section	Page
INTRODUCTION . . . . .	1
BACKGROUND . . . . .	1
BUDGET ALLOCATIONS AND EXPENDITURES. . . . .	2
PROFESSIONAL AND STAFF PERSONNEL . . . . .	2
TABLE 1. . . . .	3
ACCOMPLISHMENTS. . . . .	4
Project Management. . . . .	4
Review of Literature and Development of Knowledge Base. . . . .	4
Table 2 . . . . .	5
Project Activities in the Dominican Republic. . . . .	7
Work Plan. . . . .	7
Progress on Planned Activities . . . . .	7
Summary . . . . .	12
APPENDIX A . . . . .	13
APPENDIX B . . . . .	19
APPENDIX C . . . . .	22
APPENDIX D . . . . .	23
APPENDIX E . . . . .	30

### Budget Allocations and Expenditures

Expenditures for the initial three years of the Project and the budget for the fourth, and final year, are shown in Table 1. The Project began on September 26, 1977 and is scheduled for completion on September 30, 1981. Detailed expenditure information for years I and II was presented in earlier reports and will not be repeated here.

For year III, the subject of this administrative report, the total reported expenditures were about \$10,000 less than that budgeted. However, more than \$2,000 of this difference was actually expended during September by Dickey, Nobe and Tinnermeier to attend the Project Management Committee meeting in Stillwater. These costs had not yet been submitted to the university by the end of the reporting period. Further, two months of secretary were budgeted but not expended during the year.

On-campus salary expenditures for year III were lower than budgeted but the difference was made up in the off-campus salary expenditures. The higher overseas expenditures were due to Longwell remaining in the DR longer than originally estimated and to a slightly higher salary for the long-term professional than budgeted.

Travel costs again were higher than that budgeted due to the continually increasing airfare rates and transportation costs. The lower expenditures on allowances relative to that budgeted came about because the accounting reports have included some of the allowances either in the salary category or in the "other direct cost" classification. Also, it was expected that temporary quarters allowances for the resident professional and his family would be higher than what actually occurred.

A revised budget for year IV is shown in the last column of Table 1. Salaries are projected to be at about the same level as year III but with some shift to campus for closing out the Project. It is assumed that the resident professional in the DR will be employed for ten months. If employment is to the end of the Project, that figure would be higher. The travel line item includes moving Dr. Dickey, his family, and possessions back to the States as well as normal Project travel projected for the final year. The "other direct cost" category includes workman's compensation, clerical help, DR Project expenses, computer expenses, and other operating expenses on-campus and in the DR. Line item adjustments likely will be made as the activities are further implemented in the DR as allowed by the Cooperative Agreement. In our opinion, the projected year IV budget will allow us to accomplish the Project objectives specified in the Cooperative Agreement as amended.

### Professional and Staff Personnel

A breakdown of professional and other staff participating in the Credit Project during the first three years is shown in Table 2. With minor exceptions, the specialties of the personnel provided fit closely

-1-

Annual Administrative Report No. 3 for the  
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Introduction

This is the third administrative report submitted under Cooperative Agreement No. AID/ta-CA-3 which is covered by the Basic Memorandum of Agreement No. AID/ta-BMA-6 between the Agency for International Development (AID) and Colorado State University. Its purpose is to summarize expenditures and personnel employment by Colorado State University and to report progress toward project objectives during the period October 1, 1979 through September 30, 1980. The Small Farm Credit Profitability and Repayment Project (hereafter referred to as the Credit Project) is a joint effort of Colorado State University and Oklahoma State University (funded under a separate Cooperative Agreement). This administrative report should be considered in conjunction with the companion OSU report submitted separately. Details on the Memorandum of Understanding between the two universities defining general operating and management procedures can be found in Administrative Report No. 1, on file in AID and the two universities.

Background

The Credit Project is designed to develop methodologies which credit institutions in developing countries can use to carry out analyses to improve small farm credit policies, programs, and loan repayment. The project includes three major activities: (1) farm level data collection and analysis, (2) application and utilization of such methodologies in credit institutions in two selected developing countries, and (3) dissemination of results to other credit institutions and developing countries. The project has been implemented jointly by Colorado State University (CSU) and Oklahoma State University (OSU) but the overall project coordination rests with CSU. A secondary objective of the CSU part of the Credit Project was to establish a long-term institutional relationship between the selected developing country credit institutions and CSU, particularly with the Department of Economics. The Project operated in Honduras for two years and was completed in July 1980. Activities are continuing in the Dominican Republic (DR) and will build on the experiences in Honduras. This report summarizes the DR part of the Project while the OSU report reviews the activities in Honduras. A chronology of Project events and difficulties is summarized in Appendix A.

Table 1. CSU CREDIT PROJECT EXPENDITURES AND BUDGET  
September 26, 1977 - September 30, 1981

	Year I <sup>a</sup>	II	III		IV
	Expenditures	Expend.	Expend.	Budget	Budget <sup>b</sup>
<u>Salaries</u>					
Campus	\$26,443	\$33,734	\$ 20,946	\$ 26,480	\$ 26,650
Off-campus	- -	5,062	39,558	35,547	35,190
	<u>26,443</u>	<u>38,796</u>	<u>60,504</u>	<u>62,027</u>	<u>61,840</u>
<u>Fringe Benefits</u>	2,115	3,570	6,013	5,833	8,215
<u>Travel &amp; Trans.</u>	8,984	11,684	7,731	4,144	15,000
<u>Allowances</u>	-0-	5,015	7,200	15,455	8,200
<u>Equip. &amp; Supplies</u>	1,124	10,343	2,383	1,500	1,500
<u>Other Direct Costs</u>	961	1,830	6,153	9,367	13,091
<u>Indirect Costs</u>	18,563	23,813	23,017	25,213	26,441
	<u>\$58,190</u>	<u>\$95,051</u>	<u>\$113,001</u>	<u>\$123,539</u>	<u>\$134,087</u>

<sup>a</sup>Year I includes period 9/26/77 - 9/30/78. All other years are October 1 to September 30 of following year.

