

AFRICAN DEVELOPMENT BANK GROUP



GHANA

**SECOND AND THIRD LINES OF CREDIT TO THE
AGRICULTURAL DEVELOPMENT BANK (AgDB)**

Project Performance Evaluation Report (PPER)

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

8 August 2000

TABLE OF CONTENTS

	<u>Page</u>
EQUIVALENTS AND ABBREVIATIONS	I
PREFACE	II
SUMMARY DATA SHEET	III-VI
1. <u>SUMMARY OF EVALUATION EVALUATION</u>	1
1.1 Projects' Objectives and Scope	1
1.2 Implementation Performance	1
1.3 Relevance of the Credits	1
1.4 Credits' Efficacy	2
1.5 Efficiency of the Credits	2
1.6 Institutional Aspects	3
1.7 Credits' Impact	3
1.8 Credits' Sustainability	4
1.8 Conclusions, Feedback and Recommendations	5
2. <u>PROJECT BACKGROUND</u>	7
2.1 Country Economic Context	7
2.2 The Agricultural Sector	8
2.3 History of Bank Group Operations	9
2.4 Project Formulation	9
2.5 Project Rationale	10
2.6 Objectives and Scope at Appraisal	10
2.7 Financial Provisions	10
2.8 Evaluation Methodology and Approach	10
3. <u>PROJECT IMPLEMENTATION</u>	11
3.1 Loans' Effectiveness	11
3.2 Changes in Project Scope	12
3.3 Implementation Schedule	13
3.4 Reporting	13
3.5 Procurement of Goods and Services	14
3.6 Credit Amounts	14
3.7 Disbursement of Financial Sources	15
3.8 Compliance with Loan Conditions and Covenants	15
4. <u>PERFORMANCE EVALUATION</u>	16
4.1 Operating Performance	16
4.2 Financial Performance	17
4.3 Economic Performance	19
4.4 Institutional and Social Performance	19
4.5 Impact on Women	22

4.6	Environmental Performance	22
4.7	Performance of Executing Agency, Suppliers and Borrower	22
4.8	Performance of the Bank Group and Co-financiers	23
5.	<u>PROJECT SUSTAINABILITY</u>	24
6.	<u>PERFORMANCE RATING</u>	24
7.	<u>CONCLUSIONS, FEEDBACK AND RECOMMENDATIONS</u>	25
7.1	Conclusions	25
7.2	Lessons	26
7.3	Recommendations	26
7.4	Follow-up Action Matrix	27

LIST OF APPENDICES

	<u>No. of Pages</u>	
1.	Recommendations and Follow-up Matrix	2
2.	Retrospective Matrix	2
3.	Past Financial Statements of AgDB	2
4.	Projected Financial Statements of AgDB	3
5.	Organisational Structure of Ministry of AgDB	3
6.	Samples of Beneficiaries' Incomes and Production Statements	6
7.	Performance Ratings	4

This report has been prepared by Messrs SANGBE, N., Principal Post-evaluation Officer and SARPONG K. Financial Analyst/Consultant, following their mission to Ghana in January/February 2000. Further information may be obtained from: Mr. KARIISA, G. M. B., Director, OPEV Department Ext. 4052

EQUIVALENTS AND ABBREVIATIONS

Currency Equivalents

Ghana Currency Unit: Ghana Cedi (GHC)

Line of Credit II

1 UA =	GHC 38.46	November 1984 (Appraisal)
1 UA =	GHC 2,808.30	December 1997 (PCR)
1 UA =	GHC 4,732.71	March 2000 (PPER)

Line of Credit III

1 UA =	GHC 839.60	October 1993 (Appraisal)
1 UA =	GHC 3,189.12	January 1999 (PCR)
1 UA =	GHC 4,732.71	March 2000 (PPER)

Weights and Measures

1 metric ton (t)	=	2,205 lbs
1 kilogram (kg)	=	2.2 lbs
1 metre (m)	=	3.28 ft.
1 foot	=	0.305 m
1 kilometre	=	0.621 mile
1 mile	=	1.609 km
1 square kilometre (km ²)	=	0.386 Square mile
1 hectare (ha)	=	0.01 km ²

Fiscal Year

1st January – 31st December

Abbreviations

ADB	African Development Bank
ADF	African Development Fund
AgDB	Agricultural Development Bank
EDF	European Development Fund
FAO	Food and Agriculture Organisation of the United Nations
FINSAP	Financial Sector Adjustment Programme
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ISP	Institutional Strengthening Programme
GDP	Gross Domestic Product
GOG	Government of Ghana
MIS	Management Information System
MOFA	Ministry of Food and Agriculture
MTADP	Medium Term Agricultural Development Programme
PCR	Project Completion Report
PMU	Project Management Unit
PPER	Project Performance Evaluation Report
RMC	Regional Member Country of the Bank Group

PREFACE

1. This project performance evaluation report is concerned with the performance of the Second and Third Lines of Credit in Ghana. The credits were aimed at procuring agricultural inputs from overseas to support increased production of food/industrial/export crops and fisheries/poultry by small-scale farmers and fishermen in the rural areas of Ghana and to strengthen the management of AgDB through training and computerisation.
2. The Second Line of Credit (LOC II) and the Third Line of Credit (LOC III) were financed by ADF, the World Bank and AgDB. Total amounts of UA 13.82 million and UA 23.00 million were extended to and disbursed by ADF on LOC II and LOC III respectively, exhausting all the credit provided.
3. The credits were successfully utilised and the beneficiaries have been integrated into Ghana's agricultural production system. The production activities engendered are on-going and stand well to contribute to poverty alleviation in the country.
4. Project Completion Reports (PCRs) were prepared by Country Department West (OCDW) in December 1997 and January 1999 for LOC II and LOC III respectively. The PCRs (ADF/BD/IF/98/84 and ADF/BD/IF/99/116) have narrated and covered in broad terms the implementation experience on these credits. The purpose of this performance evaluation report is to prepare the background documentation for the review of Bank experience in extending lines of credit for agricultural production in RMCs. The PPER therefore amplifies and complements the findings in the PCRs.
5. Both the appraisal and PCR judged LOC II and LOC III to be of good quality. The documents were prepared in accordance with guidelines of the Bank Group's existing Operations Manual. The credits' context, the internal and external constraints to the development of agricultural sector in Ghana, as well as the institutional performance have been reasonably treated in the PCR. However, the project's operational and financial performances were rather assessed only in Ghana Cedis. The assessment was silent on the continuous depreciation of the Ghana Cedi throughout the implementation of the two Lines of Credit and its possible effect on the utilisation of the credits. The PCR was also silent on the inadequacy of assessing credit demand for the cocoa, agro-processing and WID sub-projects at appraisal of the Third Line of Credit. The PPER is being prepared to rectify these shortcomings.
6. The PPER accepts the findings in the PCRs, but puts forward additional lessons and follow-up actions which are designed to enhance the effectiveness of Bank Group's provision of LOCs in the agricultural sector in Ghana and in other member countries of the Bank Group.
7. The Performance Evaluation Report is a result of a post evaluation mission undertaken in January-February 2000 to Ghana. It contains information based on discussions with Government officials visits to the project sites, and information from the appraisal and PCR reports as well as from project documents and operational staff of the Bank. The overall assessment in this report shows satisfactory project performance outcome for LOC III but not LOC II.

SUMMARY DATA SHEET**I. Second Line of Credit**

1.	Country	:	Republic of Ghana
2.	Project	:	Second Line of Credit to AgDB
3.	Loan Number	:	CS/GH/AGR/85/3
4.	Borrower	:	The Government of Ghana
5.	Beneficiary	:	Agricultural Development Bank (AgDB)
6.	Executing Agency	:	Agricultural Development Bank (AgDB)

A. BASIC LOAN DATA

		<u>Appraisal Estimate</u>	<u>Actual</u>
1.	Amount (UA million)	13.815	13.815
2.	Amount cancelled (UA million)	None	None
3.	Interest Rate (% annum)	None	None
4.	Service charge	0.75%	0.75%
5.	Repayment Period (years)	20	20
6.	Grace Period (years)	5	5
7.	Loan Balance (UA million)	-	None
8.	Loan Negotiation Date	N/A	N/A
9.	Loan Approval Date	-	13 th December 1984
10.	Loan Signature Date	None	7 th February 1985
11.	Loan Effectiveness Date	None	9 th July 1985

B. PROJECT DATA

		<u>Appraisal Estimate</u>				<u>Actual</u>			
1.	Total Cost (UA Million)	13.815 ¹				13.815			
2.	Financing Plan (UA million)								
		<u>Appraisal</u>				<u>Actual</u>			
		<u>FC</u>	<u>LC</u>	<u>Total</u>	<u>%</u>	<u>FC</u>	<u>LC</u>	<u>Total</u>	<u>%</u>
	ADF	13.82	-	13.82	N/A	13.82	-	13.82	N/A
	AgDB	-	N/A	N/A	N/A	-	N/A	N/A	N/A
	Total	<u>13.21</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>13.82</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
3.	Effective Date of First Disbursement					28 th November 1985			
4.	Effective Date of Last Disbursement	31/12/87				18 th July 1996			
5.	Commencement of Implementation					1985			
6.	Completion of Project Implementation Activities					1995			

C. PERFORMANCE INDICATORS

Cost over/underrun	None
Time overrun	9 Years
Project Implementation Status	Completed

¹ Contribution of AgDB not provided in the Appraisal Report and PCR.

Implementation Performance	Satisfactory
Bank Performance	Satisfactory
Project Outcome	Satisfactory

D. **MISSIONS**

N°	Type of Mission	N° of Missions	N° of Persons
1.	Identification	N/A	N/A
2.	Preparation	N/A	N/A
3.	Appraisal	1	N/A
4.	Supervision	5	N/A
5.	PCR	1	2
6.	PPER	1	2

E. **DISBURSEMENT (UA Million)**

	<u>Actual</u>
Disbursement	13.815
Undisbursed Amount	None

Financing Arrangements at Appraisal, Re-Allocation and Actual Utilisation in Mn UA

Source of Finance	Appraisal		Reallocation		Actual Utilisation	
	FC	LC	FC	LC	FC	LC
LOC II:						
ADF	13.82		13.82		13.82	
AgDB		N/A		N/A		N/A
Total	13.82	N/A	13.82	N/A	13.82	N/A

Source: Bank's PCR and PPER missions.

Second Line of Credit
Annual and Cumulative Disbursement Schedules for LOC II in UA '000

Year	Yearly Disbursement	Cumulative Disbursement
1985	382	382
1986	5,871	6,253
1987	2,776	9,029
1988	392	9,421
1989	243	9,664
1990	1,000	10,664
1991	105	10,769
1992	1,397	12,166
1993	53	12,219
1994	1,369	13,588
1995	203	13,815

II. Third Line of Credit

1.	Country	:	Republic of Ghana
2.	Project	:	Third Line of Credit
3.	Loan Number	:	F/GHA/LC-3/AG/.DB/94/35
4.	Borrower	:	The Government of Ghana
5.	Beneficiary	:	Agricultural Development Bank (AgDB)
6.	Executing Agency	:	Agricultural Development Bank, (AgDB)

A. BASIC LOAN DATA

		<u>Appraisal Estimate</u>	<u>Actual</u>
1.	Amount (UA million)	23.00	23.00
2.	Amount Cancelled (UA million)	None	None
3.	Interest Rate (% annum)	None	None
4.	Service charge	0.75%	0.75%
5.	Repayment Period (years)	20	20
6.	Grace Period (years)	5	5
7.	Loan Balance (UA million)	-	None
8.	Loan Negotiation Date	N/A	N/A
9.	Loan Approval Date	-	24 th November 1993
10.	Loan Signature Date	None	5 th May 1994
11.	Loan Effectiveness Date	None	14 th August 1994

B. PROJECT DATA

		<u>Appraisal Estimate</u>				<u>Actual</u>			
1.	Total Cost (UA Million)	44.00				44.00			
2.	Financing Plan (UA million)								
		<u>Appraisal</u>				<u>Actual</u>			
		<u>FC</u>	<u>LC</u>	<u>Total</u>	<u>%</u>	<u>FC</u>	<u>LC</u>	<u>Total</u>	<u>%</u>
	ADF	23.00	-	23.00	52.3	23.00	-	23.00	52.3
	World Bank	4.50	-	4.50	10.2	3.31	-	4.50	7.5
	AgDB	-	16.50	16.50	37.5	-	17.69	17.69	40.2
	Total	<u>27.50</u>	<u>16.50</u>	<u>44.00</u>	<u>100</u>	<u>26.31</u>	<u>17.69</u>	<u>44.00</u>	<u>100</u>
3.	Effective Date of First Disbursement:	6 th October 1994				6 th October 1994			
4.	Effective Date of Last Disbursement	18th July 1996				September 1998			
5.	Commencement of Implementation					1995			
6.	Completion of Project Implementation Activities					December 1998			

C. PERFORMANCE INDICATORS

Cost over/underrun	Not Applicable
Time overrun	9 months
Project Implementation Status	Completed

Implementation Performance	Satisfactory
Bank Performance	Satisfactory
Project Outcome	Satisfactory

D **MISSIONS**

N°	Type of Mission	N° of Missions	No. of Persons
1.	Identification	1	N/A
2.	Preparation	1	2
3.	Appraisal	1	2
4.	Supervision	3	5
5.	PCR	1	2
6.	PPER	1	2

E. **DISBURSEMENT (UA Million)**

Disbursement (Including reallocated)	<u>Actual</u> 23.00 million
Undisbursed Amount	None

Financing Arrangements at Appraisal, Re-Allocation and Actual Utilisation in Million UA

Source of Finance	Appraisal		Reallocation		Actual Utilisation	
LOC III:						
ADF	23.00		23.00		23.00	
World Bank	4.50		4.50		3.31	
AgDB		16.50		16.50		17.69
Total	27.50	16.50	27.50	16.50	26.31	17.69

Source: Bank's PCR and PPER missions.

Third Line of Credit

Annual and Cumulative Disbursement Schedules for Loc II and LOC III in UA '000

Year	Yearly Disbursement	Cumulative Disbursement
1994		
1995	5,300	5,300
1996	7,786	13,086
1997	8,850	21,936
1998	1,064	23,000

Source: Bank's PCR and PPER missions.

1. SUMMARY OF EVALUATION

1.1 Projects' Objectives and Scope

1.1.1 The LOCs' sectoral goal comprised increased production of: food crops to ensure domestic food security, raw materials to supply adequate inputs at competitive prices to industry, export crops as a means to diversify the export base and improve the country's balance of payments position and ensure that the increased production in the rural areas is translated into higher rural incomes.

1.1.2 The Second Line of Credit (LOC II) was conceived as a result of GOG efforts to mobilise resources for increased agricultural production. The credit was to provide foreign exchange for the importation of fisheries, poultry, and oil palm processing equipment, inputs for food/industrial/export crops production and support for the development of certain management skills at the Agricultural Development Bank (AgdB). The credit was approved by the Bank in 1984 and the Project Completion Report (PCR) No. ADF/BD/IF/98/84 was prepared in December 1997.

