

AFRICAN DEVELOPMENT FUND



**PROJECT: PROJECT: COCOA SECTOR INSTITUTIONAL
SUPPORT PROJECT (COSISP)**

COUNTRY: GHANA

PROJECT APPRAISAL REPORT

Date: November 2018

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GHANA

COCOA SECTOR INSTITUTIONAL SUPPORT PROJECT (COSISP)

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RDGW/ECGF/PGCL

December 2018

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Monetary Equivalences

JULY 2018

1 UA = 6.29 GHs

1 UA = 1.41 USD

1 USD = 4.47 GHs

Fiscal Year

January - December

Weights and measures

1 metric tonne = 2,204 pounds

1 kilogramme (kg) = 2.2 pounds

1 meter (m) = 3.28 feet

1 kilometer (km) = 0.62 mile

1 hectare (ha) = 2.471 acres

ACRONYMS AND ABBREVIATIONS

Acronym	Description
ADF	African Development Fund
AfDB	African Development Bank
CHED	Cocoa Health and Extension Department of COCOBOD
COCOBOD	Ghana Cocoa Board
COSISP	Cocoa Sector Institutional Support Project
CPIA	Country Policy and Institutional Assessment
CSP	Country Strategy Paper
EA	Executing Agency
FMS	Financial Management Specialist
FOB	Free on Board
GHS	Ghana Cedi
IFPRI	International Food Policy Research Institute
ISP	Institutional Support Project
IT	Information technology
MoF	Ministry of Finance
MoFA	Ministry of Food and Agriculture
PCN	Project Concept Note
PCR	Project Completion Report
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PPRC	Producer Price Review Committee
PRCA	Procurement Risks and Capacity assessment
PRSP	Poverty Reduction Strategy Paper
SA	Special Account
SPD	Seed Production Division of COCOBOD
UA	Units of Account
WCF	World Cocoa Foundation

Project Information Sheet

Client Information

BORROWER: REPUBLIC OF GHANA

EXECUTING AGENCY: GHANA COCOA BOARD (COCOBOD)

Financing Plan

Source	Amount (UA)	Instrument
ADF	5,000,000	LOAN
Government	500,000	
TOTAL COST	5,500,000	

Key AfDB Financial Information

Loan Currency	UA
Interest Type*	1%
Interest Rate Margin*	Not Applicable
Commitment Charge*	0.5%
Service Charges*	0.75%
Tenor	30 years
Grace Period	5 years
FRR, NPV (baseline scenario)	N.A.
ERR (baseline scenario)	N.A.

**if applicable*

Duration – Main Milestones (projected)

Concept Note approval	July 2018
Project approval	November 2018
Effectiveness	February 2019
Mid-Term Review	June 2020
Last disbursement	April 2021
Completion	December 2021
Last payment	March 2022

Project Summary

Programme Overview	<p>Project title/Number : Cocoa Sector Institutional Support Project (COSISP) / P-GH-KFO-003</p> <p>Geographic coverage : Southern half of the country</p> <p>Time frame: 38 months from November 2018 to December 2021</p> <p>Financing: ADF loan – UA 5 million – Government UA 500,000 ¹</p> <p>Operational instrument: Institutional Support Project</p>
Needs Assessment	<p>The cocoa sector, which is the single most important source of income for farmers in Ghana, faces several challenges. The most recent one is the decline in world prices, which has seriously affected the financial situation of the organization managing the sector, COCOBOD (See BOX 1 for more information on COCOBOD). However, there are also structural problems such as the large number of aging or diseased trees, which need to be replaced, the low level of productivity, which discourages farmers from remaining in the sector, and smuggling. Thus, it is important to improve the effectiveness of COCOBOD, encourage private sector participation, enable higher and less volatile farm gate prices, and promote collaboration with Côte d'Ivoire.</p>
Target Beneficiaries	<p>The project zone is roughly the southern half of the country. The Western Region will benefit in particular, since over half of all cocoa is grown in this region and future growth there is expected to remain strong. The primary beneficiaries will be cocoa farmers, many of whom are producing below the productive capacity of their cocoa farms and will therefore see their income increase. Shifting input supply to the private sector will reduce the industry costs, which are deducted from the f.o.b price before calculating the minimum 70% to be paid to the farmers through the farm gate price. Thus the price paid to farmers will increase. New investments in IT solutions will reduce or eliminate leakages so that subsidies reach the farmers.</p>
Bank's Comparative Advantage and Value-added	<p>Other partners have supported the preparation of a new cocoa strategy and several are working on environmental and social issues. None is providing institutional support to COCOBOD. The AfDB enjoys a good relationship with this organization, strengthened by the parallel investment project accompanying the proposed operation. Thus, the Bank is in a position to work with COCOBOD on a gradual process of reform.</p>
Knowledge Building	<p>The project will finance several studies which generate new knowledge. An analysis of the challenges involved in private sector input supply will summarize the experience in other countries and develop an approach appropriate to the Ghanaian context. Other studies will be led by the research department of COCOBOD to assess the effectiveness of selected programs. Cooperation with Côte d'Ivoire will promote the sharing of knowledge between the two countries, as well as new research.</p>

¹ In-kind contribution (staffs salaries; office location; etc.).