<sup>b</sup>Calculated on basis of remaining balance of AID contribution of \$400,329 for the life of the Project. Total Project budget includes an additional estimated \$16,400 indirect cost contribution of CSU.

or exceeded those specialties requested in the Cooperative Agreement and amendments. The person-months allocated to administration is quite close to that budgeted for the first three years. A total of 16.97 person-months of professional on-campus support was provided the Project, about four months less than planned (21). This senior staff time was off-set with more support staff (Longwell) in the DR to help implement Project activities. Overall, a total 68.06 person-months were allocated to the Project as compared with 64.5 months planned. However, this increased input was accomplished without any increase in salary expenditures since some salary of senior staff was shifted to the graduate research assistant, as explained earlier.

### Accomplishments

The Cooperative Agreement specified three Project implementation stages. The first stage of Project initiation and literature review was reported in the previous administrative reports and will not be repeated here. Copies of those two reports can be obtained from AID or the cooperating universities. The second stage of implementing and testing data collection and analysis methodologies in two developing countries has been completed in Honduras and is in process in the Dominican Republic. The final stage of disseminating results is just being completed for Honduras. Dissemination of the experiences and Project results in the Dominican Republic will take place near the end of the Project which is scheduled for September 30, 1981.

#### 1. Project Management

The mechanism used by CSU and OSU to coordinate on-campus activities and in the two developing countries was explained in Administrative Report Number 1, October 1978. Persons interested in details about programming linkages and responsibilities should refer to that report.

A fourth Project Management Committee meeting was held at Stillwater, Oklahoma on September 10-12, 1980. This committee is composed of representatives from both universities and is responsible for providing overall policy and coordination guidance to the Project and meets at least once a year for review and planning. This year's meeting included: (1) review of Project activities completed in Honduras, (2) presentation and summary of OSU Project reports (see OSU Annual Report for listing of reports), (3) review of activities in the Dominican Republic, (4) discussion of administrative and budgetary requirements, (5) presentation of activities planned for the next year in the DR, and (6) discussion of possible future collaboration. A copy of the meeting agenda and list of participants is shown in Appendix B.

#### 2. Review of Literature and Development of Knowledge Base

A revised annotated Small Farm Credit Data Collection and Analysis Bibliography was distributed during the year. This 56 page document was released as Credit Occasional Paper No. 1 in November 1979.

Table 2. PROFESSIONAL AND STAFF PERSON-MONTHS ALLOCATED TO CREDIT PROJECT

Activity Areas & Staff	Person Months			Budgeted <sup>a</sup> First Three Years
	Year I	II	III	
<u>Project Administration</u>				
Nobe, K. C. (Manager)		1.5	1.28	4.50
Tinnermeier, R. (Coordinator)	3.31	2.5	2.00	4.50
Secretary	-	3.0	-	5.00
	3.31	7.0	3.28	14.00
<u>Professional Staff</u>				
Campus				
Tinnermeier, R.	5.00	5.00	4.04	
Spencer, W.	.55			
Williams, S.	.88			
Sparling, E.		1.50		
	6.43	6.50	4.04	21.00
Off-Campus				
Dickey, T.		2.5	12.0	14.50
<u>Support Staff</u>				
Longwell, J.D.	4.5	8.0	10.50	15.00
	14.24	24.0	29.82	64.50

<sup>a</sup>As amended August 3, 1979.

Occasional Paper No. 2, entitled "Investigaciones sobre la Recoleccion de Datos de Costos de Produccion en la Republica Dominicana" by J. D. Longwell was released in July 1980. This paper summarizes a report made by Mr. Longwell to the Dominican Agricultural Bank concerning preliminary research results on alternative methods of collecting rice production cost data for use by the Bank. This research was part of the Credit Project activities in the DR. A more detailed report of his study will be available about the end of October. An abstract of the thesis research is shown in Appendix C.

A third Occasional Paper, "Metodologia de Costos de Produccion" by Thomas Dickey, summarizes the cost of production methodology being jointly implemented by the Bank, the Rural Administration Division, Secretariat of Agriculture (SEA), and the Credit Project. The paper presents general procedures for gathering cost data, the land and technology classification system, criteria for specifying crops on which to prepare budgets, and interviewing procedures. A number of other policy position papers, data sheets, and similar material were produced by Dr. Dickey for internal use of the Agricultural Bank in the DR.

In cooperation with Loren Parks at OSU, Dr. Tinnermeier jointly authored an OSU International Development Series report (IDS No. 80-5) entitled "Production Loans to Groups of Farms: Experiments in Honduras." This report summarized the Project experiences with small farmer group loans in Honduras in light of the potential advantages of group lending expressed in development literature. Copies of the report can be obtained from OSU.

Other activities not directly funded by the Credit Project but which are complementary to building a knowledge base of use to the Project include:

- Jerry Ladman and R. L. Tinnermeier, "A Model of the Political Economy of Agricultural Credit: The Case of Bolivia," American Journal of Agricultural Economics (forthcoming February 1981).
- Master's Thesis by Ramon Alcachupas, Philippines, entitled "An Economic Analysis of Masagana 99 Farm Record-Keeping Data: Iloilo, Philippines" (Fall 1980).
- Master's professional paper by Sayed Abdul Hye, "Agricultural Development--The Case of Bangladesh and a Strategy for It," September 1980. This paper includes a section on credit for small farm development.
- Melvin Skold and Ronald Tinnermeier, "The Role of Land Grant Universities in the Process of International Development," paper presented to workshop on CSU's Role in International Development Process Through International Education, Research and Technical Assistance Programs, Ft. Collins, Colorado, January 16-18, 1980.

### 3. Project Activities in the Dominican Republic

#### A. Work Plan

The Plan of Work for the Dominican Republic was completed in October of 1979. The Bank has provided formal approval of the Spanish version. English and Spanish copies were sent to AID/Washington and the Mission in the Dominican Republic.

Copies of the 1979 and 1980-81 Work Plans are enclosed as Appendices D and E, respectively.

#### B. Progress on Planned Activities

##### i. Data Collection

##### a) Enterprise Budgets

An interinstitutional system for enterprise budgets has been designed and is currently being implemented by the Bank and the Secretariat of Agriculture's (SEA) Farm Management Division. Under this system, the SEA has overall responsibility for the budgets, and Bank Credit Agents perform some of the data-gathering small farmer interviews. Planning has begun on the procedures that will be required for the Bank to use the budgets in their loan granting process. The methodology for collecting data and preparing the budgets may be summarized as follows:

\*SEA and Bank employees in each Region specify crop, technology characteristics and area of applicability of the budgets to be prepared. Each budget is assigned to one of the SEA employees and he becomes responsible for seeing that the interviews are performed and for preparing the budget. Draft budgets are reviewed by the Regional Farm Management Specialist only.