1.1.3 The Third Line of Credit (LOC III) was aimed at consolidating and deepening the gains of LOC II, financed by the Bank in 1984. It involved procuring agricultural inputs from overseas to support increased production of food/industrial/export crops and fisheries/poultry by small-scale farmers and fishermen in the rural areas of Ghana and to strengthen the management of AgdB through training and computerisation. The Bank approved the credit in November 1993 and the PCR No. ADF/BD/IF/99/116 was prepared in January 1999.

1.2. Implementation Performance

1.2.1 The credits experienced 9-year and 9-month implementation delays, during the periods of their utilisation for LOC II and LOC III respectively. In the case of LOC II, the long delay was due to several factors discussed in para. 3.3.2. With LOC III the 9-month of delay also resulted from the need to reallocate funds meant for some sub-projects to others. It is, thus, observed that the implementation schedules in the appraisal reports, especially the one on LOC II were rather optimistic and, therefore, not a useful guide.

1.2.2 At appraisal, the total credits were estimated at UA 13.82 and 44.00 million for LOC II and LOC III respectively. LOC II is understated by the exclusion of the amount that was to be contributed by AgdB as that was not provided by the Appraisal report. The actual total credits at completion were UA 13.82 and 44.00 million. Again, LOC II does not include the contribution of AgdB. The ADF credits were UA 13.82 million (for LOC II) and UA 23.00 million (52.27%) for LOC III, which were also the actual Bank disbursed amounts at their completion. AgdB and the World Bank were expected to respectively contribute UA 16.50 million (37.50%) and UA 4.50 million (10.23%) to LOC III but they actually contributed UA 17.69 million (40.20%) and UA 3.31 million (7.53%). AgdB's contribution increased because it absorbed the shortfall in the World Bank's contribution.

1.3 Relevance of the Credits

1.3.1 Bank operations in Ghana were consistent with its agricultural policy and strategy, which was to: (a) support the achievement of national food security through crop diversification, agricultural processing, etc. and (b) provide lines of credit to performing

commercial banks as a means of assisting small and medium-scale enterprises in agro-processing.

1.3.2 This policy, doubtless, was in tune with GOG's long-term agricultural development objective during the implementation of the LOCs. The objective covered increased production of: food crops to ensure domestic food security, supply adequate raw materials at competitive prices to industry, diversify exports to contribute to the country's balance of payments position and ensure that the increased production in the rural areas was translated into higher rural incomes. The Bank's policy continues to be relevant to Ghana's current development objectives, enunciated in its long-term plan, Vision 2020, in that food security and increased production of food/industrial/export crops and fisheries/poultry products are still at the centre of agricultural production.

1.4 Credits' Efficacy

Utilisation of the LOCs satisfactorily met the objective of reinforcing GOG's effort at mobilising resources to: increase the production of export crops, foodcrops, fisheries and poultry products and create additional employment; as well as improving the capacity of AgDB to effectively administer credit with small-scale farmers and fishermen as main beneficiaries. By the completion of LOC III, production of the various items had recorded substantial increases, discussed under Performance Evaluation in Section 4.

1.5 Efficiency of the Credits

1.5.1 Performance on the implementation of the LOCs showed improvement over the years. Implementation of LOC II took 11 years instead of the 2 years expected at appraisal. Apart from AgDB not generally being conversant with the Bank's procedures, the major factor for this undesirable occurrence was the recourse to ICB tendering and direct payment procedures. Implementation of LOC III had a time overrun of 9 months beyond the estimated implementation period at appraisal of three years, indicating very significant improvement in implementation performance compared to that of LOC II.

1.5.2 Utilisation of the two lines of credit covered almost every region of the country. The fisheries sub-project was implemented along the coast of Ghana, which traverses the four regions of Central, Greater Accra, Western and Volta. The rest of the funds were spent in the remaining six regions and covered such sub-projects as cotton, cocoa, food crops and non-traditional exports. With as many as 224,000 small-scale farmers and 42,000 fishermen benefiting from the LOCs, their socio-economic impact cannot be overemphasised.

1.5.3 An aspect of the LOCs was to provide inputs to the beneficiaries at competitive prices. In all cases farmers/fishermen preferred AgDB imported inputs as they sold at prices that were at least 25% cheaper, as the prices of inputs in the poultry industry show in Annex 6.

1.5.4 When it was realized under both LOCs that some of the sub-sectors or components – cocoa, foodcrops and Women in Development - did not have effective demand for the credits allocated to them, AgDB quickly assessed the ability of the other sub-projects – fishing, poultry and cotton – to utilize the funds involved, sought the Bank's approval and the funds were adequately disbursed to these sub-projects.

1.5.5 An interesting development in the implementation of LOC III was the use of AgDB's local funds to support women fish processors/marketers to develop processing facilities (which did not require foreign exchange) and, hence, improve on storage of fish after smoking. This has tended to reduce fish losses.

1.6. Institutional Aspects

1.6.1 By the nature of its functions AgDB reports to two ministries, the Ministries of Agriculture and Finance. Because it is a bank, AgDB is directly supervised by the Central Bank (Bank of Ghana). Needless to say, the Central Bank performs this function on behalf of the Ministry of Finance. However, because a greater proportion of AgDB's loanable funds are employed on programmes/projects within the agricultural sector, it also has a working relationship with the Ministry of Agriculture.

1.6.2 Essentially, there were two policy changes within the agricultural sector. First, there was the privatisation of the importation and distribution of fertilisers. Then, subsidies on all agricultural inputs were removed. The financial sector underwent some changes following appraisal of the credits (para.2.1.4) even though the projects continued to be the responsibility of AgDB.

1.6.3 The LOCs' training component enabled AgDB to provide local and foreign training to its senior executive and middle management staff resulting in marked improvement in their knowledge and skills in project analysis/evaluation, credit administration, accounting, etc. A direct outcome of this was the increase in AgDB's loan recovery rate from 66% in 1994 to 85% by the end of 1996. But, adequate information flow between its head office and some of its branches is still hampered due to non-completion of its computerisation programme. Because of this, records/reports are manually prepared, providing a tendency for the credit officers to be overburdened and unproductive.

1.6.4 The LOCs have not only contributed to improving AgDB's level of operations but has also strengthened management capacity in providing assistance to needy agricultural sub-sectors. With improved management there were considerable increases in its asset base, deposit base, shareholders' funds, profitability, etc. between 1994 and 1998. Through this achievement, it has become one of the best four performing among Ghana's eighteen banks. Apart from adequately meeting the Central Bank's prudential ratios, it operates independently of GOG even though it is fully owned by the GOG. All this has been possible because AgDB, in most respects, operates as a private, universal bank. It has its own Board of Directors which takes overall responsibility for AgDB's operations. Members of the Board are appointed by the GOG and they currently comprise a Chairman, who is an adviser to the President, the Managing Director, Deputy Managing Director and representatives from the Ministry of Finance, Ministry of Food and Agriculture and Bank of Ghana. Unlike the period prior to 1990s there is no interference in its operations by the GOG.

1.7. Credits' Impact

1.7.1 The utilisation of the credits over all the ten regions of the country has been mentioned in Para. 1.5.2. Following their increased income levels some of the farm groups or villages have dug wells for drinking water and are in the process of constructing schools on self-help basis. Some farmers, especially in the north, have either enlarged their houses or improved upon them. All farmers cultivate food crops (especially maize and legumes) for

their own subsistence while their main produce is sold for income, thus contributing to poverty alleviation.

1.7.2 Apart from the generation of employment for so many farm families in otherwise deprived areas, especially parts of the three northern regions and Brong Ahafo, the LOCS made direct contributions to Ghana's foreign exchange earnings/savings (**Annex 6**). Indeed, through their implementation the immense potential for making cotton production one of the major means of diversifying Ghana's export base has clearly been identified, as the opportunity exists for a tenfold production if not more.

1.7.3 Finally, utilisation of the LOCs has led to the establishment of close relationships between AgDB, agricultural input suppliers, buyers/processors of agricultural produce and the numerous small-scale farmers and fishermen spread across the country. These relationships provide a mechanism through which AgDB ensures that agricultural inputs procured for the benefit of small-scale farmers and fishermen are made available to them for their productive activities. It is worth noting that there are many more farmers and fishermen wanting to become beneficiaries under the arrangement. In essence, the distributive effect of the results of the LOCs' utilisation is very wide. Furthermore, a major impact of the credits is that through their use all the stakeholders have developed productive capacities which they continue to employ for increased production and, hence, gainful employment.

1.8. Credits' Sustainability

1.8.1 GOG's continued commitment to increased agricultural production, especially in the sub-sectors covered by the two LOCs, is reflected in the country's long-term plan, Vision 2020. After implementing three LOCs from the Bank, AgDB has developed greater understanding of the Bank's implementation procedures and with its increased management capacity (as reflected in very significant growth in asset base, loan portfolio, productivity of employees, profitability, etc.) is poised to utilise larger amounts of such funds in future. At another level, the beneficiaries have developed better-organised operations. The farmers, fishermen, fishmongers and agricultural produce processors (cotton, poultry, fish, etc.) who participated in the projects continue to make adequate returns on their production and can be expected to continue in production, provided inputs are made available to them.

1.8.2 But, to effectively sustain the projects, the beneficiaries will continue to require financial assistance from an institution like AgDB providing the type of financing they received under the LOCs. This is necessary, as the economy of Ghana is unable to generate adequate foreign exchange to meet its needs, including importation of agricultural inputs. AgDB obtains its funding through borrowing from several sources, including the Bank of Ghana, multilateral and bilateral lending agencies and internally generated funds. As the sole agent for Western Union Money Transfer in Ghana, it has also become a major recipient of foreign exchange transfers into the country (US\$97 million in 1999) by the large number of Ghanaians resident abroad. Together, these arrangements provide a formidable source of foreign exchange that will continue to make it possible for AgDB to finance agricultural production of the type under review.

1.8.3 Even though AgDB caters for numerous small farmers and fishermen and only uses input suppliers and/or agro-processors as conduit for assisting the farmers and fishermen, the public does not appear to perceive it as a micro finance institution. This may

make it difficult for it to access the increasing funds being channelled to this kind of institution. It may have to establish a department or subsidiary for micro-financing to get around this problem. Finally, The quality of information on the LOCs provided by some of the branches of AgDB left much to be desired. But, this was, in part at least, due to the fact that credit officers of those branches were overburdened. Such officers' work could be facilitated by computers. Unfortunately, AgDB's computerisation appears to have stalled as funds for the programme have been exhausted.

1.9. Conclusions, Feedback and Recommendations

1.9.1 Conclusions

In as much as the LOCs have been utilised and their objectives achieved, there is the need to reorient the Bank Group's provision of LOCs toward its new vision involving poverty alleviation and women development. The inability of AgDB to effectively utilise the initial allocation to WID could have been prevented through an aggressive promotion of the facility among women entrepreneurs in the agricultural sector. A different approach has been adopted in LOC IV to allocate funds under the facility to sub-sectors instead of sub—projects, with the provision that at least 10% of the total funds should be allocated to women across sub-sectors. Aggressive marketing of the facility to women entrepreneurs would still be necessary.

Overall, the LOCs' objectives have been met, the inputs contributed to increased `agricultural production and AgDB's management has been strengthened. There is room for even greater production should AgDB be able to mobilise foreign exchange to ensure continued availability of the foreign inputs.

The present PPER accepts most of the conclusions of the PCRs with the additions stated below:

- a) The increased allocations to the cocoa and agro-processing sub-projects within LOC III were not backed by a well-founded determination of the demand for credit in these areas. Similarly, evidence on a sound assessment of demand for credit by women was lacking. Neither was there a concerted effort to sell the sub-project to women entrepreneurs;
- b) AgDB's computerisation is stalled due to lack of funds for the sub-project. This has tended to hamper adequate preparation of project reports and management information flow;
- c) the utilisation of the credits (particularly LOC II) experienced significant delays during the implementation phase;
- d) the executing agency for the LOCs performed satisfactorily; the involvement of small-scale rural farmers and fishermen in the utilisation of the funds is a good experience which can be replicable in the country and elsewhere; and
- e) the policy of GOG of providing credit to rural dwellers is still consistent with the Bank framework for agricultural production and poverty alleviation policies.

1.9.2 Lessons

The following lessons can be drawn out of the two LOCs:

- a) A line of credit to the agricultural sector can be successfully utilised by a bank with an orientation toward agricultural finance as the co-ordinating agency.
- b) Lack of built-in flexibility in the design of LOCs does not enable executing agencies to utilise funds in areas where they are needed within the broad scope of the project.
- c) The use of Direct Payment and ICB can cause long delays in implementation by executing agencies and suppliers that have either not been trained or have no experience in using them.
- d) Gradual utilisation of LOC in the agricultural sector can help in identifying crops and products that have vast potential for broadening the base of a country's production or export.
- e) Assistance to large numbers of agricultural producers (in fishing, poultry and crop production) in the rural communities is an effective method for broadening private sector participation in the economy.
- f) Retention of well-trained middle and executive management personnel provides a base for good financial and organisational performance.

1.9.3 Recommendations

The following recommendations are formulated for the consideration of the Government, AgDB and the Bank:

For the Government and AgDB

- i) GOG and AgDB should reassess the demand for credit by women entrepreneurs generally with a view to achieving greater involvement of women in future LOCs;
- ii) GOG and AgDB should undertake a detailed assessment of the potential for developing cotton as a major industrial/export crop of Ghana and opening-up the deprived areas of the four northern regions, including Brong Ahafo;
- iii) AgDB should urgently seek funding for completing its computerisation to facilitate reporting on operations and projects;
- iv) AgDB should explore the desirability in establishing a micro finance department or subsidiary.

For the Bank

- v) the Bank should ensure that project files as well as data storage, retrieval and dissemination are well secured and can be made available for PPER preparation; the Bank's procedures should also permit the evaluation of projects or programmes beyond a reasonable period so that changes in procedures and scope can be effected if need be or a project/programme may be discontinued if there is a strong reason for doing so(para. 2.8.3);
- vi) the Bank should take necessary steps to ensure proper assessment of the demand for credit by sub-projects at appraisal and that the sub-projects can adequately utilise credits allocated to them within reasonable limits;
- vii) when procurement procedures not well known or practiced by executing agencies are prescribed in appraisal reports OCDS and CADI should ensure that the executing agencies are exposed to the procedures before the commencement of implementation to avoid unnecessary delays in implementation; and
- viii) project officers should ensure that implementation schedules drawn up at appraisal are realistic and detailed enough to contain crucial elements such as deadlines for loan signature, loan effectiveness and procurement activities.

1.9.4 Follow-up Action Matrix

The follow-up action matrix, derived from the main findings and recommendations, is given in Annex 1.

2. PROJECTS BACKGROUND

2.1 Country Economic Context

2.1.1 With a per capita income of about US\$390 and a population of 19 million, Ghana is largely dependent on primary production of minerals and cocoa. Some 36% of households live below the poverty line, of which about 80% reside in the rural areas, with 64.5% poor households having no access to public health facilities whilst 88% have no access to safe drinking water. The country has an annual population growth of about 3% and exhibits a high dependency ratio of 102%. Females make up about 50.7% of the total population, account for 44.2% of the labour force and have an adult literacy rate estimated to be 46%, which is slightly higher than the regional average.

