

**African Development  
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**GOVERNMENT OF GHANA**

**COCOA REHABILITATION PROJECT**

**PROJECT PERFORMANCE EVALUATION REPORT**

**(B/GHAAGR/88/013)  
(F/GHA/AGR/88/8)**

THIS REPORT HAS BEEN PRODUCED FOR THE  
EXCLUSIVE USE OF THE BANK GROUP

OPERATIONS EVALUATION DEPARTMENT

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## **CURRENCY EQUIVALENTS**

| Currency Unit | Cedi – €                     |                        |                    |
|---------------|------------------------------|------------------------|--------------------|
|               | Appraisal<br>(November 1987) | PCR<br>(February 1999) | PPER<br>(May 2002) |
| 1 UA          | € 204.743                    | € 3189.12              | € 9201.70          |
| 1 UA          | US\$1.279644                 | US\$1.38977            | US\$1.2431         |

### **Fiscal Year:**

|            |   |                          |
|------------|---|--------------------------|
| Government | : | 1 January – 31 December  |
| COCOBOD    | : | 1 October – 30 September |

## **ACRONYMS AND ABBREVIATIONS**

|         |   |  |
|---------|---|--|
| AAGDS   | - | Accelerated Agricultural Growth and Development Strategy |
| ADB     | - | African Development Bank                                 |
| ADF     | - | African Development Fund                                 |
| ARSP    | - | Agricultural Services Rehabilitation Project             |
| ASAC    | - | Agricultural Sector Adjustment Credit                    |
| ASIP    | - | Agricultural Services Investment Project                 |
| ASSIP   | - | Agricultural Services Sub-sector Investment Project      |
| BADEA   | - | Arab Bank for Economic Development in Africa             |
| BCC     | - | Bunso Cocoa College                                      |
| BOG     | - | Bank of Ghana  |
| CCSFA   | - | Cocoa, Coffee and Sheanut Farmers Association            |
| CDF     | - | Comprehensive Development Framework                      |
| CMC     | - | Cocoa Marketing Company                                  |
| COCOBOD | - | Ghana Cocoa Board  |
| CP      | - | Co-operative Program                                     |
| CPI     | - | Consumer Price Index                                     |
| CRETEC  | - | Cocoa Research and Extension Technical Committee         |
| CRIG    | - | Cocoa Research Institute of Ghana                        |
| CRP     | - | Cocoa Rehabilitation Project                             |
| CSD     | - | Cocoa Services Division                                  |
| CSIR    | - | Council for Scientific and Industrial Research           |
| CSSVD   | - | Cocoa Swollen Shoot Virus Disease                        |
| DACF    | - | District Assembly Common Fund                            |
| DAs     | - | District Assemblies                                      |
| DCA     | - | Development Credit Agreement                             |
| DFID    | - | Department for International Development of UK           |
| DFR     | - | Department of Feeder Roads                               |

|        |   |  |
|--------|---|--|
| EFA    | - | Extension Field Agent                                |
| EPA    | - | Environmental Protection Agency                      |
| ERP    | - | Economic Recovery Program                            |
| EU     | - | European Union                                       |
| FAO    | - | Food and Agriculture Organization                    |
| FASDEP | - | Food and Agricultural Sector Development Program     |
| GDP    | - | Gross Domestic Product                               |
| GLSS   | - | Ghana Living Standards Survey                        |
| GOG    | - | Government of Ghana                                  |
| GPRS   | - | Ghana Poverty Reduction Strategy                     |
| HIPC   | - | Heavily Indebted Poor Country                        |
| ICB    | - | International Competitive Bidding                    |
| ICR    | - | Implementation Completion Report                     |
| IDA    | - | International Development Association                |
| IMF    | - | International Monetary Fund                          |
| LBC    | - | Licensed Buying Company                              |
| M&E    | - | Monitoring and Evaluation                            |
| MIS    | - | Management Information System                        |
| MLGRD  | - | Ministry of Local Government and Rural development   |
| MOF    | - | Ministry of Finance                                  |
| MOFA   | - | Ministry of Food and Agriculture                     |
| MTADP  | - | Medium Term Agricultural Development Plan            |
| MTADS  | - | Medium Term Agricultural Development Strategy        |
| MTDP   | - | Medium Term Development Plan                         |
| MTEF   | - | Medium Term Expenditure Framework                    |
| NAEP   | - | National Agricultural Extension Program              |
| NARP   | - | National Agricultural Research Program               |
| NDPC   | - | National Development Planning Commission             |
| ODA    | - | Overseas Development Administration                  |
| PBC    | - | Produce Buying Company                               |
| PCR    | - | Project Completion Report                            |
| PPF    | - | Project Preparation Facility                         |
| PPMED  | - | Policy, Planning, Monitoring and Evaluation Division |
| PRPF   | - | Poverty Reduction Policy Framework                   |
| SAC    | - | Structural Adjustment Credit                         |
| SAP    | - | Structural Adjustment Program                        |
| SAR    | - | Staff Appraisal Report                               |
| TA     | - | Technical Assistance                                 |
| UA     | - | Unit of Account                                      |
| UK     | - | United Kingdom                                       |
| UNDP   | - | United Nations Development Program                   |
| WB     | - | World Bank   |
| WTO    | - | World Trade Organization                             |

## **PREFACE**

1. This is a Project Performance Evaluation Report (PPER) of the Ghana Cocoa Rehabilitation Project (CRP). Ghana's Economic Recovery Program (ERP) of macroeconomic stabilization and structural adjustment was launched in April 1983. As part of the ERP, the Government of Ghana (GOG) introduced a series of policy reforms in the cocoa sub-sector aimed at removing constraints to its development.
2. The Cocoa Rehabilitation Project (CRP) was the first ADB/ADF financed cocoa project in Ghana. Its specific objectives were to (i) increase cocoa production to give an annual output of at least 300,000 tons per year by year 1995; (ii) increase foreign exchange earnings from cocoa export and (iii) reduce rural poverty and improve quality of life in the cocoa growing areas.
3. The project's objectives were to be achieved through the following actions: (i) maintaining sufficient cocoa producer price incentive, (ii) reorganization and streamlining of cocoa extension services to enhance its efficiency and ensure effective supervision; (iii) strengthening cocoa research; (iv) increased seed pod production through improvements to the existing seed gardens and establishment of 100 ha of new gardens; (v) cocoa swollen shoot virus disease control over 17,900 hectares of existing plantation; (vi) privatization of cocoa input marketing and removal of subsidies; (vii) privatization of internal cocoa marketing; and (viii) improvement of cocoa evacuation through the implementation of a roads rehabilitation program in cocoa growing regions.
4. The UA 100 million Cocoa Rehabilitation Project (CRP) was financed jointly by ADB (19.2%), ADF (6.6%), IDA (31.6%), BADEA (7.8%), ODA (9.3%), the Ghana Cocoa Board (17.4%) and the Government of Ghana (8.4%). The project was approved on 25 April 1988 by the ADB and ADF Boards and was expected to be completed by June 1993.
5. The implementation of the project extended beyond the programmed five years. The ADB/ADF component of the project was completed in 1997. The ADF loan was fully disbursed and was closed in September 1998 while the ADB loan was 91% disbursed/committed by 31st December 1999. The Bank Group Project Completion Report (PCR) was submitted to the Board in December 1999. The other co-financiers have also closed their loans.
6. The PPER is based on the findings of a Bank Mission to Ghana in May 2002, and a review of secondary data and selected literature on Ghana. The PCR provided useful information on the implementation aspects of the project. While in Ghana, the mission held discussions with relevant stakeholders in the cocoa industry both within and outside the government as well as officials of some co-financiers resident in Ghana. The PPER has captured developments in the cocoa sub-sector since the preparation of the PCR in 1998.

**BASIC PROJECT DATA**

|    |                  |   |                                     |
|----|------------------|---|-------------------------------------|
| 1. | Country          | : | Ghana                               |
| 2. | Project          | : | Cocoa Rehabilitation Project        |
| 3. | Loan Numbers     | : | B/GHA/AGR/88/013<br>F/GHA/AGR/88/8  |
| 4. | Borrower         | : | Government of the Republic of Ghana |
| 5. | Beneficiary      | : | Ghana Cocoa Board                   |
| 6. | Executing Agency | : | Ghana Cocoa Board                   |

**A. THE LOAN**

|  |                          | <b><u>Appraisal Estimate</u></b> | <b><u>Actual</u></b> |
|--|--------------------------|----------------------------------|----------------------|
| <b>A.1 ADB - Loan B/GHA/AGR/88/013</b> |                          |                                  |                      |
| 1.                                     | Amount (UA million)      | : 19.23                          | 17.44                |
| 2.                                     | Interest Rate (%)        | : 7.55                           | 7.55                 |
| 3.                                     | Statutory Commission (%) | : 0.25                           | 0.25                 |
| 4.                                     | Repayment Period         | : 13 years                       | 13 years             |
| 5.                                     | Grace Period             | : 7 years                        | 7 years              |
| 6.                                     | Loan Negotiation Date    | : February 1988                  | N/A                  |
| 7.                                     | Loan Approval Date       | : April 1988                     | 25/04/88             |
| 8.                                     | Loan Signature Date      | : May 1988                       | 13/02/89             |
| 9.                                     | Date of Entry into Force | : September 1988                 | 07/07/89             |
| <b>A.2 ADF – Loan F/GHA/AGR/88/8</b>   |                          |                                  |                      |
| 1.                                     | Amount (UA million)      | : 6.62                           | 6.61                 |
| 2.                                     | Service Charge (%)       | : 0.75                           | 0.75                 |
| 3.                                     | Repayment Period         | : 40 years                       | 40 years             |
| 4.                                     | Grace Period             | : 10 years                       | 10 years             |
| 5.                                     | Loan Negotiation Date    | : February 1988                  | N/A                  |
| 6.                                     | Loan Approval Date       | : April 1988                     | 25/04/88             |
| 7.                                     | Loan Signature Date      | : May 1988                       | 23/06/89             |
| 8.                                     | Date of Entry into Force | : September 1988                 | 24/08/89             |



**D. MISSIONS**

| <u>Type</u>       | <u>Date</u>    | No. of<br>Persons | <u>Composition</u>   | <u>Man-Days</u> |
|-------------------|----------------|-------------------|--|-----------------|
| Identification    | -              | -                 | -  | -               |
| Preparation       | -              | -                 | -  | -               |
| Appraisal         | March 1988     | 3                 | Agronomist,<br>Irrigation Engineer &<br>Agricultural Economist |                 |
| Supervision       | 1990           | 1                 | Agronomist   | NA              |
|                   | 1993           | 2                 | Agronomist/<br>Agric. Economist                                | 20              |
|                   | June/July 1995 | 1                 | Agronomist   | 19              |
|                   | March 1996     | 1                 | Agronomist   | 12              |
| Final Supervision | December 1997  | 2                 | Socio-economist &<br>Economist                                 | 24              |
| PCR               | December 1998  | 2                 | Agronomist &<br>Agricultural Economist                         | 28              |

**E. DISBURSEMENT (UA million)**

| Year    | ADB LOAN  |                              |        |                              | ADF LOAN  |                              |        |                              |
|---------|-----------|------------------------------|--------|------------------------------|-----------|------------------------------|--------|------------------------------|
|         | Appraisal |                              | Actual |                              | Appraisal |                              | Actual |                              |
|         | Amount    | Cumulative<br>%<br>Disbursed | Amount | Cumulative<br>%<br>Disbursed | Amount    | Cumulative<br>%<br>Disbursed | Amount | Cumulative<br>%<br>Disbursed |
| 1988/89 | 11.32     | 58.90                        |        |                              | 0.77      | 11.63                        |        |                              |
| 1989/90 | 3.21      | 75.60                        |        |                              | 1.42      | 33.08                        |        |                              |
| 1990/91 | 1.98      | 85.90                        | 0.26   | 1.36                         | 1.66      | 58.16                        |        |                              |
| 1991/92 | 1.39      | 100.0                        | 5.77   | 31.36                        | 1.70      | 83.84                        |        |                              |
| 1992/93 | 1.32      | 100.0                        | 5.71   | 61.07                        | 1.07      | 100.0                        |        |                              |
| 1993/94 |           |                              | 1.29   | 67.74                        |           |                              | 1.72   | 26.03                        |
| 1994/95 |           |                              | -      | 67.74                        |           |                              | 1.48   | 74.34                        |
| 1995/96 |           |                              | 2.65   | 81.53                        |           |                              | 3.41   | 99.97                        |
| 1996/97 |           |                              | 1.41   | 88.87                        |           |                              |        |                              |
| 1997/98 |           |                              | 0.35   | 90.71                        |           |                              |        |                              |
| 1998/99 |           |                              | 1.50   | 98.50                        |           |                              |        |                              |
|         | 19.22     |                              | 18.94  |                              | 6.62      |                              | 6.61   |                              |

## **EVALUATION SUMMARY**

### **The Project**

1. The Cocoa Rehabilitation Project (CRP) was the first ADB/ADF financed cocoa project in Ghana. Its specific objectives were to (i) increase cocoa production to give an annual output of at least 300,000 tons per year by year 1995; (ii) increase foreign exchange earnings from cocoa export and (iii) reduce rural poverty and improve quality of life in the cocoa growing areas.

2. The project's objectives were to be achieved through the following actions: (i) maintaining sufficient cocoa producer price incentive, (ii) reorganization and streamlining of cocoa extension services to enhance its efficiency and ensure effective supervision; (iii) allow better use of skilled staff, and reduce costs; (iv) privatization of cocoa input marketing and removal of subsidies; (v) provision of additional storage capacity and the reorganization of the cocoa buying societies efficiency of the cocoa evacuation system through increased transport facilities and additional storage capacity; (vi) privatization of internal cocoa marketing; (vii) strengthening cocoa research; (viii) increased seed pod production through improvements to the existing seed gardens and establishment of 100 ha of new gardens; (ix) cocoa swollen shoot virus disease control over 17,900 hectares of existing plantation; and (x) improvement of cocoa evacuation through the implementation of a roads rehabilitation program in cocoa growing regions.

3. The UA 100 million Cocoa Rehabilitation Project (CRP) was financed jointly by ADB (19.2%), ADF (6.6%), IDA (31.6%), BADEA (7.8%), ODA (9.3%), the Ghana Cocoa Board (17.4%) and the Government of Ghana (8.4%). The project was approved on 25 April 1988 by the ADB and ADF Boards and was expected to be completed by June 1993. The loans were signed on 13 February (ADB) and 23 June 1989 (ADF), and were declared effective on 9 July and 24 August 1989 respectively. Actual start-up was in November 1989 following the finalization of the financing plan. Disbursement started on 24 January 1991 (ADB) and 13 July 1993 (ADF). The ADB financed the Extension and Training, Input Supply, Internal Marketing and Head Office, Monitoring and Evaluation components, while ADF supported the Roads component.

4. The implementation of the project took longer than the five years programmed. The ADB/ADF component of the project was completed in 1997. The ADF loan was fully disbursed and was closed in September 1998 while the ADB loan was 91% disbursed by 31 December 1999. The Bank Group Project Completion Report (PCR) was submitted to the Board in December 1999. The other co-financiers have also closed their loans.