\*The SEA and Bank employees must find at least five farmers that produced the crop with the specified technological characteristics in the specified area. The interviews are conducted using an open-ended approach in which the interviewer asks "and what did you do next?" For each reported activity, complete information is obtained, including data on related purchases, rentals, etc.

\*The technology characteristics are categorized as follows:

- a) Planting (direct or transplant)
- b) Origin of Water (dryland, irrigated, etc.)
- c) Input Use Level (none to high)
- d) Land Preparation (none, manual, animal, mechanized)
- e) Land Capability Class (I to IV)
- f) Special Characteristics (open ended)

The current methodology covers variable costs for annual crops planted alone. The methodology will be expanded to cover fixed costs, perennial crops and intercropping only after the current methodology has been successfully mastered by the SEA and Bank employees.

Three day training courses were held in each of the eight regions of the country between May and July of 1980. In each course, the operation of the system and methodology were discussed in detail, practice interviews were performed using farmers in nearby areas, a practice tabulation was done using the data from the practice interviews and plans were made for preparing the budgets. The planning included specification of budgets, responsibilities and deadlines.

A total of 298 budgets covering 34 crops were planned. This is an average of 37 budgets, covering 16.5 crops, per region. In addition, 55 additional budgets, in which up to two line items are estimated to reflect slight changes in technology, have been planned. This planning is subject to change by the regional employees.

b) Prices Data

No efforts have been made to collect price data because the SEA has an established system for collecting price data.

ii. Farm Record Books

The farm record book activity is designed to test alternative methodologies for using record books as a device for collecting data on small farm operations. For agricultural development banks, the two most promising uses of farm record keeping in the near future will be: 1) to provide an alternative data source for enterprise budgets, and 2) to provide semi-organized situations in which desk-bound bank officials can learn how bank policies affect the borrowers. Farm record keeping is too expensive, at this point in time, to be the primary source of data for enterprise budgets. However, a small-scale record keeping activity can be used as a source of data for judging the validity of budgets prepared with single-visit interview data.

It is assumed that a paid interviewer will make weekly visits to each participating farmer in order to question the farmer about the operations of the previous week and to enter his responses in the record book. Therefore, the forms and their organization have been designed with the objective of simplifying the interview/data entry process, without compromising either their accuracy or completeness. The farm record books used by the Project in Honduras organizes the common entries by type of transaction, i.e., incomes, expenses, etc., as is normally done in United States farm records.

The first version of the record book for the Dominican Republic organized the common entries as follows. First, all transactions or activities that involved an input or product were entered. These include purchases, sales, use of stored items, losses, gifts given or received, etc. Each entry specified the item, origin, destination, quantity, price and value. The origin entries specify where the item came from

(purchases, storeroom, enterprise) and the destination entries specify the disposition or use of the item (sales, losses, gifts, enterprise). Secondly, all work activities (manual or mechanical, hired or own) were entered, using separate columns for each enterprise. This organization proved to be susceptible to incomplete data entry because many activities involve product or input movement and the interviewer would have to flip back and forth between sections of the book. For example, the harvest of a crop involves labor and transportation (activities) and sales and purchase of sacks (products and inputs). These problems of incomplete entry were encountered through our policy of preparing income and expense summaries for each enterprise as soon as possible after the harvest.

The second version of the record book organizes the common entries by enterprise. This allows all common entries for an enterprise to be placed together on a single page. This facilitates the interview/data entry process in that the concentration of the interviewer is not interrupted by the need to flip back and forth between sections of the book. When the interviewer's concentration is not interrupted, he/she will be more likely to recognize that information is missing and to request it. It should be mentioned that the small farmer's recall is better when the interview is conducted by enterprise than when you first request one category of information for all enterprises and then proceed to the other categories. The second version of the record book was introduced in mid-August of 1980, with six of the ten participants.

iii. Institutionalization of Analytical Capabilities

The institutionalization of the data collection methodologies being designed and tested by this Project will depend on:

- a) the design of a system of procedures that standardizes those tasks that will be routine,
- b) the training of employees to make the judgments required in non-routine tasks, and
- c) the successful incorporation of the information and knowledge derived from the data into the bank's operations. This includes: 1) the use of standard, but modifiable, budgets (investment plans) into the loan granting process, and 2) the analysis of bank loan policies and their effects on the farm operation of the borrowers.

The enterprise budgets methodology and system standardize a majority of the tasks that are required and place responsibility for judgments in the hands of those persons most capable of making each particular judgment. The decisions on what budgets to prepare are delegated to the employees at the regional level and the judgments required in the data tabulation/budget preparation process will be made by the Farm Management Specialists who are generally university trained agronomists.

The Bank cannot be expected to continue the operation of the systems that are developed unless they prove to be useful to the Bank in their operations. For this reason, the Project staff have begun designing the set of policies and procedures that will permit an effective utilization of the information in the loan granting process. First, the Bank will have to convert the budgets that reflect the costs of the previous crop cycle into budgets that estimate the costs to be incurred in the next crop cycle. Secondly, the bank forms for the economic evaluation of the activity to be financed will require changes. Thirdly, it is expected that for logistical reasons, all applications will need to be received in the Bank's offices rather than in the farmers' fields or homes. This change, in turn, will require changes in the farm inspection policies (at least for the proven clients) so that the time required to process a loan application is not increased any more.

The analysis of the effects of the Bank's credit policies and procedures, using the data collected under Project generated systems or others, requires accurate knowledge of what the policies are and of the uniformity of compliance with the current policies in all bank offices. It is for this reason that the Project has undertaken, with direct Bank assistance, the task of compiling a Credit Policies and Procedures Manual.

At this time, the Bank policies are made known to the Bank employees through an assortment of memorandums and directives. The lack of an organized Manual has resulted in the non-uniform knowledge of policies by the large numbers of employees. Consequently, most of the policies, many of which date back ten or twenty years, have been passed on by word-of-mouth and constitute a tradition rather than a coherent set of policies. Most of the directives amend or modify previous directives rather than present a complete version of the new policy, as amended. The existence of a comprehensive Manual will permit: (1) the uniform application of the policies, (2) the analysis of the effects of the policies on bank operations and on the farm operations of the borrowers, and (3) implementation of procedures to use the enterprise budgets mentioned previously.