2.1.2 In most of the 1970s and the early part of the 1980s, the pursuit of poor economic and financial policies resulted in internal and external imbalances and very high and increasing rates of inflation. These coupled with an adverse external environment led to economic crises and political instability. In 1983, the Government began the implementation of an economic recovery programme focussed on economic stabilisation and structural as well as institutional reforms. Through this programme, macro-economic disequilibria were largely corrected by 1991, with GDP growing at about 5%. Government revenues had by then increased to 16%, the overall balance of payments had also turned to a surplus and official reserves had grown to the equivalent of 4 months imports. But, prior to elections in 1992, the Government relaxed policy implementation and fiscal discipline, compromising previous achievements as a result. Since the beginning of 1993, a new impetus has been given to economic and structural adjustment. Two ESAF facilities were approved by the IMF

in 1995 and 1998, and the African Development Bank and the World Bank also approved policy-based loans in 1998, to support the Government's macro-economic programme for the period 1998-2000. Policy initiatives to improve the environment for greater participation of the private sector in the economy, including privatisation of state-owned enterprises have been undertaken.

2.1.3 Savings continue to be at a relatively low level and have fluctuated unevenly though on a rising trend. By and large investments have been driven by public sector outlays on roads, communications and social services. On the other hand, private investments have not been forthcoming because of perceived policy hesitations and incessant inflation. Despite much progress in policy reforms, the country's production and export base remain relatively undiversified. Exports are dominated by gold and cocoa, making the economy very vulnerable to adverse developments in the world market as happened to cocoa and gold in the second half of 1999. The social and economic infrastructure is still inadequate and creates constraints particularly in the agricultural and social sectors. Unemployment and underemployment are prevalent and gender inequality and regional disparities still exist in terms of quality of education and access to health care.

2.1.4 A major development in the financial sector was the promulgation of the Banking Law (PNDCL 225) of 1989, under a GOG/IDA sponsored Financial Sector Adjustment Programme (FINSAP). The law was aimed at injecting discipline into and strengthening the banking system of the country. Strengthening the system also required that the banks implemented restructuring programmes supervised by the Central Bank. To this end, it cleaned the banks' balance sheets by transferring their non-performing assets (loans) to a Non-Performing Assets Recovery Trust (NPART), established to recover such debts in 1990. The Central Bank's restructuring of the banks ran parallel to the AgDB's strengthening arrangement under both LOCs.

2.2 The Agricultural Sector

2.2.1 Agriculture is the dominant sector within the economy of Ghana, contributing 40.9% to GDP and some 47% employment of the economically active population. The sector has four main sub-sectors – crop and livestock production (27.8% of GDP), cocoa (7.2%), forestry and logging (4.5%) and fishing (1.4%). The sector is characterised by low-input, rainfed, small-holder dominated, heavily dependent on women's labour and management and poorly served by basic infrastructure and support services.

2.2.2 The two Lines of Credit (LOC II and LOC III) were conceived and designed within the framework of GOG's agricultural policy, under the Medium Term Agricultural Development Programme (MTADP), which guided the country's agricultural development programme from the mid 1980s and throughout the 1990s. The main thrust of GOG's long term policy during the period of the Second and Third Lines of Credit covered: (a) increased production of food crops (such as maize, plantain, tomato, etc.) to ensure domestic food security, (b) increased production to supply adequate raw materials at competitive prices to industry, (c) export diversification to positively contribute to the country's balance of payments and (d) ensure the translation of greater agricultural production in the rural areas into higher incomes for the rural populace.

2.2.3 Generally, GOG's policies and objectives for agricultural development were in agreement with those of the Bank Group. Bank operations in Ghana during the period

under review were consistent with its agricultural policy and strategy, which were meant to: (a) support the achievement of national food security through crop diversification, agricultural processing, etc. and (b) provide lines of credit to performing commercial banks as a means of assisting small and medium-scale enterprises in agro-processing. Thus, the two Lines of Credit to AgDB were relevant in the sense that they formed an integral component of the action programmes of both the Bank and GOG to implement projects for the achievement of GOG's objectives.

2.3. History of Bank Group Operations

2.3.1 The Bank Group's first intervention in Ghana, which was in the agricultural sector, was in 1973, when it approved a loan of UA 2.30 million to finance the Nasia Rice project. By September 1999, the Bank had financed 44 operations, totalling UA 526.47 million but with UA 19.50 million, leaving the Bank Group's net commitment to the country to UA 506.97 million. 20 operations out of the 44 financed had been completed, 2 cancelled and 22 were at various stages of implementation. UA 166.92 million covering 14 projects went to the agricultural sector, ten of which have been completed with 4 still on-going. The ten completed projects include three lines of credit, the second and third lines of credit are the subject of this PPER. The three credits, LOC I, (UA 8 million) LOC II (UA 15 million) and LOC III (UA 23 million) were granted in 1980, 1984 and 1994 respectively. A Fourth Line of Credit (for UA 15 million) was approved in 1999.

2.3.2 The performance of the Bank Group portfolio in Ghana has improved over the years, especially since 1996. Significant improvement has been made in the pace of project implementation, especially having regard to the appointment of consultants. Additionally, the Government has strengthened the implementation agencies by pooling them into one Project Implementation Unit responsible for all donor-aided projects in such areas as health, education, water and sanitation, etc. On the Bank's part, it now systematically undertakes supervision missions for all on-going projects and launching missions after loan effectiveness.

2.4 Project Formulation

The formulation of the credits is described in detail in their Appraisal Reports and PCRs. However, the formulation of both credits erred on the extent of demand for credit in the cocoa and agro-processing sub-projects. It was realised by AgDB sometime into the implementation of LOC II and LOC III that these two sub-projects did not appear to have adequate absorptive capacity for the credits contracted. The reoccurrence of this situation under LOC III seems to suggest that not much effort went into its determination during the appraisal of LOC III. The inability of AgDB to effectively use the allocation for Women-in-Development (WID) under the Third Line of Credit may be viewed in the same light.

2.5. Project Rationale

Given the economy of Ghana's inability to generate enough foreign exchange to support importation of needed agricultural inputs, LOC II was jointly developed by the Bank, GOG, and AgDB to provide credit for the supply of agricultural inputs to support increased production. It was aimed at strengthening the managerial capacity of AgDB

through computerisation and staff training. Similarly, LOC III was designed to consolidate the gains of the First and Second Lines of Credit by ensuring continuous supply of essential inputs to small-scale farmers and fishermen.

2.6 Objectives and Scope at Appraisal

2.6.1 The objectives and scope established for the two LOCs at appraisal were relevant to Ghana's development effort. The LOCs goal was to contribute to the overall GDP growth through increased agricultural production. Following from this the specific objectives established at appraisal were to: (a) improve the food self-reliance position of Ghana, (b) increase agricultural production for the development of resource based rural industries, (c) improve the balance of trade through import substitution and (d) ensure that benefits of economic development impact positively on the poorer members of the society. These objectives were to be realised through increased production of fish by fishermen as well as , poultry products, and food/export crop farmers. The food storage, preservation and processing capacity in the sub-sectors were also to be enhanced.

2.6.2 The credit was tailored to meet the requirements of farmers, fishermen, as well as enterprises that serve the needs of these groups by providing them with inputs for their production activities and buying their produce for processing and/or export. The target entities were spread all over the country. In addition, it was also meant to improve the operational efficiency of AgDB through the provision of logistic support (vehicles and computers) and training of staff in project evaluation, credit administration and accounting.

2.6.3 The increased production of these items was expected to improve Ghana's food security, diversify its export base and thereby improve its balance of payments position, and create greater employment and higher incomes for small-scale farmers and fishermen. The components of both LOCs (II and III) have been detailed in their Appraisal Reports and PCRs. The project's retrospective logical framework, which has been presented as Annex 2, is an improvement of that in the PCR.

2.7 Financial Provisions

2.7.1 LOC II was for UA 13.82 million, all in direct foreign exchange. The amount was to finance the foreign exchange component of imports of agricultural inputs for fisheries, oil palm processing and poultry development, and provide support in the development of certain management skills at AgDB. At appraisal, the total amount of the Third Line of Credit was UA 44.0 million. The Bank was to finance UA 23.0 million (or 52.3%) of the total cost. AgDB was to provide UA million 16.5 (37.5%) and the World Bank, was to contribute the remaining UA 4.5 million (10.2%).

2.7.2 The above provisions were fully utilised, in accordance with the new funds allocation in Table 3.1 of Section 3. However, there was a shortfall in the contribution of the World Bank by UA 1.19 million, which was absorbed by AgDB.

2.8 Evaluation Methodology and Approach

2.8.1 Both the Appraisal Reports and PCRs judged the Second and Third Lines of Credit to be of good quality. The documents were prepared in accordance with guidelines of

the Bank Group's existing Operations Manual. The credits' context, the internal and external constraints to the development of agriculture in Ghana, as well as the institutional performance during implementation have been reasonably treated in the PCRs. However, the project's operational and financial performances were rather assessed only in Ghana Cedis. The assessment was silent on the continuous depreciation of the Ghana Cedi throughout the implementation of the two Lines of Credit and its possible effect on the utilisation of the credits. The PCR was also silent on the inadequacy of assessing credit demand for the cocoa, agro-processing and WID sub-projects at appraisal of the Third Line of Credit. The PPER is being prepared to rectify these anomalies.

2.8.2 The PPER has been prepared following a mission to Ghana between January 30 and February 14, 2000. Apart from using information obtained from the Appraisal Reports and PCRs, it also relied on the following sources: a) data available from the executing agency, b) information obtained through visits to project sites, c) discussions with officials of the Ministry of Finance and d) discussions with operational staff of the Bank. The evaluation involved comparisons of findings and projections in the Appraisal Reports and the PCRs with those relating to the evaluation, assessment of performance of various stakeholders during project implementation and identification of lessons for improving Line of Credit formulation and design, implementation and operation in future.

2.8.3 Project files obtained from within the Bank contained very scanty information, which was mixed-up with other projects' documents/information. This created a drawback on detailed data on the LOCs, especially regarding information pertaining to their identification and preparation. Unavailability of such data made the task of preparing the projects' Summary Data daunting. Clearly, there is a need for the Bank to have an information system on projects or LOCs that includes data storage, retrieval and dissemination. Also desirable is a procedure, which permits projects/programmes to be evaluated if delays go beyond a reasonable period of time. This should be aimed at problem solving, such as changes in procedures and scope if necessary or discontinuing the project/programme where there is a very strong case for such an action.

3. PROJECT IMPLEMENTATION

3.1 Loans' Effectiveness

3.1.1 Approval of LOC II by the Bank was in December 1984 and the credit agreement was signed in February 1985. It became effective in September of the same year, which was 7 months longer than the period estimated at appraisal. This was due to delay, on the part of the Borrower, in meeting the condition for loan effectiveness relating to the on-lending agreement between the Borrower and the Executing Agency.

3.1.2 Regarding LOC III, it was approved in November 1993, the loan agreement was signed in May 1994 and it became effective three months later, in August 1994.

3.2 Changes in Project Scope

3.2.1 Essentially, there was one change in each of the Lines of Credit. The changes had to do with AgDB's realisation that there might not be adequate absorptive capacity for the credits within the cocoa and food crops, oil palm development/processing and WID sub-

projects. However, there were positive indications of excess demand for credit by the cotton and poultry sub-projects. Consequently, AgDB sought the Bank's approval to reallocate a substantial amount of the total credit (UA 6.0 million or 26.1% of the total Bank credit) of the original allocations for the sub-projects without effective demand to those with excess demand.

3.2.2 The resultant changes in the credit allocations to the sub-projects were as indicated below.

Table 3.1
Changes to ADF Credit Allocations to Sub-projects in UA '000

Sub-Projects	Appraisal Allocations	New Allocations/Utilisation
LOC II:		
Fishing	6,444	9,573
Poultry	339	1,196
F/Export Crops (including cocoa)	1,247	124
Oil Palm Mills	1,287	-
Agro-Processing	1,280	-
Spares for LOC I Inputs	-	1,096
Logistic Inputs/Institutional Support	871	1,826
Procurement Fee	169	-
Foreign Exchange Contingency*	2,178	-
Total	13,815	13,815

Sub-Projects	Appraisal Allocations	New Allocations/Utilisation
LOC III:		
Cocoa	8,650	3,810
Cotton	4,300	7,460
Poultry	1,900	4,740
Fishing	1,900	1,900
Food Crops	1,900	1,900
Non-Traditional Exports	830	830
Agro-Processing	1,420	1,090
Women-in-Development	1,100	270
Institutional Support	1,000	1,000
Total	23,000	23,000

- Used for spare parts for LOC I equipment

3.2.3 It is evident from the table that the demand for credit by the cocoa sub-project was grossly overstated under LOC III. Given the substantial reduction in the allocation to food and export crops under LOC II, provision to this sub-project should have been done with greater circumspection. However, the overestimation of credit demand by the WID sub-project may be understandable since that was the first time AgDB was venturing into that area. It is just as well that AgDB has proposed a different approach to providing credit to WID in its PCR on LOC III, as both the Bank's PCR and PPER missions came across situations, which seem to suggest that there might be effective demand for credit by women entrepreneurs

3.3 Implementation Schedule

3.3.1 There was considerable time delay in the implementation of LOC II. The PCR described and analysed the delays. Actual utilisation of the credit took 11 years instead of the 2 years initially targeted at the appraisal stage.

3.3.2 The delays in the implementation of the project are attributable to a number of factors. A major factor for this delay was that the Appraisal mission failed to adequately assess the capacity of AgDB to successfully implement the project. Yet another key one among them is having to procure all goods, with the exception of vehicles and notes counting machines, through International Competitive Bidding (ICB) because AgDB did not have much experience in it. On the other hand, it was very conversant with the Restricted Tender and Local Competitive Bidding (LCB) procedures. Then, of course there were delays due to reallocation of funds from some sub-projects to others and the necessary paperwork for the Bank's approval. Other causes of delay in implementation included lack of stable management at AgDB and the involvement of virtually every department of the Executing Agency in the activities of the PIU. All these factors were, thus, responsible for the long implementation period, which was 4.5 times longer than the two years targeted at appraisal. In short, in drawing up the implementation schedule the Appraisal mission should have delved more into the procurement problems, high turnover of AgDB's top management, as well as the capacity of AgDB to implement the project within the implementation period proposed.

3.3.3 Utilisation of LOC III had a 9-month time delay, which was very good compared to the very long implementation period of LOC II. The expectation at appraisal was that implementation of LOC III would commence in January 1994 and would be completed by the end of 1996. But, implementation actually commenced in 1995 and completed in 1998. The January 1994 implementation commencement anticipated at appraisal was unrealistic, as the project itself could not be submitted for approval before October 1993. The delay in implementation was also partly due to the decision to reallocate funds from some sub-projects to others and the concomitant need to obtain approval from the Bank. Without the reallocation of funds the implementation would probably have been on schedule. Thus, it is imperative that every effort be made at the appraisal stage to ensure that demand parameters for sub-projects are adequately assessed.