### **The Evaluation**

5. The report used tabular, graphical and trend analysis based on the data collected from Ministry of Finance (MOF), COCOBOD, project files in ADB, Ghana Statistical Service, and FAO Commodity Projections to make its assessments. The performance indicators given in the retrospective matrix in Annex 1 and Annex 9 were compared with Appraisal targets to facilitate a comparison of the situation before and after. Where no benchmark data exist, the performance during and after implementation was compared with "best practices" based on similar socio-political sub-regional and commodity situation (this facilitated comparisons with practices in Cote 'Divoire, Togo, Nigeria and Cameroon).

## Evaluation Conclusions and Ratings

6. The stabilization and structural adjustment measures embodied in the Economic Recovery Program (ERP) were initiated to change the course of economic policies. The CRP was therefore consistent with the major policy thrust of the ERP, which was to realign incentives towards productive activities (producer price incentives, producer price increase, exchange rate adjustment, price and trade liberalization) and the rehabilitation of economic and social infrastructure. The policy issues and investment program were also consistent with the Bank's Country Assistance Strategy of making agriculture one of the primary targets of development intervention. However, the project quality at entry was weak. Neither the Borrower nor the Bank participated in the preparation of the project. The Bank was "invited" at the appraisal stage to co-finance some of the components. The inability of the GOG to undertake any feasibility study on the technical, financial and economic aspects of the components did not allow design issues to be thoroughly addressed during appraisal and led to implementation difficulties.

7. The primary objective of increasing cocoa production was achieved. The major factors for the increase in cocoa production are (i) the increase in producer prices, (ii) the increasing availability of improved hybrid seed varieties, (iii) strengthened research-extension-farmer linkage, (iv) pest and disease control (principally through the Cocoa Swollen Shoot Virus Disease Control) through the CSSVD component), and (v) improvements in the domestic marketing of cocoa. (see para 4.2.1 – 4.2.15, and Annex 9). Producer price (in nominal terms) was increased by more than 300 % between 1983/84 and 1995/96. The increase in nominal price was also translated to real price increase but in later years (1996-1999) real producer price fell as a result of lack of congruence between macro and micro economic policy measures and falling world cocoa prices. The capacity of the Cocoa Research Institute of Ghana (CRIG) to deliver the necessary scientific and technical support to the cocoa industry, was enhanced and research/extension linkages have been strengthened. Seed production (on a cost recovery basis since 1998/99) is being tailored to meet effective demand. Though the road component was scaled down as a result of late start-up, the revised target of 1,500 km; had an implementation completion record of 83 percent. Progress in the unification of extension was slow as a result of lack of strong institutional commitment on the part of COCOBOD to the unification in the first instance and the inadequate preparation for the merger by Ministry of Food and Agriculture (MOFA).

8. An annual incremental production of 110,000 – 115,000 tons had been attributed to project intervention and activities and the Economic Internal Economic Rate of Return (EIRR) of 24.3 compared favorably with the Appraisal estimate of 23 percent. The CRP had also contributed to increased rural welfare and rural poverty reduction. Farm Budget Analysis indicated that farmers were earning returns 2.4 – 4.9 times better than before project intervention. Results of the Ghana Living Standards Survey (GLSS) also revealed that rural poverty (absolute) declined from 43% to 34% between 1989 and 1999 with cocoa farmers experiencing a faster decline (39% to 27%) in poverty level.

9. The project contributed to institutional development. Research is strengthened and focused, human capacity developed (particularly in research and training), support given to farmer-based organization (CCSFA) in inputs procurement and marketing and the gradual involvement of the private sector in domestic cocoa marketing. Cocoa extension services were merged with the extension directorate of MOFA (in 1999) and cocoa feeder roads development

and maintenance transferred to the Department of Feeder Roads in the Ministry of Roads and Transport. Progress has been made in the liberalization of domestic marketing of cocoa. The Produce Buying Company has been privatized (in 2001) and Licensed Buying Companies (LBCs) have been permitted to buy cocoa since 1993/94. The market share of the LBCs has steadily increased from 31% in 1993/94 to 63% by 2000/2001. Progress could have been faster if a more conducive macroeconomic environment and institutional support had been given to the private sector in terms of financial assistance (credit), training, logistics and improved marketing margin.

10. Though no environmental impact assessment was carried out prior to project start-up, project actions are considered to have negligible effects on the environment. The pesticide procured and used are those tested by CRIG and found to have minimal effects on the environment. Mechanism was put in place to ensure that Ghana Environmental Protection Agency (GEPA) monitored use of pesticides and residues in order to maintain the high quality standards of Ghana Cocoa. The Cocoa Swollen Shoot Virus Disease was effectively controlled. There was uprooting of affected trees on 16,537 hectares and replanting of 3,810 hectares.

11. Based on the criteria of relevance, efficacy, efficiency, institutional development and sustainability, the aggregate performance rating is Satisfactory.

12. The Borrower performance was adjudged unsatisfactory as a result of poor implementation performance of COCOBOD and the weakness of its institutional capacity to undertake policy analysis and effective monitoring and evaluation of project activities, the poor oversight function of the Ministry of Finance (MOF) and the lack of effective mechanism for inter-agency collaboration and coordination. The performance of the Lender was also rated unsatisfactory because of the poor project quality at entry, poor supervision and lack of effective policy dialogue with the Borrower. The Lender however filled a critical financial gap (by providing foreign exchange to procure necessary equipment, spare-parts and cocoa inputs) and showed flexibility by extending project life to speed up project implementation.

### **Lessons and Recommendations**

13. The key lessons learnt are (i) institutional capacity for project implementation, monitoring and evaluation and policy analysis should be a key factor in selecting implementing agencies, (ii) promotion of participatory approach at early stages enhances project quality at entry and implementation effectiveness; (iii) to avoid conflict, there should be complementarity and consistency between macro and microeconomic issues, (iv) there should be provision for pre-project (or project start-up) training in Bank procurement and disbursement procedures and (v) matching market liberalization with measures in support of private entry would accelerate the private sector's response to the improved enabling environment. The recommendations include (i) the need to foster inter-ministerial and inter-agency coordination and collaboration (COCOBOD, DFR & MOFA) with improved supervision from MOF; (ii) the development of institutional capacity for effective project implementation, (iii) review of the extension delivery system to promote decentralization, pluralism of extension providers, partnerships and cost recovery, and (iv) the need to increase the frequency and intensity of project supervision, including joint supervision with other co-financiers, and (v) frequent policy dialogue between the borrower and the lender.

**Ghana Cocoa Rehabilitation Project: SUMMARY OF RATINGS**

|  | <b>Evaluation Criteria</b>            | <b>PCR</b>     | <b>PPER</b>    |
|--|---------------------------------------|----------------|----------------|
|  | Relevance                             |                | Satisfactory   |
|  | Achievements of Objectives “Efficacy” |                | Satisfactory   |
|  | Efficiency                            |                | Satisfactory   |
|  | Institutional Development Impact      |                | Satisfactory   |
|  | Sustainability                        |                | Satisfactory   |
|  | Aggregate Performance Indicator       | Satisfactory   | Satisfactory   |
|  | Borrower Performance                  | Unsatisfactory | Unsatisfactory |
|  | Bank Performance                      | Satisfactory   | Unsatisfactory |

## **1. PROJECT BACKGROUND**

### **1.1 Country and Sector Economic Context.**

1.1.1 Ghana's economy underwent a long period of decline from the mid-60s until the initiation of the macro-economic policy and structural reforms of the early 80s. This decline was due to failure of development policy, which was reflected in falling production, decaying infrastructure, overvalued exchange rates (and therefore implicit taxes on exports) and declining investment and high inflation.<sup>1</sup>

1.1.2 Between 1970 and 1980, the Country's real Gross Domestic Product (GDP) declined steadily by an average annual rate of 0.4% leading to a sharp decline in the per capita income of about 3.7% per annum. Ghana's agricultural sector declined at the rate of 0.3% per year during the same decade and showed a further decline of 6.6% and 1.5%, respectively during the drought years of 1982 and 1983. Annual production of cocoa fell from around 400,000 tons in the 1970s to a low of 158,000 tons in mid 1980s. This poor performance of the economy was mainly due to weak international prices for Ghana's primary commodities (cocoa and gold), the increase in oil prices, years of recurrent drought compounded by inappropriate economic management policies (SAR par. 2.1.6). The poor state of public finances reflected the depressed level of the country's international trade. While tax revenue increased by about 21 per cent per annum, current expenditures grew by about 30% a year between 1970 and 1980, leading to increasing budget deficits. With the growing deficits, the government relied on domestic borrowing from the banking system to finance economic activities. Between 1977 and 1983, 90% of annual domestic credit expansion went to public sector financing.

1.1.3 The country's balance of payment was also under pressure. A combination of intermittent years of drought, inappropriate domestic policies and world recession had adverse impact on the country's main exports. Cocoa export, the country's most important source of foreign exchange earnings dropped from 71% of total export in 1979 to 63% in 1983 showing decline of both volume and value of exports. Other main commodities such as mineral products also registered a significant decline resulting in a fall of merchandise exports. Imports structure also shifted away from capital goods to consumer goods. The current account position turned from a surplus of US\$55.0 million in 1980 to a deficit of US\$243.3 million in 1987. The total external debt also increased (at a slow pace) over the years and stood at US\$1,115 million in 1982. This relatively low level external debt was mainly due to the country's weak credit worthiness during the period (SAR 2.1.9 – 2.1.12).

1.1.4 As a response to the economic crisis, the government of Ghana (GOG), with the assistance of the World Bank (WB) and the International Monetary Fund (IMF) prepared and launched in April 1983 an Economic Recovery Program (ERP), covering the period 1983-1988. The program was divided into two phases [phase I (1983-1986 and phase II (1986-1988)]. The overall objectives of the ERP were to stabilize the economy, to resolve the structural weaknesses of the system and to lay the basis for a sound and sustained economic growth. The policy

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<sup>1</sup> For an incisive analysis of Ghana' macroeconomic and sector policies and performance during 1965-1983 see Eboe, Hutchful Ghana's Adjustment Experience: The Paradox of Reform United Nations Research Institute For Social Development (UNRISD) (Woeli Publishing Services, Accra) 2002 pp. 53-92.

measures embodied in the ERP included the following: i) exchange rate adjustment; ii) producer price increase; iii) price and trade liberalization; iv) reduction of government budget deficit; v) public sector wages and salaries increase, and vi) infrastructure rehabilitation. In support of the ERP, the African Development Bank (ADB) and other major multinational institutions, as well as bilateral donors provided financial assistance.

## **1.2 Project Formulation**

1.2.1 The sharp fall in cocoa production, i.e. from 400,000 to 180,000 (see Annex 9) in the decade of the seventies has been attributed to (i) the poor producer price acting as a strong disincentive to cocoa farmers; (ii) persistent weakness in the internal market, over which Ghana has no control; (iii) continued tight government control over the purchasing and exporting of cocoa; (iv) high marketing, administrative costs and export duties; (v) low level of integration of cocoa with other types of crop farming; and (vi) loss of output due to incidence of diseases and old age of cocoa trees (ADB/OPEV 2002). The response of farmers included (i) lack of systematic replanting of trees, neglect of cocoa farms; (iii) shift to better value crops; and (iv) the migration of youths to occupations (SAR para.1.1)

1.2.2 In 1983, the Government of Ghana (GOG) as part of its economic recovery program initiated a series of policy reforms, in the cocoa sector aimed at removing constraints and promoting the export earning capacity. A cocoa sub-sector study undertaken by the World Bank in 1980 provided the development strategy in the context of which the cocoa project was envisaged. A further detailed study was commissioned on the cocoa industry and its supporting services as a basis for preparing the project. The studies were completed in 1981 but project processing was suspended owing to sector constraints and unresolved policy issues. In 1986, the project was re-identified and prepared by a joint FAO/CP and ODA mission. In early 1987, GOG requested the Bank Group to assist in co-financing the project together with IDA, BADEA, and ODA. An ADB appraisal mission visited Ghana in November 1987.

1.2.3 Although the Bank Group appraised the project in 1987 after it had been identified by the World Bank in 1985 and prepared by the FAO/CP (Cooperative Program) in 1986, its ability to influence the design was limited as it did not participate from the start of the project identification and preparation. Although the project was correctly conceived to support the economic recovery efforts of the Government, its quality at entry was poor owing to lack of stakeholders' participation in the early project design and formulation. For example, the Bank Group's involvement was to close the financial gap, and it came on board far much later after the project design had been completed. Thus, there was no meaningful participation during project design. Owing to the lack of project ownership by the Borrower and the executing agencies, the institutional and managerial issues were inadequately addressed, and this led to implementation difficulties/delays (ref. Para. 4.1.3).

## **1.3 Objectives and Scope at Appraisal (Logical Framework)**

1.3.1 The objectives of CRP as articulated in the Retrospective Logical Framework were to:

- Increase cocoa production to give an annual output of at least 300,000 tons by the year 1995;

- Increase foreign exchange earnings from cocoa export, and;
- Reduce rural poverty and improve the quality of life in the cocoa growing areas.

1.3.2 Towards achieving these objectives, CRP (ref. SAR, para. 4.1.2) aimed at (i) increasing and continuously revising producer prices to provide and maintain sufficient incentives for the cocoa growers; (ii) rationalizing the operations of COCOBOD for upgrading the institutional efficiency in the fields of extension, seed production, disease and quality control and the gradual privatization of input supply; (iii) removing constraints for efficient cocoa evacuation from production areas by improving accessibility to cocoa growing areas by implementing a road program; and, (iv) strengthening research with particular emphasis on applied research designed to yield genetically superior plants having drought and disease resistance/tolerance, high yields and desirable cocoa qualities and supporting the extension services by generating cost-effective husbandry recommendations that maximize farmers' return (**ref. MPDE: Annex 1**).

#### **1.4 Financing Arrangement – Bank Group and Others**

Several donors financed CRP. ADB (19.2%), ADF (6.6%), IDA (7.8%°, ODA (9.3%), COCOBOD (17.4%) and GOG (8.4%) in total financed the UA 100 million total project costs (**see Annex 3, table 3.1**). The ADF financed the Roads component and the ADB funded the Head Office and Monitoring and Evaluation, Internal Marketing, Extension and Training and Input Supply components (**Annex 3, table 3.2**). IDA financed the Seed Production, Inputs Supply, Internal Marketing, CSSVD control, Head Office Monitoring and Evaluation, and the Roads components while BADEA and ODA resources went respectively to the Inputs Supply and Research components. The GOG and COCOBOD covered part of the local costs, the CSSVD control and road rehabilitation. (PCR, para. 3.6.1).

## **2. EVALUATION**

### **2.1 Evaluation Methodology and Approach**

2.1.1 In order to assess performance effectiveness and validate the PCR findings, a two-stage approach was used. In the first stage, the PPER Mission reviewed the SAR for the CRP, PCR, Supervision Mission Reports, and the Country Strategy Paper (CSP). The second stage involved a three-week mission to Ghana (May 4-24, 2002) to hold consultations with relevant government officials and other stakeholders that were involved in project implementation to seek their views on project performance and to analyze the current situation. The Mission also collected data and reports for further study and analysis upon its return to Abidjan.