The Bank assigned three employees to work under the direction of the Project staff in searching Bank files for all documentable policies that are in force. This stage was completed in August of 1980. A draft of the Policies section of the Manual has now been completed and will be submitted to the Bank. A second, and unexpected, step that will be needed is the incorporation of *de facto* changes that have occurred due to the normal process of oral "clarification" of the written directives.

A particular Bank policy that has merited attention is the Client Classification System. The system was first implemented in 1963 and currently has little impact on bank lending procedures. An effective Client Classification System will greatly facilitate the utilization of the enterprise budgets in the loan granting process. The system that has been recommended by the Project and is under consideration by the Bank, relies solely on a client's repayment record for determining his classification. The number and type of agent visits/inspections would be determined according to the client's classification and the percentage increase in loan value that the client is requesting, if the enterprise is similar to the ones previously financed. The on-farm inspection, that is now required before the loan can be approved, would be eliminated for good clients that are requesting small increases for similar enterprises. This change would speed the loan approval and initial disbursements and should contribute to the promptness of repayments when the clients learn that prompt repayment is rewarded with faster service in the future. With the need for the prior inspection eliminated, and the use of standardized budgets/investment plans, it would become possible for a good client to walk into the bank office, make his loan request and walk out with the initial disbursement.

iv. Training of Bank Personnel

a) Formal Training

Eight three day courses on the methodology and administration of the budgets system were given between May and July of 1980.

The attendance in each course is summarized in the following table:

<u>Region</u>	<u>SEA-Farm Mgmt.</u>	<u>Bank Agents</u>	<u>Others</u>	<u>Total</u>
North	5	8	-	13
Northeast	5	10	-	15
Northwest	4	8	-	12
Central	6	8	3	17
Southwest	4	7	9	20
South	4	4	-	8
East	5	9	3	17
Northcentral	<u>4</u>	<u>6</u>	<u>-</u>	<u>10</u>
TOTALS	37	60	15	112

It is expected that more formal training will be provided to SEA and Bank employees. Potential topics for courses include:

- 1) Training in advanced budget methods, including the treatment of fixed costs, perennial crops and intercropping enterprises.

- 2) Training of Bank employees in the procedures to be followed in using the budgets in the loan granting process and in general farm management analysis.
  - 3) Training of Bank employees in current Bank policies and procedures and in the use of the Credit Policies Manual.
- b) Informal Training
- The Project staff is currently visiting each of the eight regions to provide more training in the process of data tabulation and budget preparation, and to provide follow-up encouragement and supervision in the entire budgets system.
- Informal training continues with the Project counterpart and the employees of the Bank's Programming and Credit Operation Departments.

#### 4. Summary

In summary, it is our opinion that the Project is progressing satisfactorily. The OSU and Honduran activities have been completed as summarized in a number of final technical reports and the final Project report for the OSU part of the Project (available from AID or OSU).

Four main activities are continuing in the Dominican Republic: (1) budget system development and implementation, (2) farm record books, (3) institutionalization of these tools in the Bank operations, and (4) training of Bank and Secretariat of Agriculture staff in the development and application of enterprise budgets and farm records.

Obviously, the extent to which the data collection and analysis methodologies are institutionalized by the Bank will largely depend on administration and staff interest, availability and ability of Bank personnel, sufficient time, and general support of interinstitutional activities by the affected agencies (Bank and SEA). Due to the very short life of the Project, we are not optimistic that complete institutionalization will take place. Nevertheless, every effort will be made to assist the Bank in making policy and operational changes that will allow Bank implementation of the methodologies on a continuing basis.

We are pleased with the general support of the Bank for the Project activities and staff. We look forward to another year of joint collaboration in carrying out Project activities.

Finally, we feel a strong cooperative relationship and mutual respect has been developed among the CSU and OSU staff. Even though the OSU portion of the Project has been completed, we plan to maintain professional contact with the OSU staff to build on the Honduran experience and to share with them the experiences and results of the Project in the Dominican Republic.

CHRONOLOGY OF EVENTS AND  
DOCUMENTATION LEADING TO CSU'S  
PARTICIPATION AND RESPONSIBILITY FOR THE SMALL  
FARM CREDIT PROFITABILITY AND REPAYMENT PROJECT  
(CO. AG No. AID/ta-CA-3)

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## LIST OF ITEMS\*

(Small Farm Credit Profitability and Repayment Project  
hereafter referred to as Credit Project)

1. September 1, 1976: Basic Memorandum of Agreement signed with AID under Expanded Program of Economic Analysis for Agricultural and Rural Sector Planning (AID/ta-BMA-6). This document was the basic agreement which allowed for the development of specifically funded cooperative Agreements for the Credit Project (also used for the CSU Lesotho Agricultural Sector Analysis Project).
2. May 1, 1977: Cooperative Agreement (AID/ta-CA-2) signed with TA/AG/ESP to acquire the services of R.L. Tinnermeier to discuss and develop the design and implementation plan for a proposed Small Farmer Credit study to be funded under the Expanded Program. Project projected through December 1977.
3. May 18-21, 1977: R.L. Tinnermeier and Anne Ferguson ESP/AID/Washington Traveled to Honduras to explore feasibility of locating Credit Project in that country. Travel was funded under AID/ta-CA-2. USAID and National Development Bank (BNF) expressed interest in moving ahead on the project.
4. July 14, 1977: AID Request for Proposal from CSU to enter into three year Cooperative Agreement on developing data collection and analysis methodologies which credit institutions in LDC can use.
5. July-September, 1977: CSU proposal submitted July 27 for total budget of \$560,907. Letters of August 19 (Frantz to Perelli, AID) and August 23 (Perelli to Frantz) refer to budget negotiations.
6. August 16-26, 1977: Trip to Philippines to explore locating credit project in that country. R.L. Tinnermeier and Odell Walker (Oklahoma State University) met Anne Ferguson AID/Washington in Manila for project discussions. USAID/Manila and Farm Systems Development Corporation (FSDC) wished to proceed with the Credit Project and a draft Memorandum of Understanding was prepared and discussed with USAID, FSDC and the Technical Board for Agricultural Credit (TBAC).
7. September-November, 1977: Project Management Committee formed to coordinate CSU-OSU activities and a CSU-OSU Memorandum of Understanding was prepared and signed.
8. September, 1977: Letters to FSDC (Sept. 8), TBAC (Sept. 13) and Ferguson (Sept. 16) assumed project moving ahead based on telephone conversation with Anne Ferguson. Proposed visit of FSDC and TBAC representatives to U.S. understood to be paid by USAID/Manila.