3.4 Reporting

3.4.1 With regard to LOC II, AgDB's submission of the standard quarterly and annual reports required by the credit agreement was unsatisfactory during the early years of implementation. AgDB appeared to be going through a phase, which made implementation of the project difficult. Apart from its head office departments being scattered all over Accra, the involvement of all of them in project implementation was bound to create co-ordination problems. Additionally, management positions within the agency were under frequent changes.

3.4.2 Unlike reporting under LOC II, that of LOC III was more regular and satisfactory. During the three years and 9 months implementation period, 5 out of 7 semi-annual progress reports prepared by AgDB itself and 2 annual audit reports prepared by the agency's external auditors in accordance with the Bank's guidelines were submitted. There is no evidence to the effect that the Bank was proactive with the reports.

3.5 Procurement of Goods and Services

3.5.1 Requirements established for both projects at appraisal were in accordance with the Bank's procurement guidelines for ICB, Restrictive Tender and LCB procurement.

The Borrower met the requirements regarding ICB with difficulty under LOC II to the extent that they were excluded from LOC III.

3.5.2 Similarly, the method of payment employed under LOC II, Direct Payment, caused considerable delay and inconvenience to the suppliers of the imported inputs. It was, therefore, replaced with the Revolving Account method. Thus, lack of procurement problems under LOC III was helped by the fact that a correction was effected to surmount the major procurement problems encountered during the implementation of LOC II. It is imperative that where executing agencies are not conversant with procurement methods they are exposed to their workings prior to project implementation.

3.6 Credit Amounts

3.6.1 The total credit of LOC II was estimated at UA 13.82 million at appraisal. This covered the foreign exchange cost of all the agricultural inputs to be procured. AgDB was to provide all the Ghana Cedis required with regard to the importation and supply of the inputs to the farmers and fishermen. However, the magnitude of the local expenditures was not indicated in both the appraisal report and the PCR.

3.6.2 Actual foreign exchange expenditure on LOC II was UA 13.82 million. The Bank, of course, bore all this cost. How much was spent by AgDB to meet local costs is, however, difficult to determine as AgDB did not report on them regularly. In AgDB's PCR on LOC II, GHC 657.5 million and GHC 5.183 billion are provided respectively for the initial amount that was targeted to be spent and what was actually spent. But, since information on how the actual amount spent was built-up from year-to-year is not available, it is not possible to determine the worth of the total expenditure, given that the currency experienced massive depreciation throughout the period of implementation (UA 1 = GHC 49.01 in 1985 to UA 1 = GHC 1,845.60 in 1995).

3.6.3 Total amount of LOC III was estimated to be UA 44.0 million at appraisal in 1994. The Bank's share was UA 23.0 million (52.3%), with AgDB and the World Bank expected to contribute 16.5 million (37.5%) and UA 4.5 million (10.2%) respectively. UA 22.0 million of the Bank's contribution was the amount meant for importation of agricultural inputs and the remaining UA 1.0 million was to provide institutional support for AgDB. During implementation the Bank actually disbursed all the UA 23.0 million (52.3%), whilst AgDB and the World Bank disbursed UA 17.686 million (40.3%) and UA 3.314 million (7.5%) respectively. The shortfall in the World Bank's contribution was absorbed by AgDB from its own resources.

3.7 Disbursement of Financial Sources

3.7.1 At appraisal the expectation was that LOC II would take two years to complete. The financing plan then and the actual utilisation of the credit are presented in the Summary Data.

3.7.2 The yearly disbursements of the LOCs are also presented in the Summary Data. However, delay in meeting loan effectiveness conditions and the factors listed in para. 3.3.2 resulted in an implementation period 4.5 times the 2-year implementation period expected at appraisal. Consequently, the bulk of the disbursements occurred between 1986 and 1994, involving at least six extensions in the deadline for last disbursement.

3.7.3 LOC III's financing arrangement proposed at appraisal and re-allocation as well as actual utilisation are provided in the Summary Data. At appraisal, the Bank Group, the World Bank and AgDB were expected to co-finance the project, with the Bank Group providing UA 23.00 million to finance part of the foreign exchange requirements of UA 27.50 million. The World Bank was to shoulder responsibility for the remaining UA 4.50 million of foreign exchange, whilst AgDB was to finance all the local costs associated with the project.

3.7.4 Even though disbursements started in 1995 and not in 1994, which was the year in which the project was expected to commence at appraisal, there were no significant delays on disbursements during implementation of the project.

3.8 Compliance with Loan Conditions and Covenants

3.8.1 By and large both AgDB and GOG did not have much difficulty in fulfilling the conditions precedent to first disbursement. However, it took 7 months for the credit agreement on LOC II to become effective due to delay by the government in preparing a legal opinion and an on-lending agreement between GOG and AgDB. As explained in para. 3.4.2, report submissions to the Bank by AgDB were very irregular under this LOC.

3.8.2 In connection with LOC III, the Borrower (GOG) was to cause AgDB to submit, in addition to semi-annual progress reports, annual audit reports (prepared by an external auditor) incorporating the following: (a) AgDB accounts, (b) project accounts, (c) statement of expenditure, (d) the revolving fund - special account, and (e) meet the local costs of the sub-projects as well as meet all cost overrun as standard requirements. Additionally, AgDB was required to obtain from the Bank approval of individual loans above UA 800,000. and to submit to the Bank a plan to achieve 85 percent loan recovery rate by the end of 1996.

3.8.3 The Borrower and AgDB satisfactorily complied with these conditions and covenants as and when applicable. AgDB absorbed cost overruns to the extent that when the World Bank withdrew from co-financing the computerisation programme, AgDB met any costs that had to be met under its existing contracts with suppliers. The World Bank demanded variations in specifications, whose effect was to prolong implementation of the component unnecessarily and AgDB decided not to accede to such demand. As mentioned in a few places AgDB sought approval from the Bank before reallocating funds from the cocoa, Agro-processing and WID sub-projects to cotton, fishing and poultry. The re-allocations were necessary and realistic. However, both the Bank and AgDB failed to ensure that Ghana Cedi expenditures were properly accounted for, especially during the implementation of LOC II.

3.8.4 Regarding the loan recovery rate, both the PCR and PPER missions received evidence to the effect that AgDB had not only achieved the 85% rate in 1996, but had exceeded the requirement thereafter. In working towards the achievement of the stipulated recovery rate AgDB had to reorganise its Credit Control Department into a Loss Prevention and Recovery Department. This change proved ineffective, resulting in a further change to a Credit and Monitoring Unit, in 1997, for close follow-up of loan recoveries and related matters.

4. PERFORMANCE EVALUATION

4.1 Operating Performance

4.1.1 LOC II and LOC III were fully implemented and completed in 1995 and 1998 respectively. They contributed to increased agricultural production, specifically, in the production of food, industrial and export crops, fishing and poultry products. The activities undertaken under the two Lines of Credit also generated increased employment in these areas. An indication of the quantities of inputs procured is provided in Annex 6 and the employment of such inputs contributed to the favourable outputs discussed below. Both Lines of Credit generated employment for about 224,000 farm families and 42,000 fishermen.

4.1.2 Export of pineapple grew from 2,000 tonnes in 1984 to 10,000 tonnes in 1996. Between 1992 and 1996 export of this crop fetched an incremental revenue of the equivalent of US\$2.64 million, from US\$4.4 million to US\$7.04 million.

4.1.3 Productivity of the farmers in the cotton sub-sector increased from 822kg/ha in 1986/87 to 924kg/ha in 1998/99. There was 36,000 ha of additional land cultivation of cotton by 76,000 farm families, in the otherwise deprived areas of the four regions, Northern, Upper East, Upper West and Brong Ahafo. Their activities resulted in incremental national output of 29,437 tonnes of seed cotton, 12,939 tonnes of lint cotton and 15,505 of cotton seed between 1986/87 and 1998/99.

4.1.4 The small intervention in cocoa resulted in an incremental yield of 8,616.35 tonnes. The inputs for cocoa were applied to 69,680 ha of trees, resulting in an incremental yield of 123.5kg/ha.

4.1.5 The bulk of food crop production was maize and it involved 102,000 farmers 71,000 of whom were assisted to cultivate 35,500 ha. during the implementation of LOC III. Cumulatively they produced about 88,750 tonnes of maize.

4.1.6 Imports of poultry inputs covered 11,743 tonnes of yellow maize, 2,318 tonnes of soyabean, 655 tonnes fishmeal, 20,160 hatching eggs, 17,000 day-old-chicks, 20 tonnes of lysine (concentrate), methionine (concentrate), 10 tonnes of and 310 bags of dicalcium phosphate. Credit for this sub-project was channelled through medium and large-scale farmers/processors with outlets to small-scale farmers to ensure regular supply of essential inputs at reasonable prices. These inputs were a major factor in the sustenance of about 313,697 broilers and 666,608 layers, producing increased domestic meat and egg supplies by some 705 tonnes and 155 million eggs, respectively, annually. Another major benefit from this intervention was that the feed ingredients largely helped in averting an imminent collapse of the poultry industry following recurring poor domestic maize harvests during the implementation of LOC III.

4.1.7 The fisheries imports, which comprised 5,250 outboard motors, with accompanying nets, twines and ropes and spare parts, contributed 75% of the 7,000 canoes used in fishing in the country. Together, these inputs led to the employment of 42,000 fishermen and annually produce some 93,800 tonnes of fish, which is about 31 percent of the country's annual marine and inland catch.

4.1.8 An important aspect of the results above is that the numerous farmers and fishermen involved are still operating and can continue to operate at even higher levels than those indicated, provided they obtain assistance in the form of inputs supply on credit.

4.2 Financial Performance

Analysis of Past Performance

4.2.1 The two Lines of Credit were executed by AgDB. As indicated earlier, LOC II took eleven years to implement whilst LOC III took three years and nine months. The assessment of the past performance is mainly done by looking at the agency's performance between 1994 and 1998, a five-year period that coincides with the implementation of the two LOCs. It covers the last two years of LOC II's implementation period and the entire implementation period of LOC III.

4.2.2 At appraisal of LOC II, the rate of exchange between the Ghana Cedi and Bank UA was GHC 38.46 to UA 1. By the end of 1998 the rate had changed to GHC 3,189.12. This massive change in the rate of exchange, together with the very high rates of inflation experienced in Ghana between 1985 and 1998 does not provide much meaning to interpretation of GHC accounting figures on AgDB over the fourteen years. For example, whilst AgDB's Total Assets grew by 382.2% in GHC terms between 1994 and 1998, the growth in US Dollar terms was 164.4%. Similarly, Deposits grew by 225.4% in GHC terms over the same period but the growth in Dollar terms was 46.1%. In connection with Net Profits, the growth rate was 770.8% in GHC terms over the five years but 290.6% in US Dollars. In view of this, the assessment of AgDB's past financial performance is undertaken in US Dollars in order not to have inflation and the depreciating value of the currency distort the real performance of the agency.

4.2.3 The past financial statements are presented in Annex 3. The statements comprise income statements and balance sheets for the period 1994-1998, in US Dollars equivalent. Ratios calculated to assess AgDB's financial performance and condition over specified years are also presented at the bottom of the Income Statements. These are among the ratios periodically employed by the Central Bank in assessing the soundness of the banks in the country.

4.2.4 As evident from Annex 3, AgDB showed considerable improvement in earnings between 1994 and 1998. Net Profit After Tax grew to the equivalent of US\$14.06 million in 1997 from only US\$2.66 million in 1994, a growth of about 428.57% in four years (averaging 107.14% per year). However, the Profit After Tax dropped by US\$ 3.67 million to US\$10.39 million in 1998. Substantial increases in interest on (and amount of) time deposits, staff emoluments, occupancy costs and depreciation, as well as a serious energy crisis, which drastically slowed down economic activity in the second and third quarters of the year, were mainly responsible for the lower profit performance in 1998.

Financial Structure of AgDB

4.2.5 The financial ratios calculated in Annex 3 indicate that the decline in profits in two consecutive years, 1998 and 1999, notwithstanding, the financial condition of AgDB is still very sound. Despite a growth of 164.4% in its asset base over the five years under review, the contribution to the value of total assets by shareholders' funds was 5 percentage points higher in 1998 than it was in 1994, when its asset base was much lower. Even more pertinent is the fact that it has consistently maintained a capital adequacy ratio well above the threshold of 6.0% established by Ghana's Banking Law (PNDCL 225) of 1989.

4.2.6 AgDB's financials showed considerable improvement between 1994 and 1998, as reflected in growth in asset base from US\$96.58 million in 1994 to US\$209.04 million in 1998 (or 116.4%), earning assets growth from US\$91.57 million to US\$197.11 million (115.3%) within the same period. Similarly, shareholders' interest (equity) grew from US\$15.04 million to US\$42.95 million (185.6%) from 1994 to 1998, with its deposit base increasing from US\$48.93 million to US\$71.47 million during the same period. Finally, its minimum capital adequacy, as measured by its adjusted capital base divided by its adjusted asset base, during the period was 14.49%. This was 2.4 times the standard of 6% established by the Banking Law.

Financial Projections

4.2.7 AgDB's financial projections covering the period 1999 – 2003, together with its assumptions, are also presented in Annex 4 and summarised below. The figures for 1999 and 2000 have been extracted from its unaudited financial statements and budget respectively. The reason for the decline in the level of profit in US Dollar terms has already been provided in para. 4.2.7. The high inflation of 15% in 1999 should also be mentioned as a factor for the lower profit performance.

Table 4.1
Summary of Projected Income Statements (1999 – 2003) in Million US Dollars

	1999	2000	2001	2002	2003
Total Income*	27.55	35.32	38.43	41.81	45.49
Expenses	17.98	24.42	25.63	27.19	28.34
Net Profit	9.57	10.90	12.80	14.62	17.15
Ratios:					
Return on Total Assets (%)	3.87	3.40	3.64	3.79	4.04
Return on Earning Assets (%)	4.46	3.93	4.20	4.36	4.64
Return on Shareholders' Funds (%)	17.70	17.05	16.91	16.39	16.30
Capital Adequacy (%)	37.00	33.41	36.62	39.84	43.23

Source: AgDB's Unaudited Accounts for 1999, 2000 Budget and PPER mission.

4.2.8 Unaudited financial statements for 1999, again, show a Net Profit After Tax of US\$9.57 million. But, the decline of US0.82 million from 1998 performance was due to an external factor – the high depreciation in the value of the Ghana Cedi in the second half of the year, when it depreciated by 11.54% from GHC 2,390.68 from July to December 1999. The immediate causes of this were the drastic declines in the prices of cocoa and gold, Ghana's main exports, on the international market. Even though profit levels in 1998 and 1999 have not been favourable, AgDB is still one of the best four performing among Ghana's eighteen banks. Apart from adequately meeting the Central Bank's prudential ratios, it operates independently of the GOG despite the fact that it is fully owned by the GOG.