2.1.2 The report used tabular, graphical and trend analysis based on the data collected from Ministry of Finance (MOF), COCOBOD, project files in ADB, Ghana Statistical Service, and FAO Commodity Projections to make its assessments. The performance indicators given in the retrospective matrix in Annex 1 and Annex 9 were compared with Appraisal targets to facilitate a comparison of the situation before and after. Where no benchmark data exist, the performance during and after implementation was compared with “best practices” based on similar socio-political sub-regional and commodity situation (this facilitated comparisons with practices in Cote d’Ivoire, Togo, Nigeria and Cameroon).

2.1.3 The report in addition to providing a validation (or otherwise) of the PCR findings, provides an assessment and analysis of recent developments in the cocoa sub-sector. Based on its own review of CRP, the PCR and on recent experience in Ghana Cocoa industry, it draws some lessons and provides its own conclusions and recommendations.

## 2.2 **Performance Indicators.**

In assessing the performance, quantitative measures (such as targets set during SAR) were used where appropriate. Where such indicators were not available, performance was measured against “best practices” in similar situations (i.e. project and/or socio-economic and political environment). The SAR and PCR data were used and extended further to current situation (May 2002).

## 3. **IMPLEMENTATION PERFORMANCE**

### 3.1 **Loan Effectiveness, Start-Up and Implementation**

3.1.1 A review on the experience leading to the effectiveness and start-up of operation, modifications of the LOGS, implementation schedule, reporting, disbursement and procurement has been provided in the PCR (para: 3:1 – 4.6). The project was envisaged to be presented to the ADB and ADF Boards for approval in the second quarter 1988, become effective in September 1988 and completed by June 1993. It was actually approved on 25 April 1988 as programmed.

3.1.2 In addition to the provisions of Section 5.02 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements, the GOG had to fulfill eleven conditions given in Table 2.1, Annex 2, prior to effectiveness of the two loans. These conditions were satisfied within the five months period envisaged at appraisal and the loans were declared effective on 9 July 1989 (ADB) and 24 August 1989 (ADF). The IDA and BADEA loans were declared effective on 15 November 1988 and in November 1989 respectively. Project implementation could not begin until all agreements were signed. Moreover, funds could not be disbursed as the financing plan had not been finalized and agreed upon by the co-financiers. The project actually started in November 1989 following the adoption of the financing plan during a co-financiers’ meeting in Accra in October 1989.

3.1.3 The implementation schedule agreed in the appraisal report could not be adhered to due to delays in signing the loans and finalizing the financing plan, including further slippage that occurred in the implementation of the different components, especially the construction works and studies. The ADF-financed Road component was completed by March 1996. The ADB-financed components were completed in 1999. Overall adherence to the implementation schedule was unsatisfactory, as there was a time overrun of six years over the initial completion date.

3.1.4 Modifications were introduced before the start of project implementation but did not affect its overall design. At appraisal the identified co-financiers were ADB/ADF, IDA, COCOBOD and GOG. The financing plan was to be completed by February 1988, but it was only finalized and agreed after the ADB and ADF loans had become effective. COCOBOD sent the Final Financing Plan, which now included BADEA and ODA, to each co-financier on 8 November 1989. The total amounts approved for both Bank Group loans were maintained, but

the ADF-financed components were changed from those approved in the appraisal report as indicated in Table 3.2, Annex 3. The Seed Production and CSSVD Control components were cancelled and the funds transferred to the Roads component. IDA and COCOBOD took over the Seed Production and CSSVD control respectively. Under the ADB loan, there were substantial reallocations of resources to the Extension and Training and Input Supply components. The scope of the roads component was reduced by 45% as a result of cost escalations due to the late start of activities.

### **3.2 Adherence to Project Costs, Disbursements and Financing Arrangements**

3.2.1 Owing to the above changes and delays, corresponding changes were made to the respective loan agreements regarding their dates for initial and last disbursements. The effective dates for first disbursement were set for 30 June 1989 (ADB) and 30 June 1990 (ADF). Disbursement actually began on 24 January 1991 (ADB) and 13 July 1993 (ADF). The initial dates of last disbursement were set at 30 June 1994 (ADB), and 30 June 1995 (ADF) respectively. These were extended at least three times for the ADF loan, which was finally closed on 10 September 1998. The final disbursement on the ADB loan was also extended four times.

3.2.2 The two loans were originally to be disbursed over a five-year period. Slippage on the date of first disbursement was 18 months for the ADB and 3 years for the ADF (Table 3.3, Annex 2). After 1<sup>st</sup> year of disbursement, the ADB's disbursement was a little over one percent (1%) below the estimated 59%, whereas the 26% disbursed by the ADF was far much higher than the appraisal estimate of 12%. The ADF loan was fully disbursed after three years, whilst the ADB loan was about 98.5% disbursed or committed as of December 1999.

3.2.3 The Bank group (ADB/ADF), IDA, ODA, BADEA, COCOBOD and the GOG remained the financiers of the project. However the financial arrangements agreed to by all co-financiers could not be strictly adhered to during project implementation. (See Annex 3 page 1). About 40 percent of the IDA fund was cancelled due to the slow progress in the implementation of the roads component, while 60 percent of the BADEA funding for inputs supply remained unutilized at project completion. There was full commitment of the ADF funds for roads and 91 percent disbursement for the ADB component. GOG financial contribution to the CRP was 30 percent above the appraisal estimate. Records were not available to ascertain the actual financial contribution of COCOBOD.

### **3.3 Project Management, Reporting, Monitoring and Evaluation Achievements**

3.3.1 The management and organizational effectiveness of the CRP was weak right from the on-set. (see PCR para. 4.2.1- 4.2.6). At appraisal, the responsibility for project management was vested in the Chief Executive with the M&E Unit of Policy, Planning, and Monitoring & Evaluation Division (PPMED) coordinating and monitoring the project implementation under his direct supervision. This arrangement was changed during project implementation. A Project Coordinator (PC) was appointed but he was relatively junior in the hierarchy<sup>2</sup>. Again the responsibilities in the management, co-ordination and execution of the project were not clearly defined, thereby making the decision-making process leading to implementation to be cumbersome. As a result, the project suffered from implementation difficulties.

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<sup>2</sup> Three Project Coordinators were appointed during project life. All of them were one or two steps below the rank of a Head of Division. This considerably reduced their authority and weakened the decision making process.

3.3.2 Another major deficiency of the implementation arrangement was that no project-level committee was set up to coordinate the activities of the different implementing agencies and of the different co-financiers. Except for the road program, all project components were implemented by the respective Division / Department or Subsidiary of COCOBOD. COCOBOD failed to establish an effective management and co-ordination system for the project and achieve agreement among concerned agencies on implementing agreed project components, especially the road component and the unification of the agricultural extension services. This lack of project management committee did not allow COCOBOD to be pro-active and to be able to respond quickly to intra and inter-agency policy and institutional issues as well as respond quickly to field operational matters. In almost all cases, staff had to wait for the final approval from the CEO who may not consider the matter at hand of such important priority in the myriads of issues and activities he had to attend to daily. It was a major contributory factor to much of the time overrun on some of the contracts. Though changes were effected in the Chief Executive and Project Coordinator twice in project life, such changes did not affect project implementation adversely as each change lasted about four years, which provided sufficient time to ensure certain stability in the management process.

3.3.3 COCOBOD did reasonably well, however, in implementing the agreements regarding the restructuring and downsizing and, the opening of the domestic cocoa market to the private sector.

3.3.4 The appointment of the key executive and senior managerial staff was completed by 1990. These included three Technical Managers (Extension and Input Delivery, Survey and CSSVD control, and Seed Production and Agronomy) for the CSD and a Haulage Manager for PBC. Senior staff for MIS and M&E were appointed to the M&E Units of PPMED, CSD and PBC, and PBC's accounting staff was strengthened by the appointment of a Cost Accountant.

3.3.5 The Policy Planning, Monitoring and Research Department (PPMRD) was reorganized and within it a M&E Unit, Management Information Service (MIS) and data bank were established thereby strengthening COCOBOD's potential in policy analysis. M&E subunits were established as planned within the PBC and the CSD and are functioning satisfactorily. The three studies that were supposed to be carried out were completed although only one was completed on time, (see table 1 Annex 3). The timely completion of these studies was expected to provide COCOBOD and the cocoa industry with adequate information base for sectoral monitoring and policy formulation.

3.3.6 Reports from the Borrower had been infrequent and most of the time of poor quality (PCR para. 3.1). According to the loan agreements, the Borrower was to submit to the Bank quarterly progress reports on the execution of the project. In addition, the borrower was to submit certified copies of the financial statements of the project within three months of the close of the financial year. These Reports were not sent (as at when due) to the Bank. Only Quarterly Reports were sent and they were found not to be of the format and/or required quality, (PCR para. 3.4). Unfortunately, there was no evidence that the Bank applied any sanction. The performance of the project implementation management was unsatisfactory throughout project life.

## 4. PERFORMANCE EVALUATION AND RATINGS

### 4.1 Relevance of Goals and Objectives & Quality at Entry Assessment

4.1.1 The CRP is rated **Satisfactory** due to its relevance (ref. Annexes 4 & 5 for ratings). As pointed out earlier (para. 1.1 – 1.3), Ghana was facing severe economic imbalance, principally as a result of poor macro economic policies and adverse developments in the world commodities (cocoa and gold) markets. The stabilization and structural adjustment measures embodied in the Economic Recovery Program (ERP) were initiated to change the course of economic policies. The CRP was therefore consistent with the overall objectives of the ERP, which was designed to reduce inflation, achieve external equilibrium, promote economic growth and export recovery. The major policy thrust of the ERP was to realign incentives towards productive activities (producer price incentives, producer price increase, exchange rate adjustment, price and trade liberalization) and the rehabilitation of economic and social infrastructure.

4.1.2 The policy issues and investment activities were also consistent with the Bank's Country Assistance Strategy of making agriculture one of the primary targets of development intervention. Implicitly or explicitly, the project aimed to advance several broader goals of the Bank's policies and strategies such as poverty reduction (the beneficiaries are small cocoa farmers in the rural areas), rural infrastructure development, human resource development, private sector development (trade in agricultural inputs as well as domestic and external marketing of cocoa) and institutional development (primarily through the restructuring and strengthening of the executing capacity of COCOBOD, the implementation agency).

4.1.3 However, the quality at entry was weak. There was no adequate consultation with the relevant stakeholders in Ghana and as such, project ownership was lacking right from the on-start. The inability to involve all stakeholders in an in-depth discussion of the technical, financial and economic aspects of the components did not allow design issues to be thoroughly addressed during appraisal and led to implementation difficulties/delays. Similarly the failure of the co-financiers to agree on the final financial plan (thirteen months after loan effectiveness) compromised the quality at entry. There was insufficient risk analysis as well as development of robust performance indicators.

### 4.2 Achievements of Objectives and Outputs (“Efficacy”).

4.2.1 The project is rated as **Satisfactory** on this score. The primary objective of increasing and reversing the declining trend in cocoa production was achieved (see Annexes 1, 9 & Chart 1). The investment activities of the project coupled with the favorable macro economic and sectoral policies in operation (at the early part of project implementation) induced the growth in cocoa production.

4.2.2 The major factors for the increase in cocoa production were (i) the increase in producer prices, (ii) the increasing availability of seed of improved hybrid seed varieties (iii) extension and farmer education programs, (iv) pest and disease control, and (v) improvements in the domestic marketing of cocoa.

4.2.3 Though there had been significant boost in cocoa production, the production increases had not been sustained. (see Annex 9 Chart 1). For the 14-year period (1987/88 – 2000/2001), there were 8 negative growth years. The swings in production are due to (i) inadequate price incentives (particularly after 1996 when Ghana's macroeconomic plan started to get distorted)<sup>3</sup>, (ii) smuggling, (iii) incidence of pests and diseases, and (iv) weather factors. It could also be argued that macroeconomic policy reforms did not go far enough as cocoa producer prices were not fully liberalized in order to be market-determined. Government kept up its control over price and only increasing it whenever it wished to do it and owned determined percentage.

4.2.4 Under the CSSVD program 17,930 ha of diseased cocoa trees were to be cut out and 17,330 ha replanted. Due to repeated changes in financing arrangements for the component, only about (73%) ha were cut out from 1988/89 to 1993/94. From July 1994 onwards, a "Cordon Sanitaire" program was initiated, separating the areas of mass infection from those of scattered outbreaks. The European Union provided STABEX funds (about US\$4.2 million) for incentive payments, and IDA financed vehicles and equipment. During the two years until project closing, another 8,056 ha were cut out, bringing the total to 13,050 ha (about 73% of the SAR estimate); to date (May 2002), only 6,258ha. have been replanted under the program.(Annex 9 table 1).

4.2.5 The main thrust of the research component was to strengthen the capacity of the Cocoa Research Institute of Ghana (CRIG) to deliver the necessary scientific and technical support to the cocoa industry, which was broadly achieved. Research/extension linkages have been strengthened.

4.2.6 Under the farm input supply component COCOBOD began, as planned, to phase out subsidies in 1988/89, but no action was taken to privatize the marketing channel. To comply with policy reforms supported by AgSAC after 1992, COCOBOD initiated a process of identifying private companies to take over the marketing of inputs, but eventually aborted this process and instead sold all its input stocks to the Cocoa, Coffee and Sheanuts Farmers' Association (CCSFA), effectively making CCSFA the sole distributor for cocoa production inputs in the country. COCOBOD continued to import and distribute inputs on behalf of the CCSFA until June 1995. Funding was provided by CCSFA from sales receipts, and shortfalls due to the continuation of below-cost sales have been covered from the compensation fund which is administered by CCSFA.

#### 4.2.7 Internal Marketing of Cocoa

4.2.7.1 At appraisal it was considered premature to attempt the immediate privatization of domestic cocoa marketing. And emphasis was placed instead on enhancing the efficiency of COCOBOD's purchasing, evacuation, storage, inspection and infestation control activities. A marketing strategy was to be formulated and agreed upon at the mid-term review. Following the appraisal recommendations, purchasing operations were streamlined, vehicles and equipment procured and 16 new transit sheds built. In March 1992, COCOBOD was required under AgSAC to introduce competition into the internal marketing of cocoa beans.

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<sup>3</sup> High inflation, deficit budgeting, rapid exchange rate depreciation, low world cocoa price and rising oil import bill (MOF, 1998);

4.2.7.2 The project created the environment, which encouraged private entrepreneurs to venture into domestic cocoa buying. At project completion, 11 Licensed Buying Companies (LBC) were engaged in the domestic marketing of cocoa with a market share of about 32% of total cocoa production. The efficiency of operations of the Produce Buying Company was improved through the provision of additional storage capacity of about 5000 tons and the reorganization of the cocoa buying societies. As planned, 656 cocoa buying centers producing less than 25 tons annually were closed and 830 buying centers with annual purchases of over 50 tons were converted to sub-societies.