\* Items underlined are those included in the documentation notebook.

9. September 26, 1977: Cooperative Agreement AID/ta-CA-3 finalized with a budget of \$478,581 assuming CSU would handle long-term advisor in Philippines. Oklahoma State University also signed a Coop-Ag. for \$331,000 with responsibility for placing advisor in Honduras. R.L. Tinnermeier given overall coordinator responsibility for project including the two country programs.
10. September 21, 1978: Tentative timetable for Credit Project prepared.
11. October-November, 1977: USAID/Manila requested, via AID/Washington, that CSU-OSU pay for travel to U.S. of Meli Agabin (TBAC) and per diem costs of Jac Jacolbe (FSDC). CSU telex of Oct. 14 proposed schedule for visitors. USAID/Manila cable via Washington of Oct. 17 specified trip objectives and financial support requested. CSU telex of November 3 notified prepaid ticket had been sent for Agabin and that OSU would pay per diem for Jacolbe. AID/Washington approval for paying invitational travel received (letters from V.C. Perelli, Nov. 8, 1977). USAID/Manila cable via Washington suggested visit may be delayed. Schedule with CSU, OSU and outside credit agencies had already been set up and were cancelled.
12. November 13-18, 1977: Travel to Honduras by Dan Badger and R.L. Tinnermeier to develop project arrangements with the National Development Bank (BNF) as summarized in the attached clearances and trip report. Accompanied by Erhardt Rupprecht, AID/Washington. Draft Memorandum of Understanding prepared and discussed with USAID and BNF.
13. November 19-December 17, 1977: After considerable delay and confusion, two of the three scheduled visitors from the Philippines arrived without notification on November 19th. A tentative schedule for their visit had been cancelled due to the delay. Meetings were rescheduled with difficulty due to their delayed visit falling over the Thanksgiving break. A revised Memorandum of Understanding was prepared on November 20-21 with OSU participation. Jac Jacolbe arrived November 25 and the group departed for OSU on the 29th. The PIO/T and trip report of Galoso outline activities during their visit.
14. December, 1977: January Philippines trip for Bill Spencer and Simon Williams proposed and clearances received.
15. January 21-31, 1978: Bill Spencer and Simon Williams joined Erhardt Rupprecht in Manila to finalize agreements with FSDC. Some difficulties were encountered as reflected in their trip report. A newly revised Memo of Understanding and work timetable wasn't signed by their departure date and the naming of a Filipino as the long-term technician was raised as an issue. Rupprecht letter of February 2 summarized his view of the problem areas.
16. February 5-18, 1978: Honduras trip report summarizes visit of Dan Badger, Loren Parks, Harry Mapp, Jr., and Odell Walker from OSU and Ron Tinnermeier from CSU. Agreements were finalized and proposed project activities were discussed.
17. March, 1978: Honduras Memorandum of Understanding signed by all parties and Project Agreement between USAID and BNF signed.

18. April 13-14, 1978: R. Tinnermeier traveled to Stillwater, Oklahoma to discuss project activities in Honduras with OSU staff. Tentative Work Plan resulted from that meeting and from previous discussions. A copy was sent to the BNF for their response.
19. February-June, 1978: Discussions continued with Philippines to finalize Memorandum of Understanding. Concern raised about significance of delay for project through February 24 letter from Bill Merrill, TA/AG/ESP to USAID/Manila: March 8 letter from R. Tinnermeier to FSDC; ESP March 30 cable to USAID/Manila; and various telephone calls. No written response was received by CSU or OSU from the Philippines.
20. June 6-9, 1978: R. Tinnermeier traveled to AID/Washington to discuss the Filipino delay and alternative strategies. Informal contacts were made with AID Regional Bureaus to identify possible alternative countries. After considering a number of countries, it was agreed that the credit project should shift from the Philippines to Nicaragua if it was possible before the end of this fiscal year. A June 21 memo to K.C. Nobe summarized the rationale for initiating contacts in Nicaragua. A June 19 letter from Tinnermeier to David Bathrick, USAID/Managua, outlined a tentative plan of work in Nicaragua with the Institute for Compesino Development (Instituto de Bienestar Compesino--INVIERNO).
21. July 18-23, 1978: Ron Tinnermeier traveled to Nicaragua to join Dan Badger(OSU) in discussions about locating the Credit Project in that country. A Memorandum of Understanding was signed by Gustavo Gomez-Casco, General Manager of INVIERNO. The document was hand carried to the States for signatures at CSU and OSU. A draft Project Agreement was left for finalizing between USAID and INVIERNO.  
The trip included a two-day stop in Honduras to discuss project activities with BNF. Loren Parks is well settled as the long-term project technician. Discussions are progressing on the development of a more detailed scope of work. The trip accomplishments in Nicaragua and Honduras are summarized in the Trip Report.
22. August 1, 1978: Announcement for Nicaragua position released through Affirmative Action Program of CSU. Applications received by September 1, 1978 will be considered first or later applications will be considered until an acceptable candidate is identified.
23. August 9, 1978: Notification sent to FSDC by letter on the shift of project to Nicaragua. Future colabration with the Philippines is welcomed subject to a stronger expression of interest from them and to the availability of AID funding for a third country. August 19 letter to TBAC also indicates changes in the project.