4.2.9 The projections indicate a positive outlook. The projected financials show favourable profit performance as well as sound prudential ratios and capital structure over the five years under review.

4.3 Economic Performance

4.3.1 No return measure like Economic Internal Rate of Return (EIRR) or the Net Present Value in economic terms was calculated for any of the projects at appraisal and PCR

stages, due to lack of quantifiable data. Rather, the expected economic benefits from the lines of credit were described qualitatively and in terms of outputs in tonnes of produce and/or foreign exchange earnings/savings, as well as numbers of employment generation. The same approach has been adopted in the PPER by reiterating benefits enunciated by the PCRs.

4.3.2 Apart from generating considerable incomes for the 76,000 farmers (Annex 6), the increased lint cotton and cotton seed production generates about US\$7.96 equivalent in foreign exchange savings/earnings per annum.

4.3.3 Pineapple output increased from only 2,000 tonnes per annum to 10,000 tonnes annually between 1984 and 1994, fetching an additional US\$2.64 million per annum since 1992. The bulk of foodcrop production was maize, which involved some 102,000 farmers, 71,000 of whom were directly assisted with imported inputs to cultivate maize and produced 88,750 tonnes, cumulatively realising about US\$19.53 million in foreign exchange savings. Similarly, the poultry sub-project sustained 313,697 broilers and 666,608 layers, producing 705 tonnes of meat and 155 million table eggs respectively. The meat portion meant a saving of at least US\$1.76 million in foreign exchange.

4.3.4 The intervention in the cocoa sub-sector resulted in a net gain of US\$95.81/ha for the beneficiaries. On the other hand, foreign exchange savings from food crops and fisheries produced US\$19.53 million and US\$15.00 million respectively. Finally, high value non-traditional exports such as banana, cashew and vegetables yielded about US\$8.55 million per annum during the period of the Third Line of Credit.

4.3.5 By strengthening AgDB's management through training and computerisation, the LOCs have contributed not only to improving its level of operations. They , have also expanded AgDB's capacity in providing assistance to needy agricultural sub-sectors.

4.4 Institutional and Social Performance

Institutional Development

4.4.1 The institutional framework underwent some changes during the implementation of the two projects, even though the projects continued to be the responsibility of AgDB. The management of AgDB changed three times between 1985 and 1989. In addition, under the FINSAP a restructuring programme, including streamlining AgDB's organisational structure was required. In response to this AgDB developed a new organisational structure, shown in Annex 5, with a Development Finance Department, which was to develop new programmes and also liaise with government and foreign agencies. A Finance Department, incorporating the accounts, treasury and budget divisions was also created.

4.4.2 Both Lines of Credit had PMUs. But, the one under LOC II was not effective as it involved virtually every department and, as indicated earlier, the environment of AgDB was very turbulent. Under LOC III, the PMU was placed under the Business Development and Monitoring Department within the streamlined organisational structure. This arrangement was better organised and more focussed than when the PMU was previously under the Loans and Advances Department (LAD) and it involved all the scattered departments of AgDB.

4.4.3 A major development in the sector was the promulgation of the Banking Law, 1989 (PNDCCL 225). As discussed in para. 2.1.4, the provisions of the law were aimed at strengthening the banks to enable them provide credit to productive enterprises. However, not much has been achieved in this direction as productive enterprises continue to find it very difficult to obtain credit. Instead, a substantial part of the banks' loanable funds are employed in the acquisition of short-term government securities.

Management and Organisational Effectiveness

4.4.4 For a considerable part of the eleven-year implementation of LOC II, AgDB was starved of experienced management. At the commencement of implementation it had a reasonably good number of well-educated people who held university degrees and/or professional qualifications. But, AgDB still lacked experienced personnel in project evaluation, credit analysis, accounting as well as credit recovery. In addition, the lack of stable management (para. 4.4.1) made effective management very difficult. An effort was made to correct these through recruitment and training during the implementation of LOC II. This effort was supplemented with the restructuring programme instituted by FINSAP for the banks.

4.4.5 At the commencement of LOC III's implementation, management had stabilised and all departments but two were located in the same building. There had been no change in the person holding the Managing Directorship since 1989, who, indeed, continues to hold the position to date. What were required for effective management included equipping the senior executive and middle management staff with adequate knowledge and skills in their areas of operation, streamlining the organisational structure to clearly define functions and responsibilities and computerising AgDB's MIS to facilitate effective management. These measures have in no small way contributed to the successful retention of middle and executive management personnel since the early 1990s.

4.4.6 Equipping the senior executive and middle management with relevant knowledge and skills was effectively done through local and overseas training mostly using funds provided by AgDB under LOC III. Streamlining the organisational structure was undertaken to ensure that departments responsible for project analysis/evaluation as well as credit administration (including recoveries), accounting and computerisation performed creditably.

4.4.7 AgDB's manning level in 1999 was 992. Previous levels were 878, 890, 898 and 981 for 1995, 1996, 1997 and 1998 respectively. There has not been an increase in manning levels comparable to the growth in asset base, shareholders' funds or deposit base because AgDB has been undergoing a staff rationalisation exercise aimed at reducing staff numbers to create a leaner and more efficient organisational structure. Accordingly, the percentage of its managerial and supervisory staff in the total manning increased from 35% in 1997 to 39% in 1999. While the above activities have strengthened AgDB's capacity, there is still a need to improve the skills of its monitoring and evaluation sections further to permit effective operational and project reporting.

4.4.8 AgDB's computerisation was aimed at enhancing its operations to make its transaction costs minimal and generally improve the efficiency of its delivery of credit and other financial services to its growing customers. However, the computerisation remains uncompleted and needs to be seen to its logical conclusion to engender the establishment of

an MIS that facilitates efficient management, particularly, in the areas of monitoring and evaluation of credits, as well as departments, and projects.

Socio-economic Impact

4.4.9 Utilisation of the two lines of credit covered almost every region of the country. The fisheries sub-project was implemented along the coast of Ghana, which traverses the four regions of Central, Greater Accra, Western and Volta. The other sub-projects – cotton, cocoa, food crops and non-traditional export crops (cashew, pineapple, etc.) were implemented within the remaining six regions (Ashanti, Brong Ahafo, Eastern, Northern, Upper East and Upper West). With as many as 224,000 small-scale farmers and 42,000 fishermen benefiting from the LOCs, their socio-economic impact cannot be overemphasised. In the case of the cocoa, cotton, food crops and non-traditional export farmers the benefits comprise food crops cultivated for their subsistence and cash incomes. A sample of the beneficiaries and their expected annual incomes are presented in Annex 6. Apart from the equivalent of US\$ 36.75 million, which is annually expected to accrue to the economy generally, the various farmers/fishermen/fish processors, etc. are expected to earn the incomes indicated for them in Annex 6 that they would not earn but for the LOCs under review.

4.4.10 Following their increased income levels some of the farm groups or villages have dug wells for drinking water and are in the process of constructing schools on self-help basis. All farmers cultivate food crops (especially maize and legumes) for their own subsistence while their main produce is sold for income, thus contributing to poverty alleviation. Most of them measure their success for participating in the scheme in terms of improvements in their houses (roofing them with aluminium sheets instead of the thatch roof they used to have). Other measures include adding to their number of rooms, as well as increasing the numbers of the cattle or sheep and goats they started a year with.

4.4.11 Quite apart from the generation of employment for so many farm families in otherwise deprived areas, especially parts of the three northern regions and Brong Ahafo, the Lines of Credit made direct contribution to Ghana's foreign exchange earnings/savings (Annex 6). Indeed, through their implementation the immense potential for making cotton production one of the major means of diversifying Ghana's export base has clearly been identified, as the opportunity exists for a tenfold production if not more.

4.4.12 Additionally, utilisation of the Lines of Credit has led to building close relationships between AgDB, agricultural input suppliers, buyers/processors of agricultural produce and the numerous small-scale farmers and fishermen spread across the country. It is worth noting that there are many more farmers and fishermen wanting to become beneficiaries under the arrangement. In essence, the distributive effect of the results of the LOCs' utilisation is very wide. Furthermore, a major impact of the credits is that through their use all the stakeholders have developed capacities which they will continue to employ for increased production and, hence, gainful employment.

4.5 Impact on Women

4.5.1 Women were especially catered for under LOC III, with the sub-project, WID, allocated UA 1.10 million but subsequently reduced to only UA 270,000. AgDB's explanation for its inability to fully utilise the initial allocation was that there was a lack of effective demand for credit for imported inputs within the sub-project. Consequently, the

impact of the utilisation of the LOCs' funds on women was mainly through their working as farmhands. AgDB failed to make adequate effort to identify productive women entrepreneurs in need of credit.

4.5.2 However, an interesting development in the implementation of LOC III was the use of AgDB's local funds to support women fish processors/marketers to develop processing facilities (which did not require foreign exchange) and, hence, improve on storage of fish after smoking. This has tended to reduce fish losses. Both the PCR and PPER missions observed a lack of serious effort on the part AgDB to market the credit to women. In its Fourth Line of Credit from the Bank Group, AgDB has tried to cater for women by targeting sub-sectors instead of sub-projects, provided that at least 10% of the LOC will be given to women across the sub-sectors. It will still have to do a lot of marketing to be able to achieve this target.

4.6 Environmental Performance

4.6.1 The appraisal reports on the two credits did not show any concern about the possible impact of the utilisation of the credits on the environment. However, the chemicals (herbicides, fungicides and insecticides), fertilisers and fisheries inputs (fishing nets, outboard motors, floats, etc.) imported under the LOCs with a view to improving agricultural production conformed to the GOG's guidelines on environmental protection, enforced by the National Committee that ensures inspection, regulation and screening of all imports of agro-chemicals in accordance with internationally accepted standards.

4.6.2 The environmental impact on the use of the imported inputs was negligible. The quantities of inputs imported were quite low compared to the national requirements. More importantly, these inputs were used for rainfed agriculture, under which there is negligible incidence of water pollution. Indeed, the quantities used were too low to affect the environment. Rather, they improved the soil fertility, leading to greater production whilst the agro-chemicals reduced damage to crops by pests.

4.7 Performance of the Executing Agency, Suppliers and the Borrower

4.7.1 Performance of the various parties was generally mixed under LOC II and LOC III. This was particularly true of AgDB whose performance under LOC III was satisfactory but not so satisfactory under LOC II, as under the latter it failed to adequately perform its functions, which to a large extent resulted in the extension of the implementation period by some nine years.

4.7.2 While it provided the funds required to meet all the local costs, it failed to indicate how much was expended in Ghana Cedis against the yearly disbursements of the LOC. In an economy plagued by hyper inflation and massive currency depreciation, this failure has rendered it impossible to know the combined cost in UA and Cedis of implementing LOC II.

4.7.3 Given that they were not familiar with the Direct Payment mode of payment, which often delayed their payments and sometimes necessitated their travelling to Abidjan, the suppliers of the imported inputs performed well to the extent that no legal issues on purchase agreements did arise under LOC II. Only one consulting firm was contracted to review, design and supervise the overhaul of AgDB's manually operated accounting system. But, this contract was terminated following the World Bank's Diagnostic Studies (1989) and restructuring under FINSAP, which rendered the services of the firm unnecessary. With the substitution of the

Revolving Account method of payment and Restricted Tendering for the Direct Payment method and ICB respectively, the suppliers performed very creditably under LOC III.

4.7.4 The Borrower, GOG, performed its part of the agreement, relating to the fulfilment of conditions adequately. It only fell short of its obligations when it delayed the execution of an on-lending agreement between itself and AgDB by some six months under LOC II. However, it made up for this under LOC III. Throughout the implementation of the Lines of Credit the Government accorded high priority to the development of agriculture, thereby facilitating the operations of AgDB.

4.8 Performance of the Bank Group and Co-financiers

4.8.1 With the exception of the prescription of the use of the Direct Method of Payment, and ICB for the importation of the inputs, the Bank performed satisfactorily under both LOCs. The Direct Payment method and ICB proved unsuitable because AgDB was not very familiar with them. These contributed in no small way to the long implementation period of LOC II. Substitution of the Revolving Account mode of payment and Restricted Tender for Direct Payment and ICB respectively, doubtless, enhanced implementation of LOC III. Missions under LOC II (5 in 11 years) were rather infrequent but, missions under LOC III, which occurred annually, were adequate for smooth implementation. Under LOC II AgDB, whose performance is discussed elsewhere, was the only cofinancier.

4.8.2 The Bank Group's performance left much to be desired in that it was not proactive with the reports submitted by the Executing Agency. Regarding missions during the implementation of LOC II, for example, the few missions undertaken during the implementation period of eleven years failed to focus on resolving implementation issues. There is also no evidence that it requested and analysed the sub-projects financed under the credits.

4.8.3 Cofinanciers for LOC III, comprised AgDB and the World Bank. The latter's role was to contribute UA 4.50 million to the total project cost of UA 44.0 million. But, its actual contribution was UA 3.314 million, leaving a shortfall of UA 1.186 million, which was absorbed by AgDB from its own resources.

5. PROJECTS' SUSTAINABILITY

5.1 Sustainability is highly probable in terms of the GOG's continued commitment to increased agricultural production, especially in the sub-sectors covered by the two LOCs. After implementing three LOCs from the Bank and undergoing restructuring, AgDB has developed greater understanding of the Bank's implementation procedures and with its increased management capacity is poised to utilise larger amounts of such funds in future. At another level, the beneficiaries – the 224,000 farmers, 42,000 fishermen, fishmongers and agricultural produce processors (cotton, poultry, fish, etc.) have developed better-organised operations. Given that these beneficiaries make adequate returns on their production (Annex 6), they can be expected to continue production and also increase their levels of production, provided they continue to receive assistance in the form of supply of inputs on credit. Obviously, this will also translate to sustaining the yearly foreign exchange earnings/saving of US\$36.75 million from such agricultural activities.

5.2 In addition to having developed the capacity for sourcing external funds from multilateral, bilateral and private external agencies, AgDB has also become a major recipient of foreign exchange transfers into the country by the large number of Ghanaians resident abroad through an arrangement with Western Union Money Transfer. In 1999, for example, AgDB brought in the equivalent of US\$97.0 million by way of Western Union Money Transfers. Currently it sells a large proportion of the foreign exchange obtained under the Western Union arrangement to other Ghanaian banks that usually need more foreign exchange than they can source externally. However, should AgDB find itself in dire need of foreign exchange to support import of agricultural inputs for the participating farmers/fishermen, there is every probability that it will curtail making foreign exchange available to the other banks and, instead, use it to support the farmers/fishermen.

5.3 Even though AgDB caters for numerous small farmers and fishermen and only uses input suppliers and/or agro-processors as conduit for assisting the farmers and fishermen, the public does not perceive it as a micro-finance institution. It may have to establish a department or subsidiary for micro-financing to enable it have easy access funds earmarked for micro-finance institutions by bilateral and multilateral funding agencies. Finally, The quality of information on the LOCs provided by some of the branches of AgDB left much to be desired. This was, in part at least, due to the fact that credit officers of those branches were overburdened. Computers could facilitate work at the branches. Unfortunately, AgDB's computerisation appears to have stalled as funds for the sub-project have been exhausted. Thus, there is an urgent need to find funding for the completion of the computerisation.