4.2.7.3 Further progress has been made in the deregulation of the domestic marketing of cocoa. The Produce Buying Company (PBC) was privatized and became a limited liability company (quoted in the Ghanaian Stock Exchange) in 2000. Since 1993, 26 LBCs have been registered as competitors to PBC. Fifteen of these companies are still active. Prior to 1994 the PBC was the sole purchaser of all Ghanaian cocoa from farmers. The PBC's share of purchases has declined in a seven-year period from 80% in 1995/96 to 37% in 2000/01. (See Annex 9, table 3). The association of cocoa licensed buying agents has been formed to serve as a common front in engaging government and the COCOBOD in policy dialogue on the cocoa industry. The LBCs claimed that the marketing price margin is being squeezed as a result of increasing producer prices. They would want more transparency in the factors determining and the mechanism for establishing marketing price margin.

4.2.7.4 There has been progressive increase in the producer price of cocoa. It was about 62% of the f.o.b. price in the 1998/99 cocoa season. It dropped to about 44% of the f.o.b. price in 199/200 before rising to 50 percent in the 2000/2001 season (see Annex 9 table 2). An almost 50 percent drop in the world price of cocoa and the rapid depreciation of the domestic currency were the major reasons for the falling share of producer price.

#### 4.2.8 External Marketing of Cocoa

4.2.8.1 Though the CRP institutional and policy reform conditionalities, did not call for private sector participation in external marketing of cocoa, the overlapping agricultural sector adjustment credit (AgSAC) made this an important condition.<sup>4</sup> The first steps towards liberalization of COCOBOD's export monopoly were put in place for the 2000/2001 crop season when eligible LBCs were given the opportunity to export up to 30% of their cocoa purchases directly to external buyers without going through the CMC. The regulations and guidelines specify the criteria for export licenses to be granted, including:

- Only LBCs with the proper infrastructure for internal purchasing
- LBCs which had purchased a minimum 10,000 metric tons domestically in the preceding two seasons
- Ability to demonstrate relevant technical know how and financial resources

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<sup>4</sup> Two donor-supported projects overlapped with the CRP. These were the IDA/ADB Agricultural Sector Rehabilitation Loan (1987) and the IDA Agricultural Sector Adjustment Credit (AgSAC). (1992). Implementation of CRP's policy and institutional reform agenda received a strong boost with the coming into effect of AgSAC which strongly underpinned and in some cases went beyond the CRP's objectives.

4.2.8.2 Based on the minimum tonnage criteria, 9 companies qualified in 2000/2001 to get export licenses. Three of the companies have, as of July 2001, been issued provisional licenses, but in fact they decided not to export during the 2001/02 crop year, but rather, act as buying agents for the Cocoa Marketing Company (CMC). For this, they have negotiated a market margin of Cedi 699,245 per ton i.e. about \$100 per ton.

4.2.8.3 The LBCs are lacking in financial muscle to engage in export marketing. There is the need to speed up the process of privatization of internal and external marketing. Donor assistance could be sought for capacity building. Such assistance is being presently offered to Kuapa Kokoo Limited (a Licensed Buying Company) by a U.K. based organization. There is the need to widen the scope and form of such assistance.

4.2.8.4 Detailed study on the cost structure of export marketing of cocoa by the (CMC) should serve to provide clear guidelines for the fixing of the appropriate margins for all the economic agents involved in cocoa marketing. There is also the need for a clear policy on retention proportion of Foreign Exchange (F.E.) for private exporters who opt to directly market the 30 percent of their produce. There is the need for regular consultation between the LBCs and management of COCOBOD where issues pertaining to sustained and orderly development of the cocoa industry will be discussed.

4.2.8.5 To strengthen COCOBOD's policy analysis capacity, its Policy Planning, Monitoring and Research Department (PPMRD) was reorganized as planned, a Monitoring and Evaluation Unit was established and a Management Information Service and data bank were set up. Only two of the four major studies planned have been completed on schedule. There is now improved information base for sectoral monitoring and policy formulation.

4.2.9 Cocoa extension services were streamlined and District Offices reduced from 101 to 39. Some 702 Extension staff received training. The unification of extension took place in 1999 when 514 Extension staff of COCOBOD were transferred to MOFA. The unification have not achieved the desired results.

4.2.10 COCOBOD is not happy with the present arrangement of the unified extension system under which COCOBOD lost control of its trained extension staff to MOFA, particularly at the time when the institutional arrangement for cooperation and collaboration between MOFA and COCOBOD is still very weak. Officials of the COCOBOD feel strongly that Cocoa extension is not currently being adequately addressed. The reaction of the sampled farmers was mixed. Whilst the National Chief Farmer who is also the National President of the CCSFA expressed strong support for the unified extension system claiming that it afforded the farmer a rich menu of technical messages to be delivered to him from the same person; other farmers wanted the old cocoa extension brought back since they claimed the extension personnel helped to source inputs, and educated farmers on improved agronomic practices. Senior Management of the Extension Directorate in MOFA noted that the present weakness of extension in cocoa growing regions was because of the transitional nature of the unification of the extension system. The redeployed COCOBOD extension staff were being re-trained and once the training is completed (in July 2002), they are to be posted back to the cocoa growing regions better equipped to pass more messages to the farmer. The re-posting has commenced since August 2002.

4.2.11 The GOG would still need to address the fundamental issue of how to deliver extension services to farmers in a cost effective manner using a multi-agency and multi-channel modes. There is the need for greater coordination of activities between COCOBOD and MOFA and particularly in research, extension, seed production and CSSV Disease control. It is also important to monitor developments and make the necessary policy and institutional adjustments in the light of contemporary developments.

4.2.12 Training Bunso Cocoa College's capacity was strengthened through rehabilitation of physical facilities, provision of equipment and staff training. The post-project performance of the Bunso Cocoa College is particularly impressive. There are experienced and stable staff on ground. Facilities (including ADB funded facilities) are well maintained. The college has expanded its training program and there has been steady increase in the number of participants. In addition, it has made its facilities available for use by other organizations for conferences and training. Capacity is fully utilized. The management of the college claimed that since 1999, the college has been able to generate funds to cover fully non-salary and fuel costs to run the college.

4.2.13 Seed production and distribution were improved. Seed pod production was scaled to match actual demand of about 2.2 million pods per year. The arrangements agreed for distribution of seed pods were followed, but pods are still sold at a highly subsidized price of c10 per pod until 1999/2000 when the price was raised to €200 per pod

4.2.14 The roads program was not carried out as planned. When the project was prepared, COCOBOD had its own budget for maintenance and rehabilitation of roads in cocoa producing areas and for the construction and maintenance of low-standard feeder roads to cocoa producing villages ("cocoa roads"). By the time of appraisal GOG had instructed the Department of Feeder Roads (DFR) of the Ministry of Roads and Highways to take over full responsibility for cocoa feeder roads, and implementation of the roads component was assigned to it. DFR subsequently raised major objections concerning the technical standards of the cocoa roads and the proposed emphasis on spot improvement and maintenance. When these issues were resolved after about three years, the roads targeted for spot improvement and maintenance had deteriorated so much that most required complete rehabilitation. Even then, DFR failed to act expeditiously in preparing work programs for tendering and approval by the Bank. At project closing, ADF financed the rehabilitation of 404 km of roads, 275 km of roads and three bridges were completed under the IDA credit, and COCOBOD funded the rehabilitation of 450 km of the 750 km of roads target for using labor-based contractors. None of the planned 60 km of new feeder roads and 80 km of new tracks were constructed, but 22 (of the 25 planned) steel bridges supplied by ODA were installed. With an aggregate of 1,129 km, the roads component achieved only 38 percent of the 3,000 km planned.

4.2.15 The post project arrangements for feeder road construction and maintenance appear satisfactory. The GOG is now emphasizing labor-based routine and recurrent maintenance of rural roads. There is the greater involvement of regional and district administration in identification and prioritization of road projects as well as award of road contracts. A Road Maintenance Budgeting System (RMBS) is practiced. 40 percent of the road fund is set aside for rural feeder roads. Contractors are empowered through financial assistance to purchase tractors, trailers, shovels/spades as well as training. The Department for International Development (DFID) (UK) is active in providing technical and funding support to the rural feeder roads program.

### 4.3 Efficiency

The project is rated **Satisfactory**. (see Annex 5). The major outcome of the project which was increased cocoa production was achieved through the rehabilitation of existing cocoa plantings, new plantings and re-plantings (with improved hybrid seeds) under the CSSVDC program. The output response to these measures was affected by the farmers' price incentives (see para. 4.2.1- 4.2.3). The PCR has attributed incremental production of cocoa to the combined effect of project measures and improved producer incentives. This was estimated at 100,000 tons per year between 1988/89 and 1997/98 and rising to 115,000 tons annually thereafter, (due to full maturity of the newly planted trees). Based on a farm gate export parity price of USD1,096 and reflecting all costs and benefits in constant end-1996 prices, the economic internal rate of return (EIRR) of the project has been estimated to be 24.3 per cent. The PPER endorses this.

### 4.4 Institutional Development Impact

The institutional development impact is rated **Satisfactory**. (see Annex 5). This rating is based within the context that COCOBOD the main Implementing Agency found itself at the time. Against the background of a long-term secular decline in cocoa production, decaying infrastructure (including cocoa feeder roads) and poor macroeconomic environment, COCOBOD achieved many but not all of its institutional objectives. COCOBOD has been significantly streamlined, research strengthened and focused, human capacity developed (particularly in research and training), support given to farmer based organization (CCSFA) in inputs procurement and marketing and gradual involvement of the private sector in domestic cocoa marketing. The major deficiency of COCOBOD was in its inability to develop an in-house capacity for policy analysis and impact assessment of macro-economic, sectoral and institutional policy reforms. COCOBOD was not able to offer empirical justification for some of the actions taken during project implementation. For example, the effect of subsidy withdrawal of adoption of improved technology by farmers and profitability of cocoa production. Again the decision to justify production increases predominantly on nominal increase in producer price without considering the effect of inflation on real price and the terms of trade between agriculture (rural) and non-agricultural (urban); Such analyses would have allowed better sequencing of policy reforms and provided important feed-back for management and policy makers. It would also have strengthened the scope and quality of policy dialogue with the donors.

### 4.5 Environmental Impact

Though no environmental impact assessment was carried out prior to project start-up, project actions are considered to have negligible effects on the environment. Since project activities concerned rehabilitation and replanting of trees in already existing cocoa plantations, no clearing was required. Production of cocoa in Ghana is carried out on land that has been partially cleared of forest. This system, added to the fact that the cocoa tree being a perennial plant which once established keeps the ground under constant cover, protects the soil from erosion. The pesticide procured and used are those tested by CRIG and found to have minimal effects on the environment. Mechanism was put in place to ensure that Ghana Environmental Protection Agency (GEPA) monitored use of pesticides and residues in order to maintain the high quality standards of Ghana Cocoa. The Cocoa Swollen Shoot Virus Disease was effectively controlled. There was uprooting of affected trees on 16,537 hectares and replanting of 3,810 hectares.

## 4.6 Sustainability

4.6.1 The sustainability of the project outcome is rated as **Satisfactory**. (see Annex 5). The GOG has expressed strong political commitment to continuing and deepening the institutional and policy reforms in the cocoa sub-sector. The policy framework and the institutional arrangements put in place during project implementation are still in place and improved upon in certain areas to ensure sustainable development of the cocoa sub-sector of the Ghana economy.

4.6.2 Funds for maintenance of equipment, replacement of equipment and vehicles would not be a problem to COCOBOD since it is entitled to percent of the export proceeds to meet its operational expenses. The GOG is also committed to making COCOBOD more efficient and reducing its operational costs.

4.6.3 A medium term strategy (Cocoa sub-sector Strategy) has been developed through broad consultations with stakeholders in the cocoa sub-sector. (MOFA 2000). The objectives of the strategy are to ensure increased and sustainable production, enhance farmers' incomes and the maintenance of quality. These are to be achieved through more effective internal and external marketing, adequate incentive for farmers through adjustments in the producer price, streamlining cocoa research and extension services and making the operations of the COCOBOD more efficient.

4.6.4 The socio-political support for the continuation of policy and institutional reforms is assured through the strong support of the GOG to Farmer Based Organizations (FBOs), the decentralization of delivery of agricultural services (including extension), the involvement of local communities in project selection, prioritization, execution, management, monitoring and evaluation. The current emphasis on labor-intensive approach to routine and local contractors in the recurrent maintenance of rural feeder roads will create employment and contribute positively to poverty reduction which has become the major focus of Development Planning in Ghana.

4.6.5 Additional efforts will need to be made to improve inter-ministerial and inter-agency coordination and cooperation. The MOF will have to play its supervisory role of COCOBOD much more efficiently and monitor compliance through quantitatively and qualitatively set targets and date with project agreements and covenants.

4.6.6 Since drought and adverse terms of trade remain threats to sustained growth of the cocoa industry, long term development of small scale irrigation, the development of drought resistant hybrid cocoa seeds and additional resource inflows through the Highly Indebted Poor Country (HIPC) initiative as well as additional funding support from development Partners should ameliorate these adverse effects

## 4.7 Market Prospects for Cocoa

4.7.1 The past five years had witnessed a "soft world cocoa market (as reflected in increased stockpiling, falling world prices and weak demand in the traditional European Union (EU) and U.S. markets. It would appear now that the world cocoa market is set for recovery and expansion. Recovery in demand from the Central and Eastern European countries should help total European demand revert back to its long-term growth trend of just over 3% per annum, while consumption in Asia (especially China) is expected to increase quickly from its current low base (ICCO Annual Report 2001).

4.7.2 The international trading and manufacturing environment is changing quickly and becoming more competitive. Similarly competition in cocoa production and export sectors has intensified considerably, and in order, to survive, growers, traders and processors and, to a lesser extent, manufacturers have been forced to reduce costs, raise productivity and increase efficiency. This has been achieved in several ways including the liberalization of many countries' cocoa industries and economies. During the next decade, the real cocoa prices are most unlikely to reach the levels achieved during the 1980s and competition in the cocoa market will remain intense. To survive, and maintain market share, Ghana will need to continue to increase its competitiveness. The financial and social profitability of cocoa in Ghana in the medium term will depend on productivity increases rather than high world prices.

#### **4.8 Aggregate Performance Rating**

Based on the criteria of relevance, efficacy, efficiency, institutional development impact and sustainability; the aggregate performance rating is **Satisfactory**. Within the limits imposed by human and institutional capacity in Ghana in the decade of the eighties, the CRP achieved the objectives of increasing cocoa production and reducing rural poverty. The CRP has also made some contribution to institutional development even though progress appears slow. Government political commitment and the conducive macroeconomic environment currently existing in the country would ensure the sustainability of the achievements.

#### **4.9 Borrower Performance**

4.9.1 The Borrower performance is rated as **Unsatisfactory**. (see annex 6). COCOBOD did not set up an efficient implementation management structure (para. 3.3.1 – 3.3.4). There was little or no supervision from the Ministry of Finance (MOF) and different divisions of COCOBOD implemented different components with little or no coordination of efforts. The Project Implementation Unit (PIU) was supposed to be in the PPMRD but was changed to that of a Project Coordinator (PC) reporting directly to the CEO.