Result-based Logical Framework

Country and project name: Ghana: Cocoa Sector Institutional Support Project						
Purpose of the project : Improve performance of the cocoa sector to increase farmers' incomes						
RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/ MITIGATION MEASURES	
	Indicator (including CSI)	Baseline	Target			
IMPACT	Increased income for cocoa farmers	Producer price as % of gross f.o.b. price	59% in 2016	63% in 2022	COCOBOD	<p>Risk # 1: Vested interests resist proposed reforms.</p> <p>Mitigation measure: The Government has shown commitment to improve the cocoa sector Management and the project will focus on areas where consensus for reforms is reached.</p>
	Outcome 1: Enhanced national gains from cocoa sector	1.1 Joint Cocoa Commission agreeing on selected issues 1.2 Private sector participation in input supply; 1.3 Reduction in industry costs;	Commission meeting but no decisions made in 2017 Only 59% of areas using fertilizers in 2009/2010 16% of f.o.b. price in 2016	Secretariat functional; Decisions made on 4 key issues by 2022 Area using fertilizers increased to 65% in 2021/2022 10% of f.o.b. price in 2022	COCOBOD World Cocoa Foundation PPRC	<p>Risk # 2: A recovery in world cocoa prices or access to alternative funding may weaken incentives for reform.</p>
OUTCOMES	Outcome 2: COCOBOD institutional capacity strengthened	2.1 Improved COCOBOD systems and programs.	Poor warehouse management; few reports by Research Department.	Effective warehouse capacity increased (at least 25 staff, of which 30% are women, trained on warehouse management); quality and frequency of reports from Research Department increased (at least four research papers published by 2022)	COCOBOD	<p>Mitigation measure: The Government of Ghana has showed strong commitment to implement the proposed reforms in order to improve COCOBOD effectiveness.</p> <p>Risk # 3: Different systems in Ghana and Côte d'Ivoire undermine potential for cooperation.</p>
		2.2 Better trained personnel in warehouse management; monitoring and evaluation and project management	0 person-days of training	200 person-days of training in warehouse management; monitoring and evaluation; and project management	COCOBOD	<p>Mitigation measure: Cooperation will be encouraged at various levels, including some, which are not controversial, such as research and disease control.</p>

Component 1: Support to Institutional Reforms						Risk # 4: Private sector fails to respond to opportunity to play a greater role in input provision. Mitigation measure: The project will engage with the private sector in order to understand any concerns they may have.
OUTPUTS	Legal and institutional frameworks enhanced	1.1 Texts establishing and operationalizing the Joint Cocoa Commission	Draft Charter elaborated in 2018	The Charter creating the Joint Commission is approved in 2019; The Joint Commission operating Manual is adopted in 2019	Joint Cocoa Commission	
		1.2 New COCOBOD Act	1984 Law, amended in 1991	The COCOBOD Act is updated in 2019	Parliament	
		1.3 Policy for private input supply;	Draft policy elaborated in 2018	The revised Input supply policy and regulations are prepared and approved in 2019	COCOBOD	
		1.4 Report on effectiveness of selected COCOBOD programmes	No recent reports	At least two programmes assessed and reports produced by 2020	COCOBOD	
Component 2: Support to capacity-building						

	Operational capacity and effectiveness strengthened	2.1 Capacity-building strategy ;	No institutional assessment of training needs	Institutional Assessment done and capacity building strategy adopted and implemented in 2019-20 (30% of women benefit from CB programme)	COCOBOD	
		2.2 Information Master Plan;	No Master Plan	Master Plan approved in 2019	COCOBOD	
		2.3 Support to extension department and seed production unit.	No access to modern technology	Access to computers, internet and video-conferencing by 2020	COCOBOD	
		2.4 Warehouse management	Weak capacity for warehouse management	200 staffs trained in warehouse management by 2020 (of which 30% of women)	COCOBOD	
		2.5 Market intelligence	Weak understanding of global markets	Research department providing at least two reports annually to management on global trends by 2019	COCOBOD	
		2.6 Monitoring and evaluation	Reliance on secondary sources; weak analytical capacity	Research department collecting some of its own data and producing improved analysis by 2019	COCOBOD	
		2.7 Social and environmental strategy	No social and environmental strategy	A social and environmental strategy is developed by end 2019	COCOBOD	
		Component 3: Project Management				
KEY ACTIVITIES	COMPONENTS				INPUTS	
	Component 1 : Support to Institutional Reforms Texts and equipment for the Joint Cocoa Commission; preparation of the revised COCOBOD Law and accompanying legislative instruments; strategy for input supply by the private sector; analysis of some COCOBOD programs.				UA 3.000 million	
	Component 2 : Support to capacity-building Preparation of an assessment of capacity building and training; IT master plan				UA 1.800 million	
	Component 3: Efficient project management				UA 0.700 million	