6. PERFORMANCE RATING

6.1 The Implementation Performance has a score of 1.20 for LOC II and 2.60 for LOC III, implying that LOC III was satisfactory whilst LOC II was unsatisfactory. Adherence to implementation time schedule was very unsatisfactory for LOC II because of the long delays caused by the factors listed in para.3.3.2.

6.2 The performance of the Bank was also unsatisfactory for LOC II, with a score of 1.33. Throughout the eleven years of implementation; there were only five missions by the Bank. On the other hand, the Bank's performance regarding LOC III was satisfactory having obtained a score of 2.00. It should be noted that the scores on both projects did not factor in the Bank's performance at identification because project files, which were virtually empty, did not have any information on this. Both projects were a priority for the Government and were included in the country's agricultural sector programme. They were identified as such by the Bank.

6.3 Overall outcome has a score of 1.98 for LOC II and 2.65 for LOC III, implying satisfactory outcome for LOC III but not for LOC II. The institutional set-up for LOC III in terms of organisational structure and quality of staff was adequate. The credits' estimated outputs are also acceptable. More detailed reporting, especially regarding local costs incurred under both LOCs would have improved performance of the LOCs. The performance ratings are shown in Annex 7.

7. CONCLUSIONS, FEEDBACK AND RECOMMENDATIONS

7.1 Conclusions

In as much as the LOCs have been utilised and their objectives achieved, there is the need to reorient the Bank Group's provision of LOCs toward its new vision, involving poverty alleviation and women empowerment. The inability of AgDB to effectively utilise the initial allocation to WID could have been prevented through an aggressive promotion of the facility among women entrepreneurs in the agricultural sector. A different approach has been adopted in LOC IV to allocate funds under the facility to sub-sectors instead of sub—projects, with the provision that at least 10% of the total funds should be allocated to women across sub-sectors. Aggressive marketing of the facility to women entrepreneurs would still be necessary.

Overall, the LOCs' objectives have been met, the inputs contributed to increased agricultural production and AgDB's management has been strengthened. There is room for even greater production should AgDB be able to mobilise foreign exchange to ensure ensure continued availability of the foreign inputs.

The present PPER accepts most of the conclusions of the PCRs with the additions stated below:

- a) The increased allocations to the cocoa and agro-processing sub-projects within LOC III were not backed by a well-founded determination of the demand for credit in these areas. Similarly, evidence on a sound assessment of demand for credit by women was lacking. Neither was there a concerted effort to sell the sub-project to women entrepreneurs;
- b) AgDB's computerisation is stalled due to lack of funds for the sub-project. This has tended to hamper adequate preparation of project reports and management information flow;
- c) the utilisation of the credits (particularly LOC II) experienced significant delays during the implementation phase;
- d) the executing agency for the LOCs performed satisfactorily; the involvement of small-scale rural farmers and fishermen in the utilisation of the funds is a good experience which can be replicable in the country and elsewhere; and
- e) the policy of GOG of providing credit to rural dwellers is still consistent with the Bank framework for agricultural production and poverty alleviation policies.

7.2 Lessons

The following lessons can be drawn out of the two LOCs:

- a) A line of credit to the agricultural sector can be successfully utilised by a bank with an orientation toward agricultural finance as the co-ordinating agency.
- b) Lack of built-in flexibility in the design of LOCs does not enable executing agencies to utilise funds in areas where they are needed within the broad scope of the project.

- c) The use of Direct Payment and ICB can cause long delays in implementation by executing agencies and suppliers that have either not been trained or have no experience in using them.
- d) Gradual utilisation of LOC in the agricultural sector can help in identifying crops and products that have vast potential for broadening the base of a country's production or export base.
- e) Assistance to large numbers of small agricultural producers (in fishing, poultry, and crop production) in the rural communities is an effective way of broadening private sector participation in the economy.
- f) Retention of well-trained middle and executive management personnel provides a base for good financial and organisational performance.

7.3 Recommendations

The following recommendations are formulated for the consideration of the Government, AgDB and the Bank:

For the Government and AgDB

- i) GOG and AgDB should reassess the demand for credit by women entrepreneurs generally with a view to achieving greater involvement of women in future LOCs (paras. 3.2.3 and 4.5.2);
- ii) AgDB should urgently seek funding for completing its computerisation to facilitate reporting on operations and projects (para. 4.4.7);
- iii) MOFA and AgDB should undertake a detailed assessment of the potential for developing cotton as one of the major industrial/export crops of Ghana and opening-up the deprived areas of the four northern regions, including Brong Ahafo (para. 4.4.9); and
- iv) AgDB should explore the desirability of establishing a micr finance department or subsidiary (para.5.3).

For the Bank

- v) the Bank should ensure that project files as well as data storage, retrieval and dissemination are well secured and can be made available for PPER preparation; the Bank's procedures should also permit the evaluation of projects or programmes beyond a reasonable period so that changes in procedures and scope can be effected if need be or a project/programme may be discontinued if there is a strong reason for doing so (para. 2.8.3);
- vi) the Bank should take necessary steps to ensure that the demand for credit by sub-projects has been properly assessed at appraisal and that the sub-projects can adequately utilise credits allocated to them within resonable limits (Para. 3.2.3);

- vii) when procurement procedures not well known or practiced by executing agencies are prescribed in appraisal reports OCDS and CADI should ensure that the executing agencies are exposed to the procedures before the commencement of implementation to avoid unnecessary delays in implementation (para. 3.5.2);
- viii) project officers should ensure that implementation schedules drawn up at appraisal are realistic and detailed enough to contain crucial elements such as deadline for loan signature and loan effectiveness and for procurement activities (para. 3.7.4).

7.4 Follow-up Action Matrix

The follow-up action matrix derived from the main findings and recommendations is given in Annex 1.

REPUBLIC OF GHANA
Second & Third Lines of Credit
Project Performance Evaluation Report

Recommendations and Follow-up Matrix

Observations – Conclusions	Recommendations	Follow-up Actions	Responsibility
<p><u>Project Formulation and Rationale</u></p> <p>a) <u>Coordination</u></p> <p>Appraisal report of LOC did not recognise the lack of coordination between the departments within the Executing Agency (AgDB).</p>	<p>Bank should ensure that coordination between the Executing Agency’s departments that would be involved in implementation is such that an effective implementation can be expected.</p>	<p>Establish a mechanism for ensuring inter-departmental coordination, which should form part of Bank’s operational guidelines.</p>	<p>ADB (OCDW)</p>
<p><u>Project Implementation</u></p> <p>b) <u>Implementation Schedules</u></p> <p>Implementation schedules were too optimistic given inadequate assessment of demand for sub- projects.</p> <p>c) <u>Other Conditions</u></p> <p>Unstable management at AgDB made LOC II reporting on project activities to Bank sub-standard.</p>	<p>Elements of implementation should be assessed in detail during preparation and appraisal stages to enable project officers develop realistic implementation schedules.</p> <p>Project officers should thoroughly assess management quality and culture to ensure it can handle implementation tasks.</p>	<p>The guidelines for project preparation Should include thorough assessment of sub-project’s demand levels.</p> <p>Project officers must report existing calibre of management and propose improvements needed after each supervision mission.</p>	<p>ADB (OCDW)</p> <p>ADB (OCDW)</p>

<p>d) <u>Project Costs</u></p> <p>Failure to provide local costs to be incurred by Executing Agency caused difficulty in reporting on combined (foreign and local) costs.</p> <p>e) <u>Changes in Sub-projects</u></p> <p>Changes in magnitude of subprojects resulted in delays in implementation.</p>	<p>Project officers should ensure at appraisal that the extent of each cofinancier's contribution is determined and presented in the appraisal report with the disbursement schedule of each cofinancier.</p> <p>Project officers must design credit in such a way as to permit the use of funds within the same sub-sector so long as overall costs established appraisal are not exceeded.</p>	<p>Bank should ensure at appraisal that all Cofinanciers and the Executing Agency have clear understanding of their financial obligations and responsibilities under the project.</p> <p>The design of future lines of credit should build some flexibility into allocation of funds within sub-sectors.</p>	<p>ADB (OCDW ; CADI)</p> <p>ADB (OCDW ; CADI)</p>
<p><u>Sustainability</u></p> <p>f) <u>Availability of Foreign Exchange</u></p> <p>Lack of foreign exchange for importation of inputs will reduce agricultural production.</p> <p>g) <u>Micro finance Image</u></p> <p>Lack of image as microfinance institution may deprive Executing Agency of foreign exchange funds for scheme.</p>	<p>Bank should advise and assist GOG to develop a permanent and larger source of foreign exchange to keep scheme permanent.</p> <p>Bank to get GOG to explore the creation of microfinance department or subsidiary to forestall problem.</p>	<p>Bank should impress upon AgDB to assess its regular sources of foreign exchange and evolve a mechanism for employing such funds in agricultural production. Project officers on missions to monitor and advise on developments.</p> <p>Operations officers to discuss improvement of image as institution involved in microfinance during supervision missions.</p>	<p>ADB (OCDW)</p> <p>ADB (OCDW)</p>

THE REPUBLIC OF GHANA
Project Performance Evaluation Report

Project MPDE Matrix: Third Line of Credit to AgDB

Narrative Summary (NS)	Verifiable Indicators (OVI)		Means of Verification (OVI)	Important Assumptions
	At appraisal	At PPER		
Goal: 1 To contribute to overall GDP growth through increased agricultural production.	1.1 Percentage increases in agriculture GDP	1.1 Greater quantities of cocoa, cotton fish, pineapple, poultry products produced with AgDB assistance.	1.1 Ministries of Agriculture and Finance annual reports and national statistical reports.	.
1. Credit Objective: 1 Resource mobilisation to increase food production, industrial and export crops, fish and poultry products, import substitution & employment generation. 2. strengthening AgDB's capacity.	1.1 Expected increase (%) beneficiaries production expected to be: cocoa 50-60 cotton 40-50 maize 70-80 fish 40-50 for the target groups indicated below	1.1 Over 200,000 farmers/fishermen and 6 cotton buying/processing becoming new participants. 1.2 AgDB's credit recovery rate increased to 85% from 66% 1.3 AgDB asset base, deposit base, deposit base, profitability etc. improved considerably	1.1 AgDB records and Farmers' associations credit records. 1.2 ADB supervision records 1.3 Ministry of Agriculture's annual production and survey records 1.4 AgDB records.	1.1 Adverse weather conditions affecting agricultural performance. 1.2 GOG discontinues implementation of reforms 1.5 Drastic international price falls. 1.6 Import policy with regard to inputs changes adversely.

<p>Outputs:</p> <p>1. Credit available to fishermen and farmers (cocoa, cotton, maize, poultry, fish, pineapple, etc.).</p> <p>2. Agricultural inputs (fertilisers, chemicals, fishing gear, etc.) imported using LOC.</p> <p>3. Exports of cocoa, cotton, pineapple, cashew, etc. increased.</p> <p>4. Individual farmers/fishermen level of borrowing increased.</p> <p>5. Management capacity of AgDB improved and new jobs created.</p>	<p>1.1 Target groups :</p> <table border="0"> <tr><td>Cocoa</td><td>50,000</td></tr> <tr><td>Cotton</td><td>14,000</td></tr> <tr><td>Maize</td><td>5,000</td></tr> <tr><td>Fishermen</td><td>3,000</td></tr> </table> <p>2.1 Input targets:</p> <table border="0"> <tr><td>fertilisers</td><td>156,000 tonnes</td></tr> <tr><td>chemicals</td><td>9,000 liters</td></tr> <tr><td>motors (fish)</td><td>1,000 units</td></tr> <tr><td>staff training</td><td>20</td></tr> <tr><td>loan recovery</td><td>85%</td></tr> </table> <p>3.1 Increases in cocoa and non-traditional exports.</p> <p>4.1 AgDB's credit recovery rate increased from 66% to at least 85% and greater loan portfolio for small-scale farmers/fishermen.</p> <p>5.1 New jobs created by various sub-projects.</p>	Cocoa	50,000	Cotton	14,000	Maize	5,000	Fishermen	3,000	fertilisers	156,000 tonnes	chemicals	9,000 liters	motors (fish)	1,000 units	staff training	20	loan recovery	85%	<p>1.1 Target groups:</p> <table border="0"> <tr><td>Cocoa</td><td>86,000</td></tr> <tr><td>Cotton</td><td>43,800</td></tr> <tr><td>Maize</td><td>71,000</td></tr> <tr><td>Fishermen</td><td>5,250</td></tr> </table> <p>2.1 Input targets:</p> <table border="0"> <tr><td>Fertilisers</td><td>28,710 tonnes</td></tr> <tr><td>Chemicals</td><td>851,123 liters</td></tr> <tr><td>Yellow maize</td><td>11,743 tonnes</td></tr> <tr><td>Fishmeal</td><td>440 tonnes</td></tr> <tr><td>Soya bean</td><td>68 tonnes</td></tr> <tr><td>Staff Training</td><td>37</td></tr> <tr><td>Loan Recovery</td><td>85%</td></tr> <tr><td>etc.</td><td></td></tr> </table> <p>3.1 Training of Management staff and improved level of operations in terms of profitability, asset base and recoveries..</p> <p>4.1 Larger amounts of credit extended to participating farmers, fishermen, produce buyers, processors, etc.</p>	Cocoa	86,000	Cotton	43,800	Maize	71,000	Fishermen	5,250	Fertilisers	28,710 tonnes	Chemicals	851,123 liters	Yellow maize	11,743 tonnes	Fishmeal	440 tonnes	Soya bean	68 tonnes	Staff Training	37	Loan Recovery	85%	etc.		<p>2.1 AGDB and suppliers import records.</p> <p>3.1 Exporters, Ghana Cocoa Board, and LCBs' records.</p> <p>4.1 AgDB loans/advances records. Individual farmers/fishermen level of borrowing increased.</p> <p>5.1 AgDB personnel, training and operational records.</p>	<p>(Output to Project Objective):</p> <p>As per Appraisal</p> <p>1.1 Estimated implementation period (1994-1996) Inputs would be procured as per the implementation schedule and suppliers would perform satisfactorily</p> <ul style="list-style-type: none"> - Adequate number of qualified and competent staff would man PIU. - AgDB is able to utilise the LOC. <p>As per PCR & PPER</p> <ul style="list-style-type: none"> - Implementation delay of 9 months. - Staff Training adequate - Computerisation incomplete - LOCs making essential inputs available to farmers/fishermen on regular basis
Cocoa	50,000																																													
Cotton	14,000																																													
Maize	5,000																																													
Fishermen	3,000																																													
fertilisers	156,000 tonnes																																													
chemicals	9,000 liters																																													
motors (fish)	1,000 units																																													
staff training	20																																													
loan recovery	85%																																													
Cocoa	86,000																																													
Cotton	43,800																																													
Maize	71,000																																													
Fishermen	5,250																																													
Fertilisers	28,710 tonnes																																													
Chemicals	851,123 liters																																													
Yellow maize	11,743 tonnes																																													
Fishmeal	440 tonnes																																													
Soya bean	68 tonnes																																													
Staff Training	37																																													
Loan Recovery	85%																																													
etc.																																														
<p>Activities:</p> <p>1.1 Procurement of agricultural inputs and other goods.</p> <p>1.2 Procurement of fish smoking contracts.</p> <p>1.3 Procurement of cotton ginning services.</p> <p>1.4 Procurement of staff training services.</p> <p>1.5 Procurement of computer hardware/software and computerisation services</p>	<table border="0"> <tr><td>Financing</td><td>UA</td><td>Million</td></tr> <tr><td>ADF</td><td>23.00</td><td></td></tr> <tr><td>World Bank</td><td>4.50</td><td></td></tr> <tr><td>AgDB</td><td>16.50</td><td></td></tr> <tr><td></td><td>-----</td><td></td></tr> <tr><td>Total</td><td>UA 44.00</td><td></td></tr> <tr><td></td><td>=====</td><td></td></tr> </table>	Financing	UA	Million	ADF	23.00		World Bank	4.50		AgDB	16.50			-----		Total	UA 44.00			=====		<table border="0"> <tr><td>Financing</td><td>UA</td><td>Million</td></tr> <tr><td>ADF</td><td>23.00</td><td></td></tr> <tr><td>World Bank</td><td>3.31</td><td></td></tr> <tr><td>AgDB</td><td>17.69</td><td></td></tr> <tr><td></td><td>-----</td><td></td></tr> <tr><td>Total</td><td>UA 44.00</td><td></td></tr> <tr><td></td><td>=====</td><td></td></tr> </table>	Financing	UA	Million	ADF	23.00		World Bank	3.31		AgDB	17.69			-----		Total	UA 44.00			=====		<p>1.1 LOC's legal documents including contracts with suppliers and loan agreements with produce buyers/processors and farmers/fishermen.</p> <p>1.2 AgDB's semi-annual progress reports on the LOC.</p> <p>1.3 Bank's supervision missions' reports.</p> <p>1.4 LOC's annual audit reports.</p>	<p>(Activity to Output):</p> <p>1 Bank's credit conditions are fulfilled, and the agreed procurement procedures adhered to.</p> <p>2 Agreed implementation schedule adhered to.</p> <p>3 AgDB is able to identify creditworthy farmers, fishermen, input suppliers, produce buyers/processors, etc.</p>
Financing	UA	Million																																												
ADF	23.00																																													
World Bank	4.50																																													
AgDB	16.50																																													