4.9.2 There were delays in procurement due to unfamiliarity with Bank's rules and procedures on procurements and disbursements. There was no effective contract management and supervision and proper sanctions were not applied to consultants/ contractors who defaulted in their duties.

4.9.3 Compounding this was the low morale of many COCOBOD staff as regards the down sizing, the retrenchment of staff and the divesting of some function and duties to other Ministries and Agencies of government and the private sector [cocoa feeder roads to Department of Feeder Roads, cocoa extension to MOFA, closing of many buying points of LBC and breaking its monopoly in domestic marketing, and disengaging from inputs procurement and transferring the function to the CCSFA owned Cocoa Inputs Company Ltd.].

#### **4.10 Bank Group Performance.**

4.10.1 Bank performance is rated as **Unsatisfactory**. (see Annex 7). There was low quality at entry. The Bank did not participate in the design and preparation of the project. Even at the

appraisal stage, it did not devote sufficient time to design issues and failed to assess the institutional capacity of the main implementing agency (COCOBOD). The Bank also failed to ensure sufficient political support and project ownership within the implementing agencies (mainly COCOBOD, and DFR). Project management and implementation arrangements were not sufficiently well defined, and the technical specification for the roads component were established without taking into account the views of the technical staff of FDR, the implementation agency of this component. (para. 4.2.16).

4.10.2 Project supervision was also weak. There were only five supervision missions in eight years and three of those took place between 1995 and 1997. The inability to effectively supervise the project led to avoidable delays and acquiescence on the part of Bank staff on issues which should have been confronted and quickly resolved. Given that the Bank was the major financier of the inputs and the roads components, a more active role by the Bank should have prevented the three- year delay in the start-up of the road component and the “hurried “ transfer of the cocoa inputs procurement and distribution to the CCSFA.

4.10.3 The Bank should have carried out a joint-supervision mission with other co-financiers (preferably once a year but at least once in two years) during which implementation and thematic issues would be comprehensively addressed and solutions proffered with target deadlines.

4.10.4 Though the Bank exhibited some flexibility in allowing extensions to project life and reallocation of funds to allow for greater progress in implementation, it should have in addition to using project conditionalities engaged in policy dialogue in pushing for pricing and marketing reforms and monitor performance against set targets and dates.

#### **4.11 Factors Affecting Implementation Performance and Outcome**

4.11.1 Several factors affected implementation performance and outcome. (see Annex 8 ). Co-financing arrangements were finalized thirteen months into project effectiveness, resulting in a start-up delay of several components. Major problems included frequent changes in the senior staff of COCOBOD and the generally low staff morale throughout the organization, because of the ongoing restructuring and retrenchment associated with the privatization and/or discontinuation of many of COCOBOD’s traditional activities. In the absence of clearly defined responsibilities for project management, coordination and execution, the decision making process was extremely cumbersome. GOG’s and COCOBOD’s combined contributions of \$14.9 million fell substantially short of the \$37 million expected at appraisal, and total project cost have been re-estimated at \$87.1 million.

4.11.2 Another major problem was the persistent failure to achieve agreement among concerned agencies on implementing agreed project components, notably the roads component and the unification of agricultural extension services. COCOBOD also made inadequate efforts to foster the privatization process, especially for input supplies. The transfer of responsibility for input supply from COCOBOD to CCSFA must be considered more a circumvention, rather than implementation, of the agreement to privatize input marketing. DFR’s failure to act in a timely manner resulted in substantial further deterioration of the road system in the cocoa areas and a drastic shortfall of implementation and disbursements under the roads component. The Borrower did well, however in implementing the agreements regarding COCOBOD’s restructuring and, after 1992, opening domestic cocoa marketing to the private sector.

4.11.3 The weather factor (particularly drought) affected the output of cocoa in certain years. The precipitous fall in world cocoa prices put pressure on GOG's budget and Balance of Payments (BOP). Given the government commitment to support and improve producer prices, the shortfall in foreign exchange earnings and reduced government tax revenue were important reasons for huge budget deficits (public debt creation through money supply) and the rapid depreciation of the Cedi.

## **5. CONCLUSIONS, LESSONS LEARNT AND RECOMMENDATIONS**

### **5.1 Conclusions**

5.1.1 The implementation of the Cocoa Rehabilitation Project took longer than planned but it succeeded in halting and reversing the decline in cocoa production in Ghana. Measures taken at the macro-economic level or in support of the cocoa sector both prior to project start-up and during the project, especially producer price increases, contributed to the increase. Project performance with regard to the institutional reforms has been satisfactory. COCOBOD has been substantially streamlined, research activities strengthened and focused, and research-extension linkages enhanced, the proper environment to encourage private entrepreneurs to venture into input and domestic cocoa marketing from COCOBOD is being created.

5.1.2 The feeder roads rehabilitated under the project have had impacts on rural communities in that they contribute to make these communities more accessible, especially during the rainy season and improve produce evacuation. In addition, the labor-intensive road works would contribute to reducing rural unemployment and/or under-employment and rural poverty. The overall performance of the project was judged satisfactory. The investments made by the project in physical facilities and rural roads would be sustainable as GOG is committed to ensuring a conducive macroeconomic environment to strengthen and deepen the reforms. A cocoa strategy has been developed and is being implemented.

### **5.2 Lessons Learnt**

5.2.1 Institutional capacity for project implementation, monitoring and evaluation and policy analysis is a key factor in the selection of implementing agencies. A major deficiency of COCOBOD during project life was its inability to build an in-house capacity for policy analysis and impact assessment/evaluation. As stated earlier, (para 3.3.5 & 4.4.1) COCOBOD was not able to offer empirical justification for some of the actions taken during project implementation. Such actions included the withdrawal of subsidy on agricultural inputs as well as the decision to justify production increases predominantly on nominal increase in producer price without considering the effect of inflation on real price and the terms of trade between agriculture (rural) and non-agricultural (urban); Such policy analyses and reviews would have allowed better sequencing of policy reforms and provided important feed-back for management and policy makers. It would also have strengthened the scope and quality of policy dialogue with the donors.

5.2.2 Promotion of participatory approach at early stages enhances project's quality at entry and implementation effectiveness. (para. 3.1.3, 4.1.3, 4.2.14 & 4.9.2) The inability of GOG through COCOBOD to take active part in project preparation and appraisal accounted in part for the poor quality of project at entry. There were problems with design (e.g. protracted argument with the Department of Feeder Roads on the design of the road component, delay in agreeing to the financing plan etc). As a result of the little effort of COCOBOD in preparing and appraising the project, there was no strong sense of ownership. Future design should include the sensitization and full discussion with all the relevant stakeholders (MOF, COCOBOD, MOFA, the farmers, Farmer-Based Organizations (FBOs) the LBCs, the District Assemblies, the private sector as well as Development Partners). The Bank is now incorporating participatory processes in project design and implementation.

5.2.3 Time delays could be minimized through pre-project training in Bank procurement and disbursement procedures, project launch missions and regular supervision. (4.7.1 – 4.7.3 & 4.8.1 – 4.8.2). Time delay was one of the weakest parts in the implementation of the CRP. Time delay averaged months above original estimates. Initiating projects on schedule is one of the most effective ways to reduce delays. This could be achieved by (i) limiting the conditions for loan effectiveness to the minimum of legal requirements; (ii) training the Borrower in Bank procurement and disbursement procedures before Bank approval (since delays often result from lack of knowledge of these processes and are particularly deleterious at project inception); (iii) mounting project launch mission shortly after Board approval to help project start-up without delay; and (iv) regular (at least annual) supervision missions that focus on developmental objectives and substantial issues as well as administrative and financial issues.

5.2.4 Complementarity and consistency between macro and micro economic issues facilitate smooth project implementation. (para. 4.2.3& 4.2.7.4) There is a need to ensure that there is congruence between the macroeconomic reforms and sectoral policy (and other micro issues). For example during the implementation of the CRP, the secular decline in World cocoa prices resulted in shortfall in foreign exchange receipts as well as government tax revenue. Since the government was committed to raising producer price, it had to among other measures resort to deficit financing (through borrowing mainly from the domestic banking sector). This led to high inflation and as such many contractors could no longer perform at agreed prices. (there was no inflation adjustment built into the contracts). This led to delays in contract execution and significant shortfall in achievements compared to target. This was more noticeable in the road component (with the attendant negative effect on rural welfare impact).

5.2.5 Matching market liberalization with measures in support of private sector entry would accelerate the private sector's response to the improved enabling environment. (para. 4.2.7.3 & 4.2.8.3). The response by the private sector to the opportunities created by government's withdrawal from farm input marketing and the abolition of the monopsony in domestic cocoa marketing has not been as vigorous. Several reasons account for this including lack of capital, facilities and training/experience; low marketing margins (which proved inadequate in the face of high inflation); undue delays experienced by LBCs in having their cocoa deliveries accepted and paid for by CMC. It is therefore of crucial importance to put in place measures to facilitate private sector entry.

### 5.3 Recommendations.

#### A. **BORROWER**

5.3.1 Ensure inter-ministerial and inter-agency coordination and collaboration (para. 3.3.1 – 3.3.2, & 4.5.5). The implementation of the CRP required effective coordination and collaboration among the implementing agencies (COCOBOD and MOFA & District Assemblies on research-extension linkages; COCOBOD, Department of Feeder Roads & District Assemblies on rural (cocoa roads) feeder roads spot improvement, routine maintenance & rehabilitation). Unfortunately, this was not the case. In future, the organization structure for project implementation should be fully discussed, agreed on, and be effectively on ground before project start-up. The project executive (or management) committee should not only be set up but must be made to work. The Bank through its supervision role and policy dialogue with GOG should ensure this.

5.3.2 Identify the right mix of extension institutional reforms and approaches. (para. 4.2.10 – 4.2.11). The present institutional arrangement for extension delivery to cocoa farmers is not satisfactory. Neither the recourse to the previous extension service delivery system (being championed by the management of COCOBOD) nor the unified extension system (present arrangement under MOFA) would provide the ideal solution. The immediate challenge for Ghana is to identify the right mix of extension institutional reforms and approaches that will provide a timely and cost-effective extension service to Ghanaian farmers. The reform initiatives should allow (i) pluralism of extension providers, involving coordinated partnerships with non-profit, non-governmental organizations; (ii) partnerships involving farmers and farmers' organizations and other private sector extension providers; (iii) cost-recovery options, including those negotiated between farmers and extension technicians (which may require human resource development coupled with technical assistance; and (iv) decentralization to lower tiers of government.

5.3.3 Initiate and implement policies, programs and projects to speed up the process of privatization of domestic and external marketing of cocoa. Since the LBCs lack the technical and financial wherewithal to engage in competitive, profit motivated domestic and external marketing of cocoa (para. 4.2.8.3 – 4.2.8.4), technical assistance (including donor support) would be needed to build up capacity. Such support is presently being offered one of the LBCs – Kuapa Kokoo Limited. A conducive macroeconomic environment to encourage strategic partnership with foreign investors is also required. Detailed study on the cost structure of export marketing of cocoa by the (CMC) should serve to provide clear guidelines for the fixing of the appropriate margins for all the economic agents involved in cocoa marketing. There is also the need for a clear policy on retention proportion of Foreign Exchange (F.E.) for private exporters who opt to directly market the 30 percent of their produce. There is the need for regular consultation between the LBCs and management of COCOBOD where issues pertaining to sustained and orderly development of the cocoa industry will be discussed.

5.3.4 MOF should play more active role in coordination and supervision. (para 4.7.1). During the implementation of the CRP, the oversight, monitoring and supervision functions of MOF were deficient. If there had been a higher level supervision and monitoring of COCOBOD, it would have moved faster in the implementation of the institutional and policy reforms. MOF would need to strengthen the ADB Desk Office to be able to play more effective monitoring and supervision role.

## **B. LENDER**

5.3.5 Ensure institutional capacity exists for effective project implementation. (para. 3.3.1 - 3.3.2). This should have been critically analyzed during project preparation and appraisal. This will ensure high quality of entry and minimize implementation problems..

5.3.6 Devote time and resources to design issues during preparation and appraisal to ensure high quality at entry and ease difficulty of implementation. (para. 4.1.3). This is a conventional wisdom given the implementation difficulties encountered with the CRP.

5.3.7 Ensure efficient and effective communication with Borrower and prompt response to requests, queries and information. (para 3.3.6). This will lead to faster implementation and eliminate the undue delays occasioned by the need to obtain clearance and/or 'no objection' from the Bank.

5.3.8 Increase frequency and intensity and quality of supervision. A joint supervision with other co-financiers may be more cost effective and comprehensive.(4.8.2 – 4.8.3). This approach is being used to good effect in Ghana for the Agricultural Services sub-Sector Investment Project (AgSSIP).

## **C. BORROWER AND LENDER**

5.3.9 Encourage frequent policy dialogue. (para 4.8.4). The Bank and GOG should actively engage in policy dialogue. This could be at a bilateral or at a donors' forum where issues (political, technical, financial, institutional, environmental) affecting project implementation and development effectiveness could be discussed and solutions proffered. Ghana and Development Partners had initiated such consultative meetings, and the 11<sup>th</sup> of such meetings was held in Accra, Ghana in April 2002.

5.3.10 There is the need to improve on the management of project-related documents, particularly by COCOBOD. (para. 3.3.6). A worrisome development on the part of the management of COCOBOD is the inability to either produce and/or submit quarterly, annual and audit reports on time. The preparation and submission of reports should be monitored on a regular basis. Every year, by a certain date (e.g. July 15) the bank and the Borrower could review the status of documents (including Audit Reports). If the government is not up-to-date and the understandings are not met to the satisfaction of the Bank, the Bank should reserve the right to disburse or withhold any loan moneys. If management of document does not change, the Bank should apply the necessary sanctions.

5.3.11 Given the absence of a field presence in Ghana, the Bank and the GOG should ensure that a strong Desk Office for the Bank exists in the Ministry of Finance. (para. 4.5.5). The Desk Officer should be an experienced officer knowledgeable in Bank operations (particularly procurement and disbursement issues) and very strong in policy development and analysis. The officer should be provided with the necessary office equipment, telecommunication, and mobility so as to effectively monitor and ensure compliance with loan conditionalities. Copies of project reports sent to the Bank and the Borrower from the executing agencies should be deposited with the desk officer.