24. August 25, 1978: Nicaraguan Memorandum of Understanding finalized and sent to INVIERNO. Reception verified by Gomez letter of September 6, 1978.
25. September 1978: Eligible applicant in response to Nicaraguan field party position announcement identified by the Economics Department Selection Committee along with a request to the CSU Affirmative Action Office for approval to proceed to interview for the position.
26. Civil conflict in Nicaragua during the fall made implementation of project in Nicaragua impossible. Discussions were held with AID/Washington to determine alternatives.
27. December 6-14, 1978: Karen Wiese, AID/W and R. Tinnermeier traveled to Honduras and the Dominican Republic. Progress of the project in the BNF was discussed. The Dominican leg of the trip was to attend the Credit Seminar sponsored by the Central Bank, USAID/Honduras, and Ohio State University and to initiate discussions on locating the project in the DR due to the problems in Nicaragua. The response was positive and potential DR institutions included the Dominican Development Foundation and the Agricultural Bank. Details of the visit are in the trip report.
28. March 14-27, 1979: Odell Walker (OSU) and Ron Tinnermeier traveled to the DR to obtain agreement on locating the Credit Project there. The Agricultural Bank was agreed to and a proposed Memorandum of Understanding was left with the Bank and USAID. USAID indicated no logistical support could be provided due to a personnel freeze. See trip report for details.
29. Position Description No. 79-6 released March 1, 1979 for DR position through affirmative action procedures. Selection committee recommended Thomas Dickey (see personal vita), an offer was made June 4, 1979, and Mr. Dickey accepted the position effective July 15, 1979. An Overseas Employment Agreement was then prepared and signed.
30. June 25-30, 1979: Trip to DR by Thomas Dickey and Ronald Tinnermeier to finalize agreement with Ag Bank and to introduce Mr. Dickey as the proposed long-term technician. USAID and Ag Bank clearances were obtained for Dickey and J. D. Longwell to locate in the DR. The Memorandum of Understanding was left for signatures. Trip report and clearances attached.
31. J. D. Longwell and wife, Mary Ann, cleared by USAID to arrive in DR on July 15, 1979. He was expected to spend eight to ten months on research for his M.S. on data collection and analysis.
32. Clearance for Dickey arrival in DR on or about July 23, 1979 obtained from USAID and Bank.
33. July 6, 1979: All signatures obtained for Memorandum of Understanding with Ag Bank, OSU, and CSU.

34. July 29, 1979: Project Management Committee met at Pullman, Washington in conjunction with AAEA meetings. Past activities were reviewed and general plans were made for the upcoming year. Minutes attached.
35. Visit of Dr. Dickey to Honduras September 16 - 20, 1979 to observe Project activities and accomplishments. Trip report submitted after visit.
36. Visit of Loren Parks and R. Tinnermeier to the Dominican Republic, October 14 - 18, 1979. Trip was to discuss and help design a plan of work for the Dominican Republic portion of the Project. Trip report by Dr. Tinnermeier attached. Dr. Parks submitted his report through Oklahoma State University.
37. October 25, 1979: Plan of Work for the Dominican Republic was submitted to AID/W, USAID, and Bank in English and Spanish.
38. Visit to Dominican Republic by D. Schreiner and Mike Hardin (OSU), R. Tinnermeier (CSU) and Karen Wiese (AID/W) to review Project activities. Trip report for Tinnermeier attached. Also see separate OSU trip report.
39. Plan of Work approved by Banco Agricola 22 February 1980.
40. Visit to Honduras by R. Tinnermeier, March 11 - 19, 1980 to observe field activities with farmer borrower groups and to review other Project activities. See trip report.
41. Visit to Dominican Republic by R. Tinnermeier, May 18 - 28, 1980 to: attend a field training session, review research by Longwell, and review general progress of Project. See trip report.
42. September 10 - 12, 1980. Project Management Committee met at Stillwater. Past activities were reviewed and future work in the Dominican Republic was discussed. See Agenda and list of participants. OSU team distributed end of Project administrative and technical reports.

## APPENDIX B

AID - CSU - OSU ANNUAL REVIEW  
SMALL FARMER CREDIT PROJECTTENTATIVE AGENDAWednesday, September 10, 1980

- 6:00 p.m. - AID Group Arrive  
CSU Group Arrive  
All have reservations at Student Union Hotel
- 8:30 p.m. - Informal Session at Betty & Dan Badger's  
601 N. Skyline Lane  
Loren Parks show General slides of Honduras  
Tom Dickey show general slides of Dominican Republic

Thursday, September 11, 1980 (410 Ag Hall)

- 7:15 a.m. - Breakfast in State Room
- 8:30 a.m. - Overview of SFC Project  
Ron Tinnermeier, CSU  
Dan Badger, OSU  
Karen Wiese, AID
- 9:15 a.m. - Overview of Honduras Project with slides  
Loren Parks, OSU
- 9:45 a.m. - Coffee Break
- 10:00 a.m. - Honduras Activities: Credit Programs, Budgets, Farm  
Records, Group Loans
- noon - Lunch at Seven Knights
- 1:45 p.m. - Honduras Activities (Continued)  
E. Training Programs  
Loren Parks and Dan Badger  
Coffee Break

Thursday Continued

- 2:10 p.m. - Overview of Dominican Republic Project  
Tom Dickey, CSU
  - A. Records Project  
Tom Dickey
  - B. Counterpart Training
  - C. Training Programs
- 3:30 p.m. - Review of OSU Contractual Commitments with AID
- 6:00 p.m. - Dinner at Stillwater Country Club

Friday, September 12, 1980

- 7:14 a.m. - Breakfast in State Room
  - 8:30 a.m. - Discussion of Accomplishments of Small Farmer Credit Project and Possible Follow-Up Projects
  - 10:00 a.m. - Coffee Break
  - 10:15 a.m. - Review of OSU Budget  
Review of CSU Budget
  - 11:00 a.m. - AID Response  
Karen Wiese, AID, Washington  
Rolfo Ehrich, AID, Washington  
Ralph Conley, AID, Honduras
  - 12:00 p.m. - Close Review of SFC Project
- 
- 2:30 p.m. - Seminar on "Agricultural Credit Programs in Developing Countries"  
Tom Dickey, CSU

PARTICIPANTS IN 1980 AID REVIEW

## SMALL FARMER CREDIT PROJECT

AID/WASHINGTON

Karen Wiese  
Ralph Hanson

AID/HONDURAS

Ralph Conley

COLORADO STATE UNIVERSITY

Ken Nobe  
Ron Tinnermeier  
Tom Dickey

OKLAHOMA STATE UNIVERSITY

Charles Browning, Ag. Dean  
Bill Abbott, Int. Prog.  
Hugh Rouk, Int. Prog.  
Frank Baker, Int. Prog.  
Jim Osborn  
Loren Parks  
Dean Schreiner  
Odell Walker  
Harry Mapp  
Joe Williams  
Dan Badger

## APPENDIX C

## ABSTRACT OF THESIS

ANALYSIS OF THREE METHODOLOGIES FOR COLLECTING  
DATA FROM SMALL FARMERS IN THE DOMINICAN REPUBLIC

Institutions working to improve the social and economic conditions in the rural sector of Third World countries frequently lack adequate empirical data upon which to base their policies and evaluate their programs. Without such data, these institutions are forced to develop policies based on value judgments that are often inaccurate or inappropriate. These value judgments can have negative effects on both the institution and the people that are served by the institution.