Project Execution Calendar

Project activities	2018		2019				2020					2021				2022
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
1. PRE-LAUNCH																
Board Presentation																
Effectiveness																
Signing of Loan Agreement																
Effectiveness of Loan Agreement																
Operating Manual																
Project Launch Mission																
2. Equipment and Furniture's																
Bidding equipment and furniture's																
Bidding Goods																
Goods Delivery																
3. CONSULTANTS																
Preparation of bidding documents																
Launch; award ;																
Consultancy services																
4. TRAININGS AND OTHERS																
Trainings																
Operating costs																
Mid Term Review																
Monitoring and Evaluation																
Steering committee meetings																
Technical committee meetings																
3. Project Management																
Financial audit																
Procurement audit																

REPORT AND RECOMMENDATION OF MANAGEMENT TO THE BOARD OF DIRECTORS CONCERNING A LOAN TO THE REPUBLIC OF GHANA TO FINANCE THE COCOA SECTOR INSTITUTIONAL SUPPORT PROJECT (COSISP)

Management hereby submits this report and recommendation concerning a proposal to award an ADF loan in the amount of UA 5,000,000 to the Republic of Ghana to finance the Cocoa Sector Institutional Support Project (COSISP) in order to support reforms and build institutional capacity which will strengthen the resilience of the cocoa sector and improve farmers' incomes.

I. STRATEGIC THRUST AND RATIONALE

1.1 *Project Linkage with Country Strategy and Objectives*

1.1.1 The COSISP is consistent with the new strategy of the Government of Ghana. A new development strategy was launched in October 2017. It is called The Coordinated Programme of Economic and Social Development Policies (2017-2024), sub-titled, An Agenda for Jobs: Creating Prosperity and Equal Opportunity for All. The priority interventions cover five major areas, namely: economic development; social development; environment, infrastructure and human settlements; governance, corruption and public accountability; and strengthening Ghana's role in international affairs. However, the key strategic anchors to drive growth and development are: (i) Revitalizing the economy; (ii) transforming agriculture and industry; (iii) strengthening social protection and inclusion; (iv) revamping economic and social infrastructure; and (v) reforming public service delivery institutions.

1.1.2 In the Strategy, a new direction is to create the conditions for the Ghanaian private sector to propel growth and create ample employment opportunities, especially for youth. Low productivity in the cocoa sub-sector is specifically mentioned as a concern. The Strategy also commits the Government to the pursuit of a vigorous programme of improving corporate governance of state-owned enterprises – inculcating the tenets of good corporate governance practices in the management and boards of all public enterprises. Thus, the proposed project is directly supportive of the Government's new development plan, through its focus on supporting cocoa sector productivity enhancement and strengthening the governance of COCOBOD.

1.1.3 The Project is also consistent with the Bank Country Strategy for Ghana. This strategy was initially designed for the 2012-16 time, but was subsequently extended to 2018 to allow time for the government to complete its new development strategy. The CSP priorities remained the same for the period of extension: i) support for infrastructure development, and ii) support for improved governance and accountability. The proposed project is therefore consistent with the CSP as it seeks to improve governance in one of the key sectors in the economy. The project is also aligned with four out of five Bank institutional priorities, which are: i) Feed Africa; ii) Industrialize Africa; iii) Integrate Africa; and iv) Improve the life of African people. Finally, the project is consistent with the Bank Governance Action Plan, whose third pillar is about improvement of sectoral governance. The cocoa sector involves 800,000 households and is the primary source of income for the majority of the rural population. Improvements in its performance could play a key role in poverty reduction.

1.1.4 In addition to this institutional Support Program, the Government has requested the Bank to make a major investment in the sector. This demand is motivated in part by the decline in world prices. The main components will aim to: sustainably increase cocoa plant fertility; develop irrigation systems; rehabilitate aged and disease-infected farms; improve and increase warehouse capacity; create an integrated farmer database; and promote local processing and consumption. A large syndicated loan is being prepared, and the Bank Group considers that complementary capacity-building and selected reforms would be useful to ensure the most effective use of these funds. The Bank is also proposing a similar institutional support project for Côte d'Ivoire to facilitate collaboration between the two countries. Specifically, the Productivity Enhancement Programme (PEP) mainly entail the following components: 1. Hand pollination of cocoa farms; 2. Irrigation of

cocoa farms; 3. Rehabilitation of cocoa-swollen-shoot virus-disease infested farms; 4. Rehabilitation of moribund cocoa farms; 5. Increase and improvement of warehousing capacity; 6. Creation of integrated farmer database; 7. Promotion of domestic processing; and 8. Promotion of local consumption. Reforms selected under COSISP would be useful to ensure the effective use of this non-sovereign loan.