**RETROSPECTIVE LOGICAL FRAMEWORK**

| <b><u>Narrative Summary</u></b>   | <b>Objectively Verifiable Indicators</b>  |  |  |  | <b><u>Means of Verification</u></b>  | <b><u>Risks/Assumptions at Appraisal and Verification</u></b>   |
|---|---|--|--|--|--|---|
|   |   | <b><u>At Appraisal</u></b>   | <b><u>At Completion,</u></b>   |  |  |   |
| <b><u>Sector Goal</u></b><br>Contribute to increase foreign exchange earnings, reduce poverty and improve the quality of life in cocoa growing areas. | GDP<br>(Constant '95 prices)<br>rate of growth AgGDP<br>(constant '95 prices)<br>rate of growth Exports<br>Cocoa Beans<br>Value<br>Rate of growth | 1984 –1988<br>3940<br>2.4% p.a.<br>2114<br>0.4% p.a.<br>U.S. \$565.9 million<br>15.2% p.a. | 1994 – 1998<br>6852<br>4.7% p.a.<br>3182<br>3.5% p.a.<br>US\$ 1431.2<br>11.7% p.a. |  | Ghana Statistical Service<br>Statistics from<br>COCOBOD<br>Other Government<br>Statistical Agencies and<br>Commodity Market<br>Reviews<br>Ghana Living Standards<br>Survey |   |
|   | Poverty Incidence<br>Total:<br>Rural<br>Cocoa farmers   | 1987- 1988<br>42.8<br>43.1<br>39.1   | 1997-1998<br>31.0<br>34.0<br>27.0  |  |  |   |
| <b><u>Objectives</u></b><br>Decline in cocoa production halted and reversed and output increased and stabilized at 300,000 tons per year              | Output<br>(tons)  | 1983/84 158,956<br>1984/85 174,813<br>1985/86 219,044<br>1986/87 227,864                   | 1994/95 309,456<br>1995/96 403,850<br>1996/97 322,484<br>1997/98 408,483           |  | Reports and Statistics<br>from COCOBOD   | Political Will and commitment<br>exist to support policy and<br>institutional reforms.  |
|   | Producer Price<br>(Cedi/ton)  | 1983/84 20,000<br>1984/85 30,000<br>1985/86 56,000<br>1986/87 85,000                       | 1994/95 700,000<br>1995/96 840,000<br>1996/97 1,200,000<br>1997/98 1,800,000       |  | Other Government<br>Statistical Agencies and<br>Commodity Market<br>Reviews  | Despite the implementation period<br>of 9 years, there was partial<br>implementation<br>of the policy and institutional<br>reforms. The current Government<br>economic policy shows<br>commitment to deepening the<br>policy and institutional reforms<br>beyond the CRP targets. |
|   | Producer Price as % of<br>FOB Price.  | 1983/84 24.43<br>1984/85 26.26<br>1985/86 27.38<br>1986/87 27.29                           | 1994/95 44.7<br>1995/96 50.1<br>1996/97 43.0<br>1997/98 48.9                       |  | Ghana Living Standards<br>Survey   |   |

| <b><u>Narrative Summary</u></b>  | <b>Objectively Verifiable Indicators</b>                       |  | <b><u>Means of Verification</u></b>   | <b><u>Risks/Assumptions at Appraisal and Verification</u></b>  |   |
|--|--|--|---|--|---|
|  |  | <b><u>At Appraisal</u></b>   |   |  | <b><u>At Completion,</u></b>  |
| <b>Outputs</b><br>Area under cocoa production increased                | Rehabilitation   | 300,000 hectares of existing plantation to be rehabilitated.   | 250,000 hectares of existing plantation put under improved management (83 % of target) and  | Reports and Statistics from COCOBOD, GHANA Statistical Service | Project is implemented as programmed.<br><br>Farmers with adequate price incentives would rehabilitate neglected cocoa plantations.   |
|  | Replanting   | 57,600 hectares to be replanted  | 38,760 hectares (68% of target) replanted.  |  |   |
| Seed Production Capacity Increased                                     | Existing Gardens   | Seed production increased to 3.2 million pods by year5.  | Annual seed production reached 3.5 million by 1997/98 of which 2.09 million were sold.  | Reports and Statistics from COCOBOD, GHANA Statistical Service | For the first five years of project life, poor incentives slowed the pace of rehabilitation.  |
| Cocoa Swollen Shoot Virus Disease (CSSVD) control program implemented. | New Gardens<br><br>Number of trees cut and hectares replanted. | 100 hectares of new seed gardens established.<br><br>Affected trees to be cut on about 17,000 hectares with 12,330 hectares to be replanted. | 84 hectares of new seed gardens were established.<br><br>Uprooting of affected trees on 16,537 hectares by year 1997 and replanting of 3,810 hectares   | Monitoring Report of CSSVD Control Program<br>COCOBOD Reports. | There would be effective demand for hybrid seed.<br>No demand assessment was carried out.<br><br>Farmers are aware, sufficiently motivated, willing and ready to work with COCOBOD.                                   |
| Cocoa research reorganized and strengthened                            |  | Research stations upgraded<br>Farming System Unit established<br>Off-station trial systems established                                       | Research work re-organized into thrusts, 3ç staff trained of which 12 M. Sc and PhD, Farming System Unit established, effective research/extension linkages established and coordinated through the Cocoa Research and Extension Technical Committee (CRETEC) and joint field trials and outreach programs. | COCOBOD Reports<br>ODA Implementation Review Report            | Institutional Capacity exists to initiate and implement demand-driven research. This was achieved.<br>Cocoa Research and Extension Technical Committee (CRETEC) has not been effective. The Committee seldomly meets. |

| <b><u>Narrative Summary</u></b>  | <b><u>Objectively Verifiable Indicators</u></b> |  | <b><u>Means of Verification</u></b>  | <b><u>Risks/Assumptions at Appraisal and Verification</u></b>  |
|--|---|--|--|--|
|  |   | <b><u>At Appraisal</u></b>   |  |  |
| <p><b>(Output contd.)</b><br/>Extension staff resources of Cocoa Services Division (CSD) re-organized and re-deployed and capacity strengthened.</p> <p>Unification of Extension Services</p>                          |   | <p>Extension service reduced in size by project year 5.</p> <p>Two pilot unification trials in Brong-Ahafo and Ashanti regions completed by project year 1.</p>  | <p>Extension services streamlined and District Offices reduced from 101 to 39 and 1465 units. 702 extension staff trained locally and overseas.</p> <p>The pilot unification exercise being undertaken as part of an on-going exercise in 1998.</p>  | <p>COCOBOD Reports.</p> <p>COCOBOD Reports.</p> <p>Political will and commitment exists to support policy and institutional reforms.</p>   |
| <p>Training facilities at Bunso Cocoa College (BCC) rehabilitated and improved.</p> <p>Improvement in the efficiency of the Produce Buying Company.</p> <p>Buying, storing and hauling activities of PBC improved.</p> |   | <p>Renovation and re-equipping of BCC completed by year 4.</p> <p>656 buying centers with annual production of less than 25 tons closed down and 830 buying centers with annual purchases of between 25 and 50 tons converted into sub-societies.</p> <p>Additional storage capacity, 5 staff bungalows constructed and 50 district offices rehabilitated.</p> | <p>5 building contracts executed for the renovation of Bunso Cocoa College by year 1997.</p> <p>656 buying centers producing less than 25 tons annually closed and 830 buying centers with annual purchases of over 50 tons converted to sub-societies.</p> <p>16 Contractors of 5 transit sheds (5000 tons total capacity), 7 district offices and 6 bungalows completed by year 1998</p> | <p>COCOBOD Reports</p> <p>COCOBOD Reports</p> <p>COCOBOD Reports</p> <p>There is adequate executing capacity on the part of contractors. Delays in construction due to faulty design and cost over-runs.</p> <p>Capacity exists to implement program efficiently and on time.</p> <p>There is ad dearth of executing capacity.</p> |

| <u>Narrative Summary</u>   | <u>Objectively Verifiable Indicators</u> |  |   | <u>Means of Verification</u>                              | <u>Risks/Assumptions at Appraisal and Verification</u>   |
|--|--|--|---|---|--|
|  |  | <u>At Appraisal</u>  | <u>At Completion,</u>   |   |  |
| <p><b>(Output contd)</b></p> <p>Competition introduced in domestic cocoa marketing.</p> <p>Input marketing channel privatized and subsidies on inputs removed.</p> |  | <p>All input marketing activities transferred to the cocoa, coffee and Sheanut Farmers' Association (CCSFA) in 1993/1994 but CCSFA took over sole responsibility in 1995. Subsidies officially removed between 1987/88 and 19990/91, but CCSFA still kept them until 1997 when full cost pricing of inputs was introduced.</p> | <p>Licensed Buying Companies (LBCs) started operations I 1993/94 and by 1997/98 11 LBCs had a market share of 31% of total purchases.</p>   | <p>COCOBOD Reports</p> <p>Completion Report from FDR.</p> | <p>Political will and commitment exist to restructure COCOBOD and implement policy reforms.</p> <p>The pace of implementation of reform was slow. New government committed to speed up and deepen reforms.</p> <p>Executive capacity exists to implement, monitor and evaluate impact of policy reforms. Analytical capacity is weak. Delays in completion of studies.</p> |
| <p>Monitoring and Evaluation mechanism put in place.</p> <p>Accessibility to cocoa growing areas improved.</p>   |  | <p>Monitoring and Evaluation Unit (M&amp;E) established within the Policy, Planning, Monitoring and Research Department (PPMRD).</p> <p>3000 km. Of feeder roads rehabilitated, 60km. of new roads, 80km of tracks and 2 new bridges constructed by year 5.</p>  | <p>M&amp;E and Management Information System Units and Data Bank established within PPMRD. MIE sub-units established in CSD and PBC</p> <p>1,128 km. out of revised target of 1,350 km. feeder roads rehabilitated by year 1996..</p> | <p>COCOBOD Reports</p> <p>COCOBOD Reports</p>             | <p>Executive capacity exists to implement, monitor and evaluate impact of policy reforms. Analytical capacity is weak. Delays in completion of studies. Inadequate executive capacity and design problems seriously affected component. Current approach achieving desired result.</p>   |

| <u><b>Narrative Summary</b></u>  | <u><b>Objectively Verifiable Indicators</b></u> |  |  | <u><b>Means of Verification</b></u>  | <u><b>Risks/Assumptions at Appraisal and Verification</b></u>  |
|--|---|--|--|--|--|
|  |   | <u><b>At Appraisal</b></u>   | <u><b>At Completion,</b></u>   |  |  |
| <b>Activities (Inputs)</b><br><br>Strengthening staff capacity and improved mobility and equipment.<br><br>Provision of inputs |   | Inputs (Resources)<br><br>Funds provided for training both locally and abroad.<br>UA 3.99million | Short and long term staff training locally and overseas financed.<br>Renovation and improvement of facilities and provision of improved teaching equipment for Bunso Cocoa College financed. | COCOBOD Reports<br><br>MOF, COCOBOD, ADB Finance Department, Auditor's Report. | Government and Bank Group are committed to funding and implementation of project. Timely and adequate GOG and Donor financing available.<br><br>Government and Bank Group are committed to funding and implementation of project. Timely and adequate GOG and Donor financing available. |
|  |   | Funds provided to procure the necessary inputs.<br>UA 9.2 million                                | Inputs purchased until project year 3.   |  |  |
| Control of Cocoa Swollen Shoot Virus Disease (CSSVD).<br><br>Feeder road program implemented.                                  |   | Funds provided to finance the roads program.<br>UA 6.62million                                   | Funds provided from COCOBOD and European Union to cover incentive payment.<br><br>Revised feeder roads program financed.<br>UA 6.61 million  | COCOBOD, ADB Finance Dept., Auditor's Report.                                  | Government and Bank Group are committed to funding and implementation of project.<br><br>Timely and adequate GOG and Donor financing available   |

**LOAN CONDITIONALITIES**

**CONDITIONS FULFILLED PRIOR TO EFFECTIVENESS OF THE LOAN**

Section 5.01 - Conditions fulfilled prior to effectiveness:

- (i) Open a special account into which it undertook to deposit on a quarterly basis its share of the cost of the project as set out in the financing plan;
- (ii) Give an undertaking that it would cause the Ghana Cocoa Board (COCOBOD) make regularly adequate allocations in its annual budget to finance its share of the cost of the project as set out in the financing plan;
- (iii) Give an undertaking that it will assume, or cause COCOBOD to assume, responsibility for all cost overruns and for any shortfall that may arise in the financing plan of the project;
- (iv) Give an undertaking that it will not use the proceeds of the loan for the payment of the various duties and taxes relating to goods and services required for the execution of the project;
- (v) Satisfy the ADB and ADF that it had reached agreement with other co-financiers and had secured the additional financing required for the proper and timely execution of the project;
- (vi) Conclude a subsidiary loan agreement for on-lending the entire loan proceeds to COCOB OD on terms and conditions acceptable to the ADB and ADF.
- (vii) Cause COCOBOD and the Department of Feeder Roads (DFR) to open and maintain their respective bank accounts, into which the ADB and ADF may from time to time deposit proceeds of the loan;
- (viii) Appoint a Cocoa Research Institute of Ghana (CRIG) Management Committee and a Research Policy Committee, whose functions and composition shall be acceptable to the ADB and ADF, to advise CRIG on policies and priorities in line with national development strategies;
- (ix) Submit a farm inputs privatization scheme acceptable to ADB and ADF; indicating the measures that it shall undertake to implement to reduce cocoa farm inputs subsidies in three annual stages so as to eliminate them together by the end of the third year, and ensure the privatization of the farm inputs system by the end of the final year, of project implementation;
- (x) Communicate to the ADB and ADF the tender documents together with the relevant procurement procedure mentioned in Section 5.03 of this Article;
- (xi) Submit to the ADB and ADF the list of goods and services (LOGS) to be financed from the loan resources.