This thesis presents an alternative model for collecting data from small farmers in the Third World. The model is based upon empirical data gathered from farmers, and it employs the process of inductive-deductive reasoning to arrive at policy decisions. The effects of the policies on farmers are verified through follow-up visits by the institution, and the overall effectiveness of the program is evaluated and made available for future program development and for use by other institutions.

The model was tested by comparing three methodologies for collecting production cost data from small farmers in the Cibao Valley of the Dominican Republic. The three methodologies were: (1) the estimation of production costs by an Agricultural Bank credit agent; (2) a purposive sample of five farmers chosen by the credit agent; and, (3) a random sample of thirty farmers. The purpose of testing these methodologies was to determine if credit agents can accurately estimate production costs and also to determine the administrative costs to the Agricultural Bank of the Dominican Republic of employing random sampling over purposive sampling. In addition, the production cost data collected from farmers were subjected to a production function analysis.

The results of the analysis of the three methodologies support the hypothesis that credit agents' estimations of production costs vary significantly from the production cost data provided by farmers based on their own farming operations. No significant biasing was caused by purposive rather than random sampling, and the administrative costs to the Agricultural Bank of employing one methodology over another was insignificant.

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Department of Economics  
Colorado State University  
Fort Collins, Colorado 80523  
Fall, 1980

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APPENDIX D

Colorado State University  
Small Farm Credit Profitability and Repayment Project  
AID Cooperative Agreement AID/ta-CA-3

PLAN OF WORK FOR THE DOMINICAN REPUBLIC

Objective: To develop methodologies which credit institutions in LDCs can use to carry out analysis which can improve credit policies and programs and impact upon the repayment problem.

Project Scope of Work:

- 1) The development of budget analysis and cost-effective data collection methodologies.
- 2) The analysis of collected data and utilization of the results by the cooperating host-country institution; and
- 3) The dissemination of the developed methodologies and their results within the host country and other developing countries.

Project Structure:

Each of the cooperating U.S. universities (Colorado State and Oklahoma State) has one long term advisor working with an agricultural Credit institution. The O.S.U. advisor began working in July 1978 with the National Development Bank (Banco Nacional de Fomento) in Honduras. The C.S.U. advisor began working in August of 1979 with the Agricultural Bank of the Dominican Republic (Banco Agrícola de la República Dominicana). Short term assistance is provided as needed by either university. The Banks provide office space and secretarial services for the in-country activities and assign one of their employees to the project activities to be the advisor's counterpart. The universities also provide on-campus personnel for project activities and administrative support for the field activities.

Dominican Republic Project Activities:

A. Initiation of In-country Work

The activities of this phase involve the establishment of the advisor in the Dominican Republic, familiarization with the Bank's operations and needs, formal definition of the project structure and design within the Bank. Specific activities include:

1. Establishment of project office and administrative procedures.
2. Fulfillment of legal requirements for the residency status of the advisor and for the importation of the project equipment and the advisor's personal effects.
3. Familiarization with the Bank's operations, personnel, policies, goals, performance and problems through personal discussions, review of materials and field visits.
4. Familiarization with activities and personnel of institutions operating in the agricultural sector for the purpose of coordinating the project activities and building on their existing knowledge and experience. These institutions include the Secretariat of Agriculture (Secretaría de Estado de Agricultura-SEA), The Interamerican Institute of Agricultural Sciences (IICA), the U.S. AID Mission and others.
5. Gathering of existing data on the Dominican Republic agricultural sector (maps, crop and livestock production data, economic reports and analyses).
6. Development of a joint CSU-Bank Plan of Work for the project that meets the requirements of the CSU-AID Cooperative Agreement and the needs of the Bank.

B. Approach of Project Implementation in the Banco Agrícola.

The data required in the operation of an Agricultural Bank may be categorized as follows:

- a) Data required for each loan application for the determination of: (1) the technical and economic feasibility of the farm enterprise or project to be financed, and (2) the compliance of the applicant and the proposed financing with the current bank policies and rules for lending.

- b) Data required for the bank's normal internal management and control of its operations (accounting).
- c) Data required for the statistical reports that are required by the institutions that supply the bank with capital (Central Bank, AID, IDB, etc).
- d) Data required for a regular and systematic program of evaluations and analyses of bank policies, and
- e) Special data requirements for special, one-time studies.

The data categories (a) to (d), above, will contain significant duplications and any data collection methodologies developed under this project must be designed in the context of the entire data collection system of the Bank. The primary emphasis of this project will be placed on the data in categories (a) and (d). (See section C.I. below).

The data collected must be combined with Bank capability for analysis for either to be useful in improving Bank policies and operations and the effectiveness of the Bank loans for the farmer-borrowers. Either component by itself cannot justify the cost to the Bank of obtaining or establishing it. For this reason, the project activities include: (a) the development and testing of data collection methodologies, (b) the development of an institutional capability to use and analyze the collected data, (c) a training component that will support both (a) and (b). Part of the task of institutionalizing the use of the collected data is making either the collected data or the results of the analysis available to those bank employees that need the information and in a form which they will readily use. For this reason, and following the example set in the OSU-BNF (Honduras) field work, the budgets and price data will be presented to the field credit agents in the form of a Manual. This Manual will also be used for other types of information that the agents need on a daily basis in the field.

The project will follow an approach of developing both the data collection and analytical capabilities in a balanced fashion in order to assure maximum effectiveness of the project. Neither component should be allowed to advance much faster than the other one. In this way, the collected data will be used and the analytical capability will have data.

