Cocoa Rehabilitation

Report No: ; Type: Report/Evaluation Memorandum ; Country: Ghana; Region: Africa; Sector: Perennial Crops; Major Sector: Agriculture; ProjectID: P000873

The Ghana Cocoa Rehabilitation project (CRP), supported by Credit 1854-GH for SDR 31.3 million (US$40.0 million equivalent) was approved in FY88. The credit was closed on June 30, 1996, two years after the original closing date. A total of SDR 13.1 million (US$18.2 million equivalent) was canceled. Cofinancing was provided by the African Development Bank (AfDB) for US$33.0 million, UK Overseas Development Administration (ODA) for US$12.9 million, and the Arab Bank for Economic Development in Africa (BADEA) for US$5.1 million. The Implementation Completion Report (ICR) was prepared by the FAO/World Bank Cooperative Programme (FAO/CP) for the Africa Regional Office. UK/ODA and AfDB have endorsed the findings of the ICR, but no comments have been received from the other cofinanciers or the Borrower.

The objectives of the project were to: (i) support the sectoral policy reforms agreed under the first Structural Adjustment Credit (SAC); and (ii) increase cocoa yields and production to stabilize output at about 300,000 tons per year. This was to be achieved by: (i) maintaining producer price incentives; (ii) improving the institutional efficiency of the Ghana Cocoa Board (COCOBOD), particularly its extension, seed production, and disease control activities, and by privatizing input supply; (iii) improving cocoa marketing and quality control; (iv) implementing a road rehabilitation program; (v) tackling Cocoa Swollen Shoot Virus Disease (CSSVD); and (vi) strengthening cocoa research.

Performance in implementing the project's various components was mixed. The project was not declared effective until almost a year after approval because of delays in finalizing the cofinancing arrangements, while COCOBOD never established a workable system for procuring goods and services or adhered consistently to the Bank's procurement guidelines. The components aimed at improving the technical services for cocoa production (including seed production and distribution) and enhancing the efficiency and effectiveness of the cocoa extension services were implemented broadly as designed, but the pilot program for the unification of cocoa extension services with those of the Ministry of Food and Agriculture was not implemented. Progress under the CSSVD program was slow and only picked up when increased incentives were paid late in the implementation period. Although there were delays in completion of physical facilities, progress was made in improving research at the Cocoa Research Institute of Ghana, particularly through the ODA-financed technical assistance. COCOBOD established a Monitoring and Evaluation Unit, but only two of the four studies planned were undertaken and the information base for sectoral monitoring and policy formulation remained weak. The roads program was not carried out as planned. At the time of preparation COCOBOD had its own program for construction and maintenance of feeder roads in cocoa producing areas. By appraisal this responsibility had been given to the Department of Feeder Roads (DFR). Agreement between DFR, COCOBOD (which continued to provide funds to DFR) and IDA on construction and maintenance standards took three years to resolve. The program implemented had a different composition from that appraised and amounted to US$35 million, as against a plan of US$48 million.

COCOBOD initiated a process to identify private companies to take over input supply. However, it then sold all its stocks of inputs to the Coffee, Cocoa, and Sheanut Farmers Association (CCSFA), which then, de facto became the sole distributor for cocoa inputs in the country. Thus, in practice no privatization occurred. CCSFA continues to subsidize inputs, contrary to the objective of creating a competitive input supply system. At appraisal it was considered premature to attempt the immediate privatization of cocoa marketing, and emphasis was placed on improving the efficiency of the Cocoa Buying Company, COCOBOD's marketing subsidiary. Some improvements were achieved. In 1992, under the Agricultural Sector Adjustment Credit (AgSAC - Credit 2345-GH), COCOBOD was

required to introduce competition. By 1995/96, 11 Licensed Buying Companies were operating, which only bought about 25 percent of the crop.

Between project appraisal in 1987 and completion in 1996, the Ghanaian cedi has devalued from 160 per US$ to 1,600, with the decline being most rapid since 1992. At appraisal the producer price was only about 30 percent of the world price and the objective was to increase this share. However, the administered price system mitigated against this, especially since 1992, as nominal price increases were overtaken by the decline in the exchange rate. The project's target delivery of 300,000 tons was reached in 1989/90, but varied thereafter as real prices and relative prices in neighboring countries fluctuated widely. The ICR reestimated the ERR as 24 percent, compared to 23 percent at appraisal. But this is based on very crude estimates of the incremental production attributable to the project. Furthermore, the ICR indicates that these production increases were within reach in 1988, when the project was approved, and are largely a response to better prices attributable to AgSAC.

The Operations Evaluation Department (OED) concurs with the ICR ratings of institutional development as modest, sustainability as uncertain, and Bank performance as satisfactory. Since most of the relevant sectoral policy reforms were not achieved, despite the satisfactory ERR, the ICR rates the overall project outcome as unsatisfactory. OED rates it as marginally unsatisfactory because of the strength of the production improvements.

The ICR provides a clear and concise description of the implementation of a complex project and is rated as satisfactory. However, it might have examined more deeply the relationship between the CRP, the AgSAC, and the earlier SACs, given that little progress was made on the major policy initiatives until the advent of the AgSAC.

The principal lesson from the project is that, where the aim is to induce changes by a major semi-independent agency with strong political support, attempting to do so primarily through a project implemented by that agency may not be an effective approach. Government as a whole may have limited ability to push for change unless it has appropriate means to do so, such as through the conditionality in a Structural Adjustment Credit (or similar operation) for which a central ministry is the lead agency.

An audit is planned.