

Ex-Ante Evaluation

Private Sector Investment Finance Division, Private Sector Partnership and Finance Department, Japan International Cooperation Agency (JICA)

1. Name of the Project

Country: Republic of Ghana

Project: Cocoa Value Chain Enhancement Project

Loan Agreement: February 14, 2020

Borrower: Ghana Cocoa Board (hereinafter called “COCOBOD”)

2. Background and Necessity of the Project

(1) Current State and Issues of the Development of the Agriculture Sector in Ghana and the Priority of the Project

In Ghana, 5.08 million people, or approx. 44.7% of the working population (11.37 million), are engaged in the agriculture sector. In particular, four million working people are engaged in industries related to cocoa beans, which account for more than 20% of GDP and serve as the staple in the agriculture sector of Ghana. Cocoa beans are also one of Ghana’s major export products and account for 16.9% of the value of all exports (2017), following gold and petroleum. In addition, the ratio of Ghana’s cocoa bean production in the world stands at approx. 20%, and Ghana is the world’s second largest producer of cocoa beans after Cote d’Ivoire. The cocoa beans produced in Ghana support the world demand for products related to cocoa beans.

On the other hand, Ghana’s agriculture, including cocoa bean production, has the problem of low productivity because the development and use of irrigation equipment are inadequate, agricultural technology is underdeveloped and the appropriate use of agricultural chemicals and fertilizers is not ensured. According to COCOBOD, 17% of the cocoa farmland suffers from Cocoa Swollen Shoot Virus (hereinafter called “CSSV”), and 22% of the cocoa farmland is aging (with trees over 30 years old), which has caused declines in productivity. Cocoa bean productivity in the neighboring country Cote d’Ivoire is 1,000 kg/ha, while that in Ghana is 450kg/ha. Moreover, agricultural products processors in Ghana cannot secure working capital owing to high fund costs or purchase an adequate amount of agricultural products (including cocoa beans). As a result, they cannot sufficiently operate their own processing facilities. The storage capacity for agricultural products, including cocoa beans, is also insufficient, and improvements to the processing and distribution systems all over the industry are urgently needed.

The government of Ghana formulated the medium-term development policy, Coordinated Programme of Economic and Social Development Policies (CPESDP), in

2017 under the administration of the incumbent president, Nana Addo Dankwa Akufo-Addo. Based on the CPESDP, the medium-term development plan, An Agenda for Jobs: Creating Prosperity and Equal Opportunity for All (First Step) 2018-2021 was established in November 2018. In accordance with the plan, various efforts are being made. In this development policy and plan, low productivity across industries, including agriculture, is consistently raised as a big issue in development. As agriculture-related concrete measures to overcome this issue, the following are listed: a) creating a system to supply necessary equipment and materials for agricultural productivity improvement, b) agricultural extension with varieties resistant to disease and bad weather, c) extension of agricultural production time through the spread and improvement of irrigation, d) improvement of the value chain after harvesting, e) agricultural extension by utilizing ICT, and f) promotion of entrepreneurship in agriculture-related businesses. Moreover, in terms of social development, increases in the supply of nutritious food is also raised in the medium-term plan to ensure improvements in nutrition. Furthermore, to steadily implement this development policy and plan, efforts based on each sector's plan, such as the Ghana Integrated Plan for Agri-Food-Systems Development (GIPAD) 2018-2021, are being made.

The borrower of the Project, COCOBOD, was established in 1947 by being fully financed by the government of Ghana, in order to encourage and facilitate the production, processing and marketing of premium quality cocoa. This is a state-run enterprise buying and selling all cocoa beans produced in Ghana, which amounts to approximately 850,000 tons a year. Based on the CPESDP above, COCOBOD formulated the Ghana Cocoa Sector Development Strategy II (CSDS II). The (CSDS II) seeks to emphasize on productivity enhancement through the empowerment of smallholder cocoa farmers to adopt modern technologies. It is also aimed at positioning the cocoa industry strategically to operate efficiently and effectively in a sustainable manner within a modern business environment.

The Project is a pillar of COCOBOD's CSDS II.

(2) Japan and JICA's Cooperation Policy and Operations in the Agriculture Sector and the Priority of the Project

In our country's Country Assistance Policy for the Republic of Ghana (April 2012), support for the promotion of agriculture is raised, though focusing on rice agriculture, with the grand goal of "Promoting dynamic economic growth that benefits the people widely." At the Japan-Ghana summit meeting in December 2018, the Japanese side took the initiative in reconfirming Japan's continuous support for "reinforcement of industrial development infrastructure involving agriculture." Also, in the JICA Country Analysis

Paper for the Republic of Ghana (April 2019), it is stated that JICA will try to reinforce the industrial infrastructure involving agriculture.

JICA has supported stable export of cocoa beans from Ghana by strengthening the testing and control capabilities for residual agricultural chemicals, fungal toxins and heavy metals in cocoa beans before exporting through the technical cooperation (by individual experts) with COCOBOD as an executing agency: “Strengthening the Capability of the Quality Control Company limited on Pesticide Residue Analysis (PRA) (2014-2017)” and “Strengthening the Capacity for Quality Control of Cacao (2017-2019),” as well as the Knowledge Co-Creation Program (Country Focus) with the same titles (2019).