**STATUS OF FULFILMENT OF OTHER CONDITIONS**

| <b>CONDITION</b>  | <b>STATUS</b>       |
|---|---------------------|
| Section 5.02 – Other Conditions   |                     |
| 1) Cause COCOBOD to recruit a Deputy Chief Executive for Finance and Administration, an Executive Director for CRIG, a Deputy Executive Director for the Cocoa Services Division and Senior Managerial Staff for the Produce Buying Company and the Policy, Planning, Monitoring and Research Department, all of whom shall have qualifications and experience acceptable to the Bank.  | Fulfilled           |
| 2) Undertake, in collaboration with the Bank Group, to conduct a Mid-Term Review (MTR) of the overall progress of the project not later than two years after the commencement of the project execution and, in the light of such review, to readjust the implementation schedule and procedures of the project to take due account of the prevailing conditions and policies  | Fulfilled           |
| 3) Not later than six months after the date of this Agreement, implement two pilot extension operations whereby: <ul style="list-style-type: none"> <li>(a) the Ministry of Agriculture extension staff shall be responsible for extension services in fifty percent of the cocoa growing areas of the Volta region; and</li> <li>(b) the CSD extension staff shall be responsible for extension services in a similar percentage of the cocoa growing areas of Brong Ahafo;</li> </ul> | Not Fulfilled       |
| 4) Submit annual reports indicating progress achieved in the implementation of the farm inputs privatization program.   | Partially Fulfilled |
| 5) Cause COCOBOD throughout the implementation period of the project to submit to the Bank/Fund, for consideration and comments, its annual review of the three year rolling corporate plan, indicating the measures taken or required to be taken to restructure COCOBOD and streamline its operation;   | Partially Fulfilled |
| 6) Cause COCOBOD to close down all buying centers with a forecasted annual purchase not exceeding 25 tons and to convert those forecasted annual purchases ranging from 25 tons to 50 tons into sub-societies which would be visited weekly by a mobile buying unit;  | Fulfilled           |
| 7) Cause COCOBOD and DFR, prior to the beginning of each fiscal year, to submit to the Bank, for its review and comments, an annual work plan duly approved by their respective appropriate authorities and indicating the activities to be carried out during that year under each component of the project, in accordance with the implementation schedule;   | Partially Fulfilled |
| 8) Continue to review producer prices regularly so as to provide adequate incentives to cocoa farmers.  | Fulfilled           |

**FUNDS AND DISBURSEMENT**

**SOURCES OF FINANCE AT APPRAISAL AND ACTUAL**

(UA million)

| <b>SOURCES</b>             | <b>AT APPRAISAL 1987</b> | <b>% OF TOTAL</b> | <b>FINAL FINANCING PLAN – 1998</b> | <b>PERCENTAGE OF TOTAL</b> | <b>ACTRUAL AT PROJECT COMPLETION</b> |
|----------------------------|--------------------------|-------------------|------------------------------------|----------------------------|--------------------------------------|
| <b>ADB</b>                 | 19.22                    | 19.22             | 19.22                              | 19.2                       | 17.44                                |
| <b>ADF</b>                 | 6.62                     | 6.62              | 6.62                               | 6.6                        | 6.61                                 |
| <b>IDA</b>                 | 31.26                    | 31.30             | 31.26                              | 31.3                       | 18.96                                |
| <b>BADEA</b>               | -                        | -                 | 7.81                               | 7.8                        | 3.01                                 |
| <b>ODA</b>                 | -                        | -                 | 9.30                               | 9.3                        | 8.75                                 |
| <b>GOVERNMENT</b>          | 11.58                    | 11.60             | 8.44                               | 8.4                        | 10.95                                |
| <b>COCOBOD</b>             | 15.11                    | 15.10             | 17.35                              | 17.4                       | -                                    |
| <b>Other Co-financiers</b> | 16.21                    | 16.20             | -                                  | -                          | -                                    |
| <b>Total</b>               | <b>100.00</b>            | <b>100.00</b>     | <b>100.00</b>                      | <b>100.0</b>               | <b>65.72</b>                         |

**FINAL FINANCING PLAN 1989 BY COMPONENT AND FINANCIER**  
**(UA MILLION)**

| COMPONENT   | FINANCIER    |             |              |             |             |              |             | TOTAL         |
|---|--------------|-------------|--------------|-------------|-------------|--------------|-------------|---------------|
|   | ADB          | ADF         | IDA          | ODA         | BADEA       | COCOBOD      | GOG         |               |
| <b>A. Research</b>                                    |              |             |              | 4.25        |             | 0.08         |             | 4.33          |
| <b>B. Extension and Training</b>                      | 3.99         |             | 0.48         | 0.96        |             | 2.73         |             | 7.68          |
| <b>C. Seed Production</b>                             |              |             | 2.63         |             |             | 0.55         |             | 1.03          |
| <b>D. Input Supply</b>                                | 9.29         |             | 9.33         | 0.96        | 7.81        |              |             | 20.69         |
| <b>E. Internal Marketing</b>                          | 4.69         |             | 0.96         | 0.96        |             | 1.09         |             | 16.07         |
| <b>F. CSSVD Control</b>                               |              |             |              |             |             | 8.13         |             | 8.69          |
| <b>G. Head Office &amp;<br/>Monitoring Evaluation</b> | 1.25         |             | 1.04         |             |             | 1.25         |             | 3.54          |
| <b>H. Roads</b>                                       |              | 6.62        | 17.22        | 2.17        |             | 3.52         | 8.44        | 37.97         |
| <b>TOTAL</b>  | <b>19.22</b> | <b>6.62</b> | <b>31.26</b> | <b>9.30</b> | <b>7.81</b> | <b>17.35</b> | <b>8.44</b> | <b>100.00</b> |

**PROPOSED AND ACTUAL ANNUAL DISBURSEMENTS OF ADB AND ADF LOANS**  
**(UA MILLION)**

| YEAR    | ADB LOAN  |                           |        |                           | ADF LOAN  |                           |        |                           |
|---------|-----------|---------------------------|--------|---------------------------|-----------|---------------------------|--------|---------------------------|
|         | APPRAISAL |                           | ACTUAL |                           | APPRAISAL |                           | ACTUAL |                           |
|         | AMOUNT    | CUMULATIVE<br>% Disbursed | AMOUNT | CUMULATIVE<br>% Disbursed | Amount    | Cumulative<br>% Disbursed | Amount | Cumulative<br>% Disbursed |
| 1988/89 | 11.32     | 58.90                     |        |                           | 0.77      | 11.63                     |        |                           |
| 1989/90 | 3.21      | 75.60                     |        |                           | 1.42      | 33.08                     |        |                           |
| 1990/91 | 1.98      | 85.90                     | 0.26   | 1.36                      | 1.66      | 58.16                     |        |                           |
| 1991/92 | 1.39      | 93.13                     | 5.77   | 31.36                     | 1.70      | 83.84                     |        |                           |
| 1992/93 | 1.32      | 100.00                    | 5.71   | 61.07                     | 1.07      | 100.00                    |        |                           |
| 1993/94 |           |                           | 1.29   | 67.74                     |           |                           | 1.72   | 26.03                     |
| 1994/95 |           |                           | -      | 67.74                     |           |                           | 1.48   | 74.34                     |
| 1995/96 |           |                           | 2.65   | 81.53                     |           |                           | 3.41   | 99.97                     |
| 1996/97 |           |                           | 1.41   | 88.87                     |           |                           |        |                           |
| 1997/98 |           |                           | 0.35   | 90.71                     |           |                           |        |                           |
|         | 19.22     |                           | 17.44  |                           | 6.62      |                           | 6.61   |                           |

**Ghana Cocoa Rehabilitation Project**

**SUMMARY OF RATINGS**

|  | <b>Evaluation Criteria</b>            | <b>PCR</b>     | <b>PPER</b>    |
|--|---------------------------------------|----------------|----------------|
|  | Relevance                             |                | Satisfactory   |
|  | Achievements of Objectives “Efficacy” |                | Satisfactory   |
|  | Efficiency                            |                | Satisfactory   |
|  | Institutional Development Impact      |                | Satisfactory   |
|  | Sustainability                        |                | Satisfactory   |
|  | Aggregate Performance Indicator       | Satisfactory   | Satisfactory   |
|  | Borrower Performance                  | Unsatisfactory | Unsatisfactory |
|  | Bank Performance                      | Satisfactory   | Unsatisfactory |

**EVALUATION CRITERIA**

| No.  | Component Indicators                                    | Score<br>(1 to 4) | REMARKS  |
|------|---|-------------------|--|
| 1.   | <b><u>Relevance and quality at entry assessment</u></b> | 3                 | <b><u>Satisfactory</u></b>   |
| i)   | Consistency with Country overall development strategy   | 3                 | Consistent with the overall objectives of the Economic Recovery Program (ERP) (1983-1988) which was designed to reduce inflation, achieve external equilibrium, promote economic growth and export recovery.   |
| ii)  | Consistency with Bank Assistance Strategy               | 3                 | Policies and lending program in Economic Prospects and Country Programming (EPCP) (1988 – 1990) indicated that Agriculture would be one of the sectors to be targeted.   |
| iii) | Macro-economic Policy                                   | 3                 | Major thrust of ERP was to realign incentives toward productive activities (producer price increases, exchange rate adjustment, price and trade liberalization and the rehabilitation of economic and social infrastructure.   |
| iv)  | Sector Policy   | 3                 | Agricultural input and output pricing, liberalization of domestic marketing, restructuring of research and extension, improved sector management, and rural infrastructural development (cocoa feeder roads).  |
| v)   | Public Policy Reform                                    | 3                 | CRP and similar Policy/Sector Based Lendings (PBLs) [Agriculture Sector Rehabilitation Loan) were responsible for improved public sector management.   |
| vi)  | Poverty reduction                                       | 3                 | Cocoa is grown predominantly by small holders in the rural areas and employs a lot of people in down stream activities (buying, grading, transporting, storing, processing etc.). Besides, the labor- based approach to feeder road maintenance made the project relevant. |
| vii) | Environmental Concerns                                  | 2                 | No environmental impact assessment was carried out prior to project start-up but mechanism was put in place to ensure that Ghana Environmental Protection Agency monitored pesticide use.  |

| No.   | Component Indicators   | Score<br>(1 to 4) | REMARKS  |
|-------|--|-------------------|--|
| 1.    | <b><u>Relevance and quality at entry assessment (contd.)</u></b>       |                   |  |
| viii) | Human Resource Development   | 2                 | Provision for capacity building and human resource development for research and extension. Insufficient support for policy analysis, planning, monitoring and evaluation.  |
| ix)   | Institutional Development  | 2                 | Aimed to restructure and strengthen the executive and executing capacity of the main implementing agency COCOBOD. While restructuring had been carried out, executing capacity has not increased.  |
| x)    | Private Sector Development   | 2                 | Private sector to become increasingly responsible for inputs and produce marketing. The implementation strategy not well spelt out.  |
| xi)   | Quality at entry (including demandingness, complexity, riskiness etc.) | 2                 | There was a strong political commitment to the ERP but the Institutional capacity of COCOBOD, the main implementing agency was weak. The GOG did not carry out technical, financial and economic feasibility studies in support of the different components. Many design issues (e.g road program) had to be tackled during implementation.  |
| 2.    | <b><u>Achievements of objectives &amp; Outcomes (“Efficacy”)</u></b>   | 3                 | <b>Satisfactory</b>  |
| i)    | Policy Goals   | 2                 | Partial implementation of policy reforms by COCOBOD despite strong commitment by the GOG.  |
|       | Input & Output Pricing/Marketing; Sectoral regulations                 | 2                 | A half-hearted attempt was made to privatize inputs marketing through the transfer of the responsibility to the Cocoa Inputs Supply Company in a less than transparent manner. Subsidy on inputs was removed without any micro-study of the effect on farm-level financial and economic profitability (particularly Cocoa farmers). Though cocoa producer prices were increased in nominal terms, but because of the high inflation, the effect on real price was small. |
| ii)   | Physical Output  | 3                 | The targets set were met.  |
|       | Cocoa Output   | 3                 | The target of an annual production of at least 300,000 was met by the third year of project life.  |

| No.   | Component Indicators   | Score<br>(1 to 4) | REMARKS   |
|-------|--|-------------------|---|
| 2.    | <b><u>Achievement of objectives &amp; Outcomes “Efficacy” (contd.)</u></b> | 3                 | <b><u>Satisfactory</u></b>  |
| iii)  | Feeder road construction   | 3                 | The revised road construction target was met. The poor design of the feeder road component and the cost over-run due to inflationary price spiral contributed to the scaling down.  |
| iv)   | Social objectives and Targets  | 3                 | Though not explicitly stated, the recovery of cocoa production, the increase in nominal prices and the rehabilitation of cocoa feeder roads contributed to increased rural welfare and rural poverty alleviation.   |
| v)    | Poverty Alleviation  | 3                 | Cocoa is grown predominantly by small holders in the rural areas and employs a lot of people in down stream activities (buying, grading, transporting, storing, processing etc.).The recent Ghana Living Survey of 1999 reported a decline in absolute rural poverty from 43% to 34%. It also reported that greater progress was made in the southern forest zone (cocoa growing area) compared to the rural northern savanna belt. |
| vi)   | Private Sector Development   | 2                 | Not much was done to support the private sector. COCOBOD was most reluctant to implement some of the agreed reforms and when it did it was in half-measure.   |
| vii)  | Public Policy Reform   | 3                 | CRP and similar Policy/Sector Based Lendings (PBLs) [Agriculture Sector Rehabilitation Loan) were responsible for improved public sector management.  |
| viii) | Environmental Concerns   | 2                 | No environmental impact assessment was carried out prior to project start-up but mechanism was put in place to ensure that Ghana Environmental Protection Agency monitors pesticide use.  |

| No.       | Component Indicators   | Score<br>(1 to 4) | REMARKS  |
|-----------|--|-------------------|--|
| <b>3.</b> | <b><u>Efficiency</u></b>   | <b>3</b>          | <b><u>Satisfactory</u></b>   |
|           | Economic Internal Rate of Return (EIRR)                                  | 3                 | An annual incremental production of 110,000 – 115,000 tons have been attributed to project intervention. Farm Budget analysis indicated that farmers were earning returns 2.4 to 4.9 times better than before project intervention.  |
|           | Appraisal Estimate.....23%<br>Re-estimated at completion (PCR).....24.3% |                   |  |
| <b>4.</b> | <b><u>Institutional Development Impact (IDI)</u></b>                     | <b>3</b>          | <b><u>Satisfactory</u></b>   |
| i)        | National Capacity  | -                 | -  |
| ii)       | Executing Agency   | 3                 | Streamlining of COCOBOD. Research strengthened and focused. Human capacity developed (particularly in research and training). Support given to farmer-based organization (CSFA) in inputs procurement and marketing. as well as the development of an In-House capacity for policy analysis and evaluation of impact of policy reforms |
| iii)      | Poverty Alleviation.   | 3                 | Rural welfare increased through productivity and income increases in cocoa production, although the drastic reduction of the road component muted the impact of project on rural poverty alleviation.  |
| iv)       | Support to Private Sector  | 2                 | Gradual involvement of the private sector in domestic cocoa marketing. There is the transformation of the Produce Buying Company (PBC) to a limited liability company (which is now quoted at the Ghanaian Stock Exchange). Slow progress however in the involvement of the private sector in external marketing of cocoa              |

| No.       | Component Indicators   | Score (1 to 4) | REMARKS  |
|-----------|--|----------------|--|
| <b>5.</b> | <b>Sustainability</b>  | <b>3</b>       | <b>Satisfactory</b>  |
| i)        | Technical soundness (including O&M facilitation, availability of recurrent funding, spare parts, workshop facilities etc.) | 3              | There is satisfactory arrangement on ground. Funding is assured for COCOBOD through the sharing formula for retention of export proceeds. Workshops are well-equipped.   |
| ii)       | Continuing Borrower Commitment (including legal/regulatory framework)  | 3              | The present GOG has strong political commitment to continuing and deepening the institutional and policy reforms in the cocoa sub-sector. The Cocoa sub-sector strategy document has been prepared. The cocoa sector marketing committee has been reconstituted and was given the responsibility for assessing and recommending applicants (LBCs) for licensing in export marketing. The MTEF has been used since 1998 for in-house debate and policy dialogue with development partners on sectoral priorities and budget allocations. GOG reached a decision point on HIPC in November 2001. |
| iii)      | Socio-political Support (including beneficiary participation, political stability)   | 3              | The GOG is giving strong support to Farmer Based Organizations (FBOs). Decentralized Delivery of services and labor-intensive road (including feeder roads) maintenance. Poverty reduction is a major focus of Development Planning. The full Ghana Poverty Reduction Document was issued in February 2002. 60% of capital budget is to be used on social spending- education (basic education), health (primary health care, water and sanitation- and 40% on economic outlays with agriculture and rural development (rural feeder roads) featuring prominently.                             |
| iv)       | Institutional Arrangements (Organization and Management)   | 2              | Further action will be needed to provide a conducive environment to encourage and sustain private sector development in domestic and external marketing. There is the need to foster collaboration between MOFA and COCOBOD.   |
| v)        | Resilience to exogenous factors  | 2              | Periodic drought and adverse terms of trade. Further fall in World Cocoa Prices could lead to Balance of Payments (BOP) and fiscal crises. Resource re-allocation through debt cancellation, the HIPC initiative and additional funding support from Development Partners* should ameliorate the adverse effects of these developments.  |
| <b>6</b>  | <b>Aggregate Performance Indicator</b>   | <b>3</b>       | <b>Satisfactory</b>  |

\*Economic Reform Support Operation Credit (ERSO III)- A line of credit of US\$10 million is being negotiated with IDA for Economic Reform Support Operation.