Total	UA 44.00																																													
	=====																																													
Financing	UA	Million																																												
ADF	23.00																																													
World Bank	3.31																																													
AgDB	17.69																																													

Total	UA 44.00																																													
	=====																																													

UTILISATION OF ADF 3 L.O.C. (UA'000)

SUB-PROJECTS	ORIGINAL LIMITS		REVISED LIMITS		ACTUAL UTILISATION	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	AMOUNT	% OF UTILISATION
Cotton	4.30	18.7	7.46	32.43	7.460	100
Cocoa	8.65	37.61	3.81	16.57	3.810	100
Poultry	1.90	8.26	4.74	20.61	4.740	100
Foodcrops	1.90	8.26	1.90	8.26	1.900	100
Non-Traditional Exports	0.83	3.61	0.83	3.61	0.830	100
Fishing	1.90	8.26	1.90	8.26	1.900	100
Agro-Processing	1.42	6.17	1.09	4.74	1.090	100
Women-In-Development	1.10	4.78	0.27	1.17	0.270	100*
Institutional Support :	1.00	4.35	1.00	4.35	1.000	100*
<i>Computerisation</i>	0.679	2.95	0.63	2.74	0.630*	100*
<i>Training</i>	0.321	1.40	0.37	1.61	0.203	54.86
TOTAL	23.00	100.00	23.000	100.00	23.000	100

* Committed to be utilised by 31/12/98.

OBSERVATIONS FROM THE UTILISATION OF THE FUNDS

The following observations from the utilisation of the fund are worth highlighting.

- About 32.43% of the loan fund in the sum of UA7.46 million was utilised in the cotton sub-project as against the original allocation of UA 4.30 million or 18.7 % of the LOC;
- The cocoa sub-project which originally was allocated UA 8.65 million or 37.61% ended up utilising UA 3.81 million or 16.57 % of the loan fund;
- The poultry sub-project rather gained about 2.5 - fold increase in the fund utilisation from UA 1.9 million to UA 4.74 million ;
- Agro-processing suffered a marginal decline from UA1.42 million to UA 1.09 million or from 6.17% to 4.74 % of the total loan fund;
- The sub-sector with bias for women enterprises experienced substantial reduction from UA1.10 million to UA 0.27 million.
- The allocation and utilisation levels for institutional support remained unchanged except that UA 0.049 million was swapped from computerisation to training.

REPUBLIC OF GHANA
Project Performance Evaluation Report

Assumptions on Projected Financial Statements

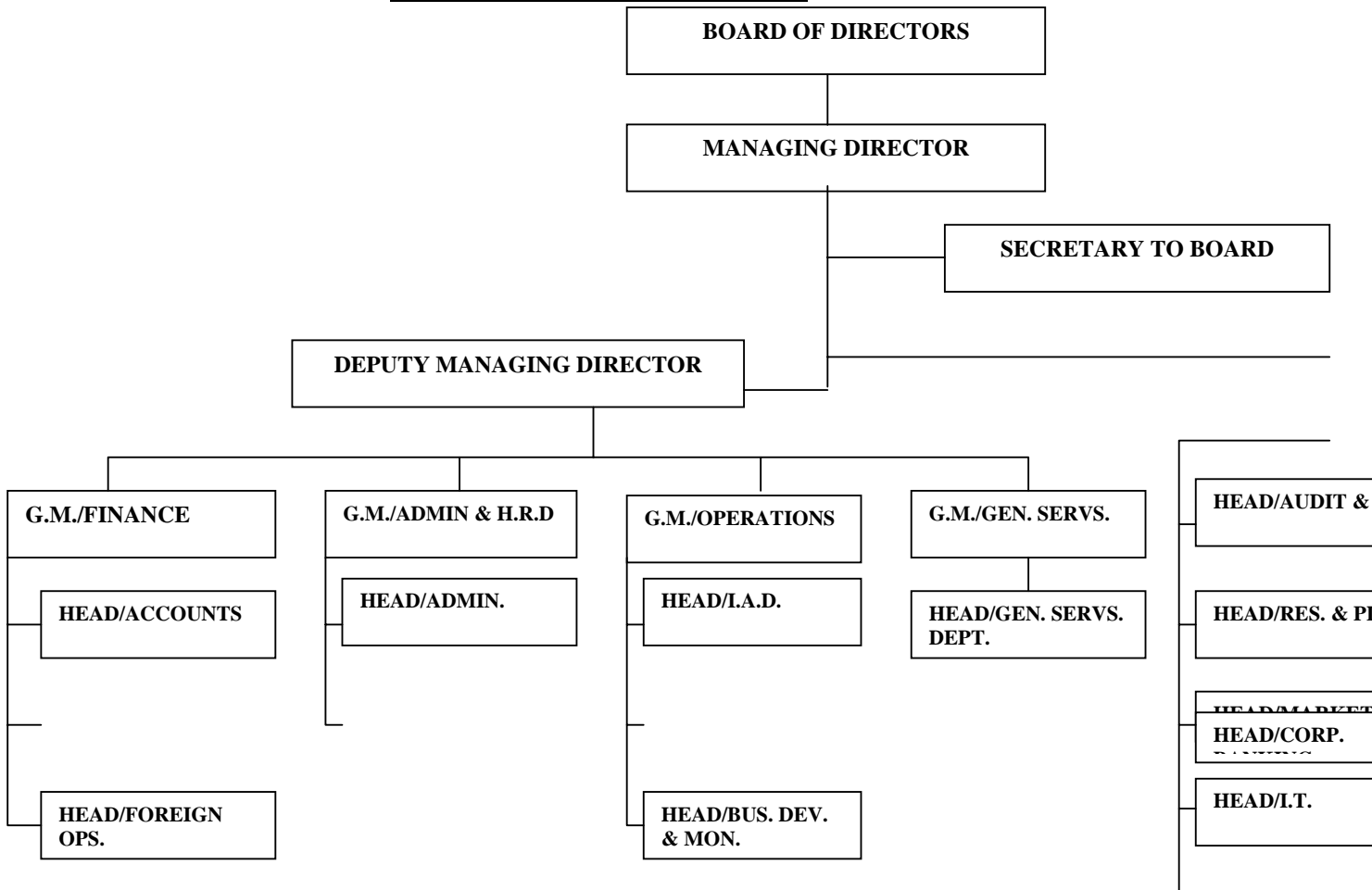
1. **General:** Because of the instability of the Ghana cedi, the projected income statement and balance sheets have been made in US Dollars. The projections are rather conservative because only modest increases in the items are assumed. However, all year-to-year changes are positive, unlike the actual figures for the period 1994-1998. In the actual figures there were very high increases in some years and high decreases in other years. It is believed that AgDB's management capacity now is such that increases can be expected even in US Dollar terms but the extent is difficult to tell and, hence, the moderate increases assumed.
2. **Bases for Figures:** The figures for both balance sheet and income statement items have been extracted from AgDB's unaudited financial statements. Figures for 2000 have been derived from AgDB's budget for the year. However, they have been moderated by 25% at least because they appear too optimistic in US Dollars terms.
3. **Exchange Rates Used:** The 1999 unaudited accounts are converted into their US Dollar equivalents using the average exchange rate for the US\$ and GHC for that year. For the remaining four years the rate employed is the end of 1999 exchange rate since the 2000 budget for AgDB was based on prices in the last quarter of 1999.
4. Actual growth rates assumed for various income statement and balance sheet items are as shown below. Note that growth rates for 2000 are derived from the budget but moderated.

Yearly Growth (%)

<u>Item</u>	<u>2000</u>	<u>2001 – 2003</u>
Cash and Short-term Funds	28.9	10.0
Investments	33.5	10.0
Loans & Advances	26.9	10.0
Fixed Assets	55.9	2.5
Deposits and Current Accounts	18.7	7.5
Long-term Liabilities	62.0	7.5
Interest Income	35.7	11.0
Interest Expense	35.9	15.0
Commissions and Fees	28.7	7.5
Operating Expenses	35.8	5.0

REPUBLIC OF GHANA
THIRD LINE OF CREDIT TO AgDB

CURRENT ORGANISATIONAL CHART



Republic of Ghana
Third Line of Credit to the Agricultural Development Bank
Some of the Achievements of the Line of Credit

Yields of Selected Crops (Kg/ha.)							
Crops	1993	1994	1995	1996	1997	1998	1999
Cocoa	628	675	691	716	741	745	760
Cotton	787	812	767	836	920	918	924
Maize	1,350	1,402	1,502	1,515	2,500	2,500	2,550
Fish in Crates							
Fish	1,170	1,530	1,890	2,150	2,250	2,300	2,350

Production Targets

Item	Appraisal	Actual	
		PCR	PPER
No of Credits			
- Cocoa	50,000	86,000	86,000
- Cotton	14,000	37,000	43,800
- Maize	3,000	12,000	71,000
- Fish	5,000	9,600	5,250
Input Supply:			
- Fertiliser (tonnes)	156,000	53,000	28,710
- Chemicals (litres)	91,000	490,000	851,123
- Outboard Motors	1,000	1,250	1,250
- Staff Training (No.)	20	37	37
- Loan Recovery Rate (%)	85	85	85

Poultry Input Price Differentials In Ghana Cedis

Item	Open-market Price	LOC Price	Differential Favouring LOC (%)
Soya-bean	50,000/50 kg bag	40,000/50 kg bag	25.0
Fish-meal	91,000/50 kg bag	60,000/50 kg bag	51.7
Yellow maize	32,000/50 kg bag	23,500/50 kg bag	36.2

Republic of Ghana
Third Line of Credit to Agricultural Development Bank (AgDB)
Sample of Tomato Farmer's Annual Income Statement (1999/00)
Per Ha. Amounts in Ghana Cedis

Input Supply:

Seed (4 tins @ 35 each))	140
Compound Fertiliser (7 kg @ 38,000/kg)	392,000
Sulphate of Ammonia (4 bags @ 36,000)	144,000
Chemicals (Various)	92,000
Ploughing/Harrowing/Ridging (@ Various Prices)	247,260
Fuel for Pump (1 Gallons/day @ 6,000)	840,000
Sub-total	1,715,400

Labour Input:

	<u>Mds.</u>	<u>Cost/Md.</u>	<u>Amount</u>
Nursing	4	2,500	10,000
Reshaping	11	3,000	33,000
Transplanting	22	3,000	66,000
Weeding	38	3,000	114,000
Fertilisation (2 times)	5	3,000	15,000
Spraying (2 rounds)	7	2,000	14,000
Harvesting	11	2,000	22,000
Transport	38	6,000	228,000
Repair of Pump (Materials & Labourper Season)			110,000
Sub-total			612,000

Tools and Other Inputs:

Hoes (3 @ 6,000)	18,000
Cutlasses (2 @ 8,000)	16,000
Wellington Boots (2 @ 27,000)	54,000
Sub-total	88,000

Total Cost of Production	2,415,400
Yield to Farmer in Crates.	69
Average Price per Crate	45,000
Farmer's Gross Income	3,105,000
Less Cost of Production	2,415,400
Net Income for the Season or Year	<u>689,600</u>

Gross Margin Analysis for 0.5 Ha. of Maize Farm

Item	Unit Price GHC	Quantity	Value in GHC
A. Yield/Revenue/ha.	38,000	12.5 (100kg) bags	475,000
B. <u>Expenditures:</u>			
1. Inputs			
Seed	1,000	10 kg	10,000
N.P.K.	35,000	3 kg	105,000
Sulphate of Ammonia	25,000	2.5 kg	62,500
Insecticides	2,000	50 litres	10,000
Sacks	1,200	24	28,800
2 Land Development			
Ploughing and Harrowing Maintenance	3,000	30 Mds	90,000
3. Harvesting, Dehusking, Shelling and Bagging	2,000	12 Mds	24,000
4. Transportation			
Fertilisers	500	8 Bags	4,000
Produce	500	12 Bags	6,000
5. Drying and Storage			8,750
6. Interest			40,734
C. Total Expenses			389,784
Gross Margin/Participant (A-C)			85,216

Source: AgDB.