### C. Planned Project Activities.

#### 1. The Data Collection Component.

In this component, the project will develop data collection methodologies and institutionalize the data collection system in the Banco Agrícola. Emphasis will be centered on collecting data for (a) Cost of Production Budgets, (b) Product and Input prices, and (c) detailed farm management case study data (through farm record books). Methodologies for other types of data may be developed as needed by the Bank.

#### Budgets and Price Data

The Cost of Production (Enterprise) Budgets will be developed by ecological zone and by selected characteristics such as level of technology, land quality, etc. Through the existence of specialized budgets (rather than a single budget for the country) the Credit Agents will be able to assist the farmers in evaluating alternative enterprises or technologies for incorporation into their farm plans and, by making minor modifications to the published budgets, design the loan for the farmer's particular needs. The time required to process an application can be reduced if the Agent can simply note any modifications and the revised totals. A future benefit would be the improved accuracy of Bank financial projections (once estimates of the areas financed under each budget are available) and as a data base for special policy analyses. They may also be in demand by other institutions such as the National Price Stabilization Institute.

The Input and Product Price data will be valuable in the preparation and periodic updating of the budgets and as data for special policy analyses.

In view of the fact that the Secretariat of Agriculture (SEA) has a program for budgets and price data, the project will make every attempt to combine efforts with SEA to modify their methodologies in accordance with the needs of the Bank. It is hoped that SEA will recognize that the Bank should be one of the most important consumers of their data and would therefore be amenable to modifying the methodologies. This effort will be coordinated also with the IICA advisor to SEA's Department of Agricultural Economics.

## Farm Record Books

The farm record keeping activity of the Project will initially involve the implementation of the OSU-Honduras Record Book (as is or with slight modification) with a small number of farmers in one area of the country. The purpose of this activity is to provide hands-on experience to the CSU advisor and bank employees in the decision-making processes of small farmers. Such an experience for the Bank employees may have an indirect influence on bank credit policies.

Since SEA is also beginning a more extensive farm record keeping activity using their relatively large staff of rural administration " field specialists, this project will encourage the Bank to assign someone on either a full or part-time basis to assist SEA in their program. This collaboration would: a) permit the Bank to adequately evaluate the reliability of the collected data, b) permit the Bank to exert an influence on changes in the methodology, and c) allow full and rapid access to the detailed data collected.

Case studies may be developed from either the limited project data or the SEA data.

## D. Institutionalization of Analytical Capability.

The process of institutionalizing analytical capabilities within the Bank involves: 1) the incorporation of specific responsibilities for analysis into the functions of the Bank's agencies, sections and departments and 2) training of Bank personnel in analytical methods. The incorporation of new analytical responsibilities will require some reconsideration of existing functions and responsibilities of the Bank personnel involved so as to avoid overburdening the Bank employees. Although a complete evaluation of the functions of employees is beyond the scope of this project, it is incumbent upon the persons that recommend new functions to make suggestions about how existing functions can be simplified or eliminated so as to make time for the new ones. If such adjustments are not made, a serious risk of gradual elimination of the new functions will exist after the project is completed.

This component will concentrate on the development and institutionalization of analytical capability among the Credit Agents in the Branch Offices, in the Programming Department and in the Credit Operations Department. The principal activities to achieve this objective may include:

- 1) The design of a Credit Agent's Manual that the Agents will find invaluable for their field work.
- 2) The incorporation of systems for the continuation of data collection activities into the design of the data collection methodology.
- 3) The design of data tabulation procedures and formats for publication in the Manual.
- 4) The design of practical methods for the agents to use the published data in the formulation of individualized loans.
- 5) The design of special studies or analyses as examples of other uses of the collected data or other types of data that could be obtained through the data collection system.

#### E. Training of Bank Personnel.

Both the Data Collection and the Institutionalization Components will require training of the Bank personnel involved. This training will involve formal seminars or short courses and informal "on the job" training. The formal courses will concentrate on training the data collectors in the methodologies to be used and on training the Credit Agents in the application of the information obtained in order to improve the effectiveness of the loans that they design for the farmers. The informal training will occur on a continuing basis through the daily contacts with Bank personnel at all levels and will concentrate on the evaluation of alternative methods of collecting data from small farmers and in the design of both the recurring analyses or special one-time studies. Training may also be provided to SEA personnel either in Bank sponsored activities or in SEA sponsored activities.

The training materials developed by OSU in Honduras should be extremely useful in the courses. Further refinement of the materials developed in both countries should permit the preparation of training modules for use in other countries.

The Project Personnel will also seek to identify potential candidates for U.S. university training under the AID Participants Program.

25-Oct-79

TMD

## APPENDIX E

1980-81 PROJECT ACTIVITIES  
(10/1/80 - 9/30/81)

1. Budgets System and Methodology
  - A. Methodology - Will be expanded for fixed costs, perennials, intercropping, etc., depending upon degree of mastery of simple methodology.
  - B. System - If and to the degree that it is successful, expand to include other institutions.  
If not successful, determine how to reduce system for Bank-only implementation.
  - C. Basic Budgets Report will include:
    1. Analysis of technological variations and cost variations among regions.
    2. Comparison of system generated budgets and Bank produced budgets.
2. Farm Record Books
  - A. Two approaches will continue to be tested - the second version with six participants and the original with four farmers.
  - B. Reports
    1. A Basic Report on Methodologies, Uses, and Comparisons
    2. (Optional) Comparative analyses of data generated
3. Institutionalization
  - A. Design and implementation of procedures for utilization of Budgets in loan granting process, includes recommending changes in forms and procedures and includes client classification.
  - B. Completion of Credit Policies and Procedures Manual and adoption by the Bank.
4. Training - (Courses to be designed as need arises)
  - A. If Budget methodology is expanded, courses will be given for SEA and Bank on the advanced methodologies.
  - B. If System reduced to Bank-only - courses will be scheduled for the Bank on the system and methodology.
  - C. If Budgets utilized in loan granting process - courses will be offered on procedures to be followed, use and interpretation of Budgets, approaches to advising clients on "best" enterprises/ technologies, and basic farm management analysis tools.
  - D. If Credit Policies Manual adopted - training will be given to Bank employees on Policies and Procedures and on use and interpretation of the Manual.