**BORROWER PERFORMANCE**

| No.  | Component Indicators                             | Score (1 to 4) | REMARKS  |
|------|--|----------------|--|
| 1.   | <b>Quality of Preparation</b>                    | <b>2</b>       | <b>Unsatisfactory</b>  |
| i)   | Ownership, Beneficiaries Participation.          | 2              | There was no evidence that GOG played any active role in the preparation and appraisal. No technical, financial and economic analysis of the various components was carried out. There was no beneficiary consultation.  |
| ii)  | Macroeconomic & Sector Policies.                 | 3              | Major thrust of ERP was to realign incentives toward productive activity (producer price increases, exchange rate adjustment, price and trade liberalization and the rehabilitation of economic and social infrastructure. The sectoral policies include agricultural input and output pricing, liberalization of domestic marketing, restructuring of research and extension, improved sector management, and rural infrastructural development (cocoa feeder roads). |
| iii) | Institutional Arrangements (Counterpart funding) | 2              | Institutional capacity of COCOBOD was weak. No effective institutional arrangement was put in place to ensure high level supervision by MOF. Counterpart funding was no problem as COCOBOD is entitled to a certain percentage ( 2percent) of the export proceeds from cocoa sales to fund its operations. The GOG was also committed to providing additional funds from normal government budgeting.  |
| 2.   | <b>Quality of Implementation</b>                 | <b>2</b>       | <b>Unsatisfactory</b>  |
| i)   | Assignment of Key Staff                          | 2              | Key staff were recruited on time and are still in place. The effect of frequent changes in CEO (4) and PCs (4) on project implementation uncertain.  |
| ii)  | Managerial Performance of Executing Agency       | 2              | Performance was below par. No special training or skills development offered to management staff of COCOBOD during project life*. The PC had responsibility but no authority. He was below the Head of Department status in the hierarchy. COCOBOD did not develop in-house capacity for policy analysis and impact assessment/evaluation.   |
| iii) | Use of Technical Assistance                      | 2              | Delays in recruitment of technical advisors. Assignments not properly executed and of varying quality. However technical assistance proved useful in building capacity and transferring technology (particularly in research).   |
| iv)  | Adherence to time schedule and costs             | 1              | There were considerable delays in the completion of studies and avoidable cost-over-runs from non-performing contractors. Procurement rules and procedures violated at times.  |

\*The incumbent PC who was the 4<sup>th</sup> PC and has served as PC for 7years (and worked in COCOBOD for 25 years) told the Mission that he has never gone on any management training course locally or abroad. This is rather surprising since GIMPA at Achimota, Ghana offers year-round different courses in management training and development.

**BANK PERFORMANCE.**

| No. | Component Indicators                        | Score<br>(1 to 4) | REMARKS  |
|-----|---|-------------------|--|
| .   | <b>Overall Assessment</b>                   | <b>2</b>          | <b>Un-Satisfactory</b>   |
| 1.  | At identification/<br>Preparation/Appraisal | 2                 | There was no evidence that the Bank undertook any identification or preparation study prior to appraisal. Though an Appraisal was carried out by the Bank, the components of the project had been agreed upon by the World Bank, the GOG and COCOBOD. ADB just became a co-financier. ADB could not significantly influence project design. Inability of co-financiers to agree in the Financing Plan delayed project implementation.  |
| 2.  | At Supervision                              | 2                 | Infrequent supervision. 5 supervision missions in 8 years. Delays in responding to fund disbursement and procurement issues; laxity in enforcing non-compliance with financial covenants. This was particularly serious in the case of domestic marketing and inputs procurement and distribution. These were the two components financed by the Bank and where progress in implementation was slow. Again inability to press for quick resolution delayed the road component. Dependence on conditionalities rather than policy dialogue to resolve issues arising from policy and institutional reforms. |

**FACTORS AFFECTING IMPLEMENTATION PERFORMANCE AND OUTCOME.**

Factors affecting positively (+) or negatively (-) the implementation and achievements of major objectives

| Factors  | Substantial | Partial | Negligible | N/A | Remarks  |
|--|-------------|---------|------------|-----|--|
| <b>1. Not subject to Government Control</b>              |             |         |            |     | The fall in cocoa price in the world market and govt. commitment to raise producer prices put severe strain on foreign exchange inflow as well of tax revenue.   |
| 1.1 World Market Prices                                  | -           |         |            |     | The drastic fall in cocoa prices affected the foreign exchange inflows and the tax revenue of Government particularly since the decade of the nineties..   |
| 1.2 Natural Events                                       |             | -       |            |     | Occasional droughts and pests and diseases affected the production and productivity of cocoa trees   |
| 1.3 Bank Performance                                     |             |         | +/-        |     | The faulty design of project and the delay in finalizing the financial plan  |
| <b>2. Subject to Government Control</b>                  |             |         |            |     | Government initiated sound macro-economic and sectoral policy and institutional reforms, but implementation problems affected outcome.   |
| 2.1 Macro-policies                                       | +           |         |            |     | Sound macroeconomic policies introduced;   |
| 2.2 Sector policies                                      | +           |         |            |     | Price incentives to producers, research and extension support and rural infrastructural development.   |
| 2.3 Government Commitment                                | +           |         |            |     | Government committed to the policy reforms.  |
| 2.4 Cash Cover   |             | -       |            |     | The fall in export earnings and reduction in tax revenue created difficulty for government in meeting its financial commitment to the project.   |
| <b>3. Subject to Executing Agency Control</b>            |             |         |            |     | Weak implementation of the institutional reforms   |
| 3.1 Monitoring & Evaluation                              |             | -       |            |     | MOF did not perform its oversight function of monitoring implementation progress by COCOBOD. No in-house capacity was developed for evaluation of the impact of policy reforms.  |
| 3.2 Others (Financial Reporting)                         |             | -       |            |     | Delays in submission of Quarterly and Audit Reports.   |
| <b>4. Factors Affecting Implementation</b>               |             |         |            |     |  |
| 4.1 Changes in project scope/scale/design                |             | -       |            |     | Low quality at entry forced reduction of the scope and redesign of the roads component   |
| 4.2 Unrealistic Implementation Schedule                  |             |         | +          |     | Closing date was extended four times to catch up with the backlog in uncompleted schedules.  |
| 4.3 Quality of Management including Financial Management | -           |         |            |     | Delays in submission of quarterly and audit reports, slow progress in liberalisation of internal marketing of cocoa, the creation of a private monopoly (CCSFA) in cocoa inputs supply and distribution, slow progress in the unification of extension and the |
| 4.8 Inexperience with Bank Practices                     |             | -       |            |     | Lack of familiarity with Bank's procurement rules and procedures leading to improper procurement and/or late submission of reimbursement claims.   |

**KEY PERFORMANCE INDICATORS**

| <b>Key Implementation Indicators</b>          | <b>SAR Target</b> | <b>PCR (Actual)</b>                | <b>PPER (Actual)</b>               |
|---|-------------------|------------------------------------|------------------------------------|
| <b>I. Physical</b>                            |                   |                                    |                                    |
| 1. Cocoa production                           | 300,000t/year     | 408,483 <sup>1</sup> t/year        | 395,590 t/year                     |
| 2. Cutting out (CSSVD)                        | 17,930 ha         | 13,050 ha                          |                                    |
| 3. Replanting (CSSVD)                         | 17,300 ha         | 3,810 ha                           | 6,600 ha.                          |
| 3. Planting                                   | 40,000 ha         | 35,059 ha                          | 41,000                             |
| 5. Road Program                               | 3,000* km         | 780 km                             | -                                  |
| a) Spot improvement                           | 750 km            | 450 km                             |                                    |
| b) Routine maintenance                        | 2,100 km          | - <sup>2</sup>                     |                                    |
| c) New roads                                  | 60 km             | -                                  |                                    |
| d) New tracks                                 | 80 km             | -                                  |                                    |
| e) Bridges                                    | 2 units           | 3 units                            | 3 units                            |
| 6. Renovation of Bunso Cocoa College          | I unit            | 1 unit                             | 1 unit                             |
| 7. Renovation of FTCs                         | 17 units          | 6 units                            | 8 units                            |
| 8. Staff housing                              | 150               | -                                  | -                                  |
| 9. Seed garden expansion seed garden          | 80 ha             | 24 ha                              |                                    |
| 10. Pilot irrigated seed garden               | I unit            | -                                  | 2                                  |
| <b>II. Organizational</b>                     |                   |                                    |                                    |
| 1. Reduce CSD district offices from 191 units | 39                | 39                                 | 39                                 |
| 2. Re-organize CSD extension services         | -                 | 1,465 extension units established. | Merged with MOFA extension in 1999 |
| 3. Reduce PBC buying stations from 3218 to    | 1,730             | 1,730                              | 1,730                              |
| 4. Establish M&E units in PPMRD, CSD PBC      | 3 units           | 3 units                            | 3 units                            |
| 5. Number of private LBCs                     |                   |                                    |                                    |
| 6. Market Share:                              |                   |                                    |                                    |
| PBC   | -                 | 68.3                               | 31.6                               |
| LBCs  |                   | 37.0                               | 63.0                               |

**GHANA - COCOA PRODUCTION AND OTHER RELEVANT PRICE AND ECONOMIC INDICATORS, 1980/81 - 2000/01**

| Crop Year | Production (tonnes) | Producer Price per ton (Cedis) | FOB Price per ton (Cedis) | Share of Producer Price in FOB Price (%) | Inflation 1995=100 | Real Price Producer Price | Index of Real Producer Price 1995=100 | FOB Price per ton (\$) |
|-----------|---------------------|--------------------------------|---------------------------|--|--------------------|---------------------------|---------------------------------------|------------------------|
| 1980/81   | 257974              | 4000                           | 6143.01                   | 65.11                                    | 0.9                | 4444.44                   | 52.91                                 | 2173.00                |
| 1981/82   | 224882              | 12000                          | 4492.55                   | 267.11                                   | 1.9                | 6315.79                   | 75.19                                 | 1798.00                |
| 1982/83   | 178626              | 12000                          | 7025.43                   | 170.81                                   | 2.3                | 5217.39                   | 62.11                                 | 1509.00                |
| 1983/84   | 158956              | 20000                          | 81873                     | 24.43                                    | 5.1                | 3921.57                   | 46.69                                 | 1743.00                |
| 1984/85   | 174813              | 30000                          | 114,259.08                | 26.26                                    | 7.1                | 4225.35                   | 50.30                                 | 2185.00                |
| 1985/86   | 219044              | 56000                          | 204502.85                 | 27.38                                    | 7.9                | 7088.61                   | 84.39                                 | 2549.00                |
| 1986/87   | 227864              | 85000                          | 311503.85                 | 27.29                                    | 9.8                | 8673.47                   | 103.26                                | 2365.00                |
| 1987/88   | 188171              | 150000                         | 431512.55                 | 34.76                                    | 13.7               | 10948.91                  | 130.34                                | 2289.00                |
| 1988/89   | 300101              | 165000                         | 411510.95                 | 40.10                                    | 18                 | 9166.67                   | 109.13                                | 1618.00                |
| 1989/90   | 295052              | 174400                         | 418788.14                 | 41.64                                    | 22.5               | 7751.11                   | 92.28                                 | 1334.00                |
| 1990/91   | 293352              | 224000                         | 487445.83                 | 45.95                                    | 30.9               | 7249.19                   | 86.30                                 | 1363.00                |
| 1991/92   | 242817              | 251200                         | 515198.98                 | 48.76                                    | 36.5               | 6882.19                   | 81.93                                 | 1263.00                |
| 1992/93   | 312122              | 258000                         | 560061.05                 | 46.07                                    | 40.2               | 6417.91                   | 76.40                                 | 955.00                 |
| 1993/94   | 254652              | 308000                         | 1012327.06                | 30.42                                    | 50.2               | 6135.46                   | 73.04                                 | 1139.00                |
| 1994/95   | 309456              | 700000                         | 1675276.65                | 41.78                                    | 62.7               | 11164.27                  | 132.91                                | 1306.00                |
| 1995/96   | 403850              | 840000                         | 2157051.02                | 38.94                                    | 100                | 8400.00                   | 100.00                                | 1350.00                |
| 1996/97   | 322484              | 1200000                        | 2792730.47                | 42.97                                    | 146.6              | 8185.54                   | 97.45                                 | 1317.00                |
| 1997/98   | 408483              | 1800000                        | 3975912.95                | 45.27                                    | 187.4              | 9605.12                   | 114.35                                | 1362.00                |
| 1998/99   | 398675              | 2250000                        | 3632601.32                | 61.94                                    | 214.8              | 10474.86                  | 124.70                                | 1718.00                |
| 1999/2000 | 436685              | 2250000                        | 5130753.82                | 43.85                                    | 241.5              | 9316.77                   | 110.91                                | 1372.00                |
| 2000/2001 | 395590              | 3475000                        | 6891322.13                | 50.43                                    | 302.3              | 11495.20                  | 136.85                                | 965.00                 |

Sources: COCOBOD, IMF International Financial Statistics & MOF MTEF.

**GHANA: COCOA PURCHASED BY PBC AND LBCs 1993/94 – 2000/01**

| Year      | Total Purchased<br>(000 tons) | % Purchased by<br>Produce Buying<br>Company (PBC) | Licensed Buying Companies<br>(LBCs.) |             |
|-----------|-------------------------------|---|--------------------------------------|-------------|
|           |                               |   | Number                               | % Purchased |
| 1993/94   | 254654                        | 79.9  | 5                                    | 20.1        |
| 1994/95   | 309453                        | 77.2  | 7                                    | 22.8        |
| 1995/96   | 4038872                       | 75.1  | 8                                    | 24.9        |
| 1996/97   | 323063                        | 68.3  | 9                                    | 31.9        |
| 1997/98   | 409382                        | 68.3  | 11                                   | 31.6        |
| 1998/99   | 397675                        | 58.2  | 13                                   | 41.8        |
| 1999/2000 | 436682                        | 43.5  | 14                                   | 56.5        |
| 2000/2001 | 395589                        | 37.0  | 15                                   | 63.0        |

Source: COCOBOD, Accra, Ghana.

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