Production Statement per 0.5 ha. of Cocoa (Amounts in GHC)

Production Inputs	Without Project	<-----With Project----->			
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Fertilizer	-	131,200	131,200	131,200	131,200
Basket	3,200	16,000	16,000	16,000	16,000
Cutlasses	14,000	14,000	14,000	14,000	14,000
Sharpening Stone	4,000	-	-	-	-
Harvesting Hooks	8,000	8,000	8,000	8,000	8,000
Protective Clothing	10,000	10,000	-	-	-
Wellington Boots	25,000	25,000	-	-	-
Weeding/Weedicides	49,200	65,000	65,000	65,000	65,000
Insecticide	25,000	50,000	50,000	50,000	50,000
Fuel Mixture	15,000	30,000	30,000	30,000	30,000
Fungicides	12,000	48,000	48,000	48,000	48,000
Mistletoe Control	4,000	4,000	4,000	4,000	4,000
Plucking/Gathering	13,060	26,000	36,000	46,000	56,000
Podbreaking and Fermentation	8,640	48,000	48,000	48,000	48,000
Carrying Drying Point	8,640	47,000	47,000	47,000	47,000
Total Variable Cost	199,740	522,200	497,200	507,200	517,200
User Cost:					
Mistblower	6,000	15,300	15,300	-	-
Knapsack Sprayer	7,000	16,900	-	-	-
Soil Test by CRIG	-	25,000	25,000	25,000	25,000
Sub-total User Cost	13,000	57,200	57,200	25,000	25,000
Total Production Cost/0.5ha.	212,740	579,400	554,400	532,200	542,200
Yield/0.5ha.	110	320	400	480	584
Revenue	247,500	720,000	900,000	1,080,000	1,314,000
Net Farm Income	34,760	140,600	345,600	547,800	771,800
Return on Investment (%)	16.34	24.27	62.34	102.93	142.35

Republic of Ghana
Third Line of Credit to Agricultural Development Bank (AgDB)
Sample of Cotton Farmer's Annual Income Statement Per Hectare
Amounts in Ghana Cedis (GHC)

Input Supply:

Seed (non-deductible)	-
NPK Fertiliser (4 kg @ 38,000/kg)	152,000
Sulphate of Ammonia (2 kg @ 22,000)	44,000
Chemicals (12 litres @ 18,600/litre)	223,200
Ploughing (@90,000/ha)	90,000
Sub-total	509,200

<u>Labour Input:</u>	<u>Mds.</u>	<u>Cost/Md.</u>	<u>Amount</u>
Land Clearing	20	3,000	60,000
Sewing	20	2,000	40,000
Thinning	10	2,000	20,000
Weeding (2 times)	40	3,000	120,000
Fertilisation (2 times)	10	3,000	30,000
Spraying (6 rounds)	12	2,000	24,000
Harvesting	.		80,000
Sub-total	374,000

Total Cost of Production 883,200

Yield to Farmer in Kg. 924

Price (per Kg.)	1,210.38
Farmer's Gross Income	1,118,391
Less Cost of Production	883,200

Net Income for the Season or Year 235,191

Average Annual Production Statement of a Fish Processor/Monger Group of 15 Women
(Amounts in Cedis '000)

<u>Revenue:</u>	<u>Major Season</u> <u>(3 Months)</u>	<u>Minor Season</u> <u>(9 Months)</u>	<u>Total</u> <u>(1 Year)</u>
Av. No. of Baskets Sold/Month	30	20	
Av. Selling Price per Basket	120,000	140,000	
Sales per Month	3,600,000	2,800,000	
Sales per Season	10,800,000	25,000,000	36,000,000
<u>Operating Costs:</u>			
Fresh Fish Purchases:			
No. of Days/Week	3	1	
No of Days/Month	12	4	
No of Days/Season	36	36	
Average Purchase/Week (Crates)	15	10	
Average Purchase Price/Crate in Cedis	40,000	50,000	
Average Purchases/Month	2,400,000	2,000,000	
Average Purchases/Season in Cedis	7,200,000	18,000,000	25,200,000
<u>Firewood Consumption:</u>			
Pieces of Firewood/Week	100	50	
Cost of Firewood/Week @ GHC 600	60,000	30,000	
Cost/Month	240,000	120,000	
Cost/Season	720,000	1,080,000	1,800,000
<u>Water Consumption:</u>			
Cost of Water Consumed/Week in Cedis	18,000	2,000	
Cost of Water/Month	72,000	8,000	
Cost of Water/Season	216,000	72,000	288,000
<u>Transport Expenses:</u>			
No. of Trips/Month	3	1	
No. of Trips/Season	9	9	
No. of Baskets Transported/Month	35	20	
Transport Charge/Basket in Cedis	6,000	6,000	
Transport Charge/Month	210,000	120,000	
Transport Charge/Season	630,000	1,080,000	1,710,000
Total Direct Operating Expenses/Annum			28,998,000
Market Tolls			150,000
Sundry Expenses			360,000
Contingency (2%)			590,160
Total Expenses			30,098,160
Operating Margin			5,901,840

GHANA: SECOND LINE OF CREDIT TO THE AGRICULTURAL DEVELOPMENT BANK (AgDB)

PERFORMANCE RATING

Implementation Performance

COMPONENT INDICATORS	SCORE (1-4)	REMARKS
1. Adherence to Time Schedule	1	There was an over all delay of 9 years. Most delays occurred from the use of ICB and Direct Payment procedures of the Bank. The problems posed by these were exacerbated by lack of stable management at AgDB.
2. Adherence to Cost Schedule	2	Actual costs of ADF components were within the appraisal estimate, even after reallocation of the funds for some sub-projects to others due to inadequate effective demand. The local cost to be incurred by AgDB was not indicated in the Appraisal report. Whilst AgDB met all the local costs necessary for the procurement of the inputs, they were not recorded for reporting purposes.
3. Compliance with Covenants	1	The Borrower delayed in executing on-lending agreement . Submission of quarterly and annual reports by AgDB left much to be desired..
4. Adequacy of Supervision and Reporting	1	Supervision and reporting were inadequate. There were five missions during the eleven years of implementation. AgDB failed to submit several of the progress reports required under the project. There was also lack of effective communication between the Bank and AgDB, with both parties being responsible for the undesirable state of affairs.
5. Satisfactory Operations (if applicable)	3	The infrastructure developed (in terms of farmers, fishermen, input suppliers, produce buyers/processors identified, operational capacities, and relationships among them) provided a base for continuous production of the produce involved.
Overall assessment of Implementation Performance	1.20	Unsatisfactory

Bank Performance

COMPONENT INDICATORS	SCORE (1-4)	REMARKS
1. At Identification	N/A	No records available to permit assessment.
2. At Preparation	1	Very scanty information available.
3. At Appraisal	2	The appraisal was inadequate when one takes into account the changes during implementation.
4. At Supervision	3	There were 5 annual supervision missions throughout the eleven-year implementation period, which was inadequate.
Overall Assessment of Bank Performance	1.33	Unsatisfactory

GHANA: SECOND LINE OF CREDIT TO THE AGRICULTURAL DEVELOPMENT BANK (AgDB)

Project Outcome

COMPONENT INDICATORS		Score (1-4)	REMARKS
	Relevance of Achievement of Objectives	2.875	The objective to contribute to increased food/industrial/export crops, animal protein (fish/ poultry products production, employment creation & AgDb's management strengthening was achieved.
	acro-economic Policy	3	The priority accorded to the project conformed to the macroeconomic setting.
	Sector Policy	3	The LOC was consistent with the agricultural sector policy of increased production of fish, poultry products, food/ industrial/export crops by small-scale fishermen/farmers in Ghana's rural areas..
	Physical (including production)	2	Inputs are provided in packages to permit continuous production.
	Financial	2	The LOC improved AgDB's financial resources and condition to some extent. But, there was still a need to for restructuring and room for improvement in its finances.
	Poverty alleviation, Social & Gender	3	The beneficiaries of the LOC were farmers/fishermen who would remain subsistent farmers/fishermen without the LOC. Sub-projects of the LOC were spread over the country. However, women involvement was at a low level.
	Environment	3	No negative environmental impact was caused by the implementation of the project.
	Private Sector Development	3	The main beneficiaries. – farmers and fishermen were all private individuals/families. Excepting Ghana Cotton Company, all the buyers/processors were private individuals/companies.
	Other (Specify) Integration	3	Integration was developed in terms of relationships between AgDB, the farmers, fishermen, suppliers of inputs, as well as buyers/processors of farmers' produce.
	Institutional Development	2.0	AgDb's weaknesses including a bloated organizational structure, frequent changes in top management, inadequate competence in banking skills and dispersion of its departments all over Accra, were partially addressed with resources provided by the Bank and IDA's FINSAP.
	Institutional Framework, including restructuring	2	IDA's FINSAP, aimed at reforming the financial sector coincided with the implementation of the LOC. The financial system was also liberalized by removing credit ceilings on various sectors.
	Financial and Management Information Systems, including Audit Systems	2	Resources were provided for training of staff. But, information and Audit systems continued to be manual and inadequate.
	Transfer of Technology	2	Some technology acquired through training by, AgDB personnel but inadequate for its operations. With the availability of inputs the farmers/fishermen improved their level of technology.
	Staffing by qualified persons (including turnover), training & counter-part staff	2	Some improvement was achieved through training but there was need for much more.
	Sustainability	2.50	This is reasonably assured.
	Continued Borrower commitment	3	GOG commitment to increased agricultural production by small-scale farmers/fishermen continues.
	Environmental Policy	3	Utilisation of the LOC did not create any need for policy change on the environment.
	Institutional Framework	3	The new institutional framework is adequate.
	Technical viability and staffing	2	The concept of the LOC was bright; but the staff involved in implementation was not adequate.
	Financial viability and recovery system	2	AgDB's financial viability began to show signs of improvement due to the impact of FINSAP and implementation of LOC II.
	Economic viability	2	The economic impact of the project is satisfactory besides non quantifiable parameters.
	Environment viability	3	The utilization of LOC did not have any negative impact on the environment.
	Operational/maintenance facilities (financial resources, foreign exchange, spare parts, workshops)	2	Where equipment have been provided (e.g. fishing gear, ginneries) adequate facilities have also been provided for O&M. At the fish landing beaches, fishermen have easy access to young and energetic technicians who maintain equipment. All ginneries also have technical departments for O&M. Beneficiaries are resourceful enough to acquire inputs for O&M.
	Economic Internal Rate of Return	N/A/	This return measure was not assessed at Appraisal, PCR and PPER stages.
	Overall Assessment of Outcome	2.095	Satisfactory.

GHANA: THIRD LINE OF CREDIT TO THE AGRICULTURAL DEVELOPMENT BANK (AgDB)

PERFORMANCE RATING

Implementation Performance

COMPONENT INDICATORS	SCORE (1-4)	REMARKS
1. Adherence to Time Schedule	2	There was an over all delay of 9 months due to need to seek approval from the Bank to reallocate funds to areas with absorptive capacity.
2. Adherence to Cost Schedule	2	Actual costs of ADF components were within the UA 23.0 million.
3. Compliance with Covenants	3	The Executing Agency's compliance with covenants was satisfactory.
4. Adequacy of Supervision and Reporting	3	Utilisation of the LOC was adequately supervised and, with the exception of the first progress report, semi-annual progress reports were duly submitted.
5. Satisfactory Operations (if applicable)	3	Working relationships between various stakeholders have been and are facilitating production. Physical facilities provided under the credit are in very good condition.
Overall assessment of Implementation Performance	2.60	Satisfactory

Bank Performance

COMPONENT INDICATORS	SCORE (1-4)	REMARKS
1. At Identification	N/A	No records available to permit assessment.
2. At Preparation	1	Very scanty information available.
3. At Appraisal	2	With the exception failure to determine effective demand for some of the sub-projects, the appraisal was adequate
4. At Supervision	3	There were 5 annual supervision missions, which was adequate.
Overall Assessment of Bank Performance	2.00	Satisfactory

GHANA: THIRD LINE OF CREDIT TO THE AGRICULTURAL DEVELOPMENT BANK (AgDB)
PERFORMANCE RATING
Project Outcome

COMPONENT INDICATORS		SCORE (1-4)	REMARKS
1.	Relevance of Achievement of Objectives	2.875	The objective to support increased production of export crops, foodcrops, animal proteins as well as creating additional employment thereby and strengthening AgDB was achieved.
i)	Macro-economic Policy	3	The priority accorded to the project conformed to the macroeconomic setting.
ii)	Sector Policy	3	The project was in line with sector policy of increased rural-based agricultural production.
iii)	Physical (including production)	3	Physical inputs provided in packages to ensure continuous production.
iv)	Financial	3	AgDB's financial situation has become sound. Its operational capacity and efficiency have gone up.
v)	Poverty alleviation, Social & Gender		LOC's main beneficiaries – 224,000 small-scale farmers/42,000 fishermen, who might have been subsistence farmers/fishermen without the project. But direct women involvement was virtually non-existent
vi)	Environment	3	.No recognizable environmental hazard or degradation was created by the project.
Vii)	Private Sector Development	3	Apart from AgDB & Ghana Cotton Company which are owned by GOG, all the LOC's beneficiaries-farmers/fishermen, produce buyers/processors-are private sector entities.
Viii)	Other (Specify) Integration	2	There is no evidence that the project served any integration purpose.
2	Institutional Development	2.75	The trend is good. A competent cadre of management has been developed at AGDB. A myriad of agricultural producers have been grouped as stakeholders in increased production.
i)	Institutional Framework, including restructuring	3	Institutional framework changed, with establishment of a Finance Department incorporating credit analysis, accounts, treasury and budget divisions & a Business Development Finance Department responsible for new programmes development & liaison with government/foreign agencies.
ii)	Financial and Management Information Systems, including Audit Systems	2	In addition to establishment of the new Finance Department, computerization of AgDB's management information system started under LOC III. It was, however, uncompleted due to insufficient funds. Considerable is still done manually and hampers smooth information flow.
iii)	Transfer of Technology	3	AgDB management is a lot more competent due to training courses undertaken locally and overseas. Management very conversant with current developments in banking and finance.
iv)	Staffing by qualified persons, training & counter part staff	3	Through restructuring and training (locally and overseas) using funds from the ISP sub-project, AgDB's deficiencies in credit analysis, accounting and credit recoveries have been corrected..
3	Sustainability	3.0	Sustainability is reasonably assured.
i)	Continued Borrower commitment	3	Government committed itself to increased agricultural production through projects that emphasise participation of smallholder farmers as well as individual fishermen and fish processors/marketers.
ii)	Environmental Policy	3	Implementation of LOC did not raise any issue with environmental policy.
iii)	Institutional Framework	3	The new institutional framework is adequate. Restructuring of AgDB is on course.
iv)	Technical Viability and Staffing	3	Technical competence developed through training and implementation of LOCs.
v)	Financial viability and recovery system		AgDB's financials are sound and viability is assured.
vi)	Economic viability		The project is economically viable
Vii)	Environment viability		The LOC did not create any environmental hazard.
Viii)	Operational and maintenance facilities (financial resources, foreign exchange, spare parts, workshops)	3	Where equipment have been provided (e.g. fishing gear, ginneries) adequate facilities have also been provided for O&M. At the fish landing beaches, fishermen have easy access to young and energetic technicians who maintain equipment. All ginneries also have technical departments for O&M. Beneficiaries are resourceful enough to acquire inputs for O&M.
4	Economic Internal Rate of Return	N/A	This return measure was not assessed at the Appraisal, PCR and PPER stages.
	Overall Assessment of Outcome	2.65	Satisfactory.