Moreover, the Project is intended to improve the agricultural value chain centering on cocoa beans and related industries, accords with Ghana’s development issues and development policies as well as our country’s and JICA’s cooperation policies and analyses, and can contribute to SDG Goal 1 (No poverty), Goal 12 (Responsible consumption and production) and Goal 17 (Partnerships for the goals), so the support through overseas loans and investments is highly meaningful.

3. Project Description

(1) Project Objective(s)

The Project is intended to improve the productivity of cocoa farms in Ghana and increase its international competitiveness through support for the following by COCOBOD, which exclusively buys and sells cocoa beans in Ghana, thereby contributing to stable income growth for cocoa farmers and stabilization of the macro economy through acquisition and increase of foreign currency in Ghana: a) cocoa farm productivity improvement programs such as artificial pollination of cocoa trees, replanting of aged and diseased farms and development of irrigation systems , b) improvement in warehouse capacity and development of an integrated cocoa management System, c) promotion of domestic processing through working capital for local processors and promotion of domestic consumption consisting of a working capital loan for cocoa bean processors in Ghana or Productivity Enhancement Programs (hereinafter called “PEPs”).

(2) Project Site/Target Area

All cocoa regions (10) of the Republic of Ghana

(3) Project Component(s)

Support of cocoa farmers, development of distribution-related infrastructure, a working capital loan for cocoa bean processors in the country, promotion of domestic consumption,

etc. by COCOBOD

(4) Schedule

The loan agreement is to be signed in February 2020, and then loans will be sequentially made as PEPs project funds.

(5) Environmental and Social Consideration/Poverty Reduction/Social Development

1) Environmental and Social Consideration

- ① Category: FI¹
- ② Reason for Categorization: Sub-projects of the Project cannot be identified before JICA investment is approved according to the prescription of Japan International Cooperation Agency Guidelines for Environmental and Social Considerations (Promulgated in April 2010), and it is assumed that such sub-projects have an environmental impact.
- ③ Environmental Permit: For implementation of the storage development project, etc., getting permits and approvals required in Ghana's domestic laws is agreed with COCOBOD.
- ④ Anti-Pollution Measures: The Project does not contain sub-projects in which pollution is a matter of grave concern.
- ⑤ Natural Environment: The project target area does not fall under national parks, nature reserves and other vulnerable areas, and adverse effects on the natural environment are assumed to be minimal.
- ⑥ Social Environment: COCOBOD has a policy not to procure cocoa beans involving child labor and forced labor. Covering these points, COCOBOD is obliged to appropriately monitor impacts on social environment.
- ⑦ Other/Monitoring: In the Project, based on the JICA Guidelines for Environmental and Social Considerations, not implementing sub-projects falling under Category A in the JICA Guidelines (projects in havens or important natural habitats, projects involving large-scale resettlement, projects involving large-scale deforestation or large-scale land change, etc.) is agreed with COCOBOD.

(6) ■GI(S) (Integrated gender activity project)

[Classification reasons] The following efforts will be made:

- a) create a desk in COCOBOD to be responsible for gender related policy issues, b) develop institutional capacity for effective gender mainstreaming, c) integrate

¹ In the Project, the storage development project falls under Category B, the loan project for cocoa bean processors falls under Category FI, and other projects fall under Category C. In the case of projects in which different categories are mixed, it is the custom to define a category having more significant environmental and social impacts as the category for the whole project, so the category of the Project is FI.

gender in extension programming to ensure relevance of information to men and women and equitable access to services, d) sensitize traditional authorities and smallholder farmers on gender equality to enable them appreciate and overcome barriers to social exclusion in the cocoa value chain.

(7) Cross-Cutting Issues: None in particular

4. Targeted Outcomes

(1) Quantitative Effects

1) Productivity of cocoa beans in PEPs target farmland (Target for FY2027: 1,000 kg/ha)

2) Cocoa bean production in Ghana (Target for FY2027: 1,126,000 tons)

(2) Qualitative Effects

Ghana's economic growth, poverty reduction for cocoa farmers, and contribution to stable supply of cocoa beans to the world and Japan

5. Preconditions/External Conditions

None in particular

6. Lessons Learned from Past Projects

(1) Evaluation Results of Similar Cases

From past cases of agricultural infrastructure, the lesson that the executing agency's planning appropriate maintenance, securing financing support and monitoring steady implementation are important for producing continuous effects in a project has been learned.

(2) Lessons Learned for the Project

Especially regarding large-facility storage, COCOBOD has a good track record of having developed similar storage and sufficient capacity to implement appropriate maintenance, and has taken measures to produce continuous effects in the project, such as having the appropriate cocoa bean storage capacity, which has been confirmed.

7. Plan for Future Evaluation

(1) Indicators to be Used

As indicated in 4.

(2) Timing

2029 (two years after loan completion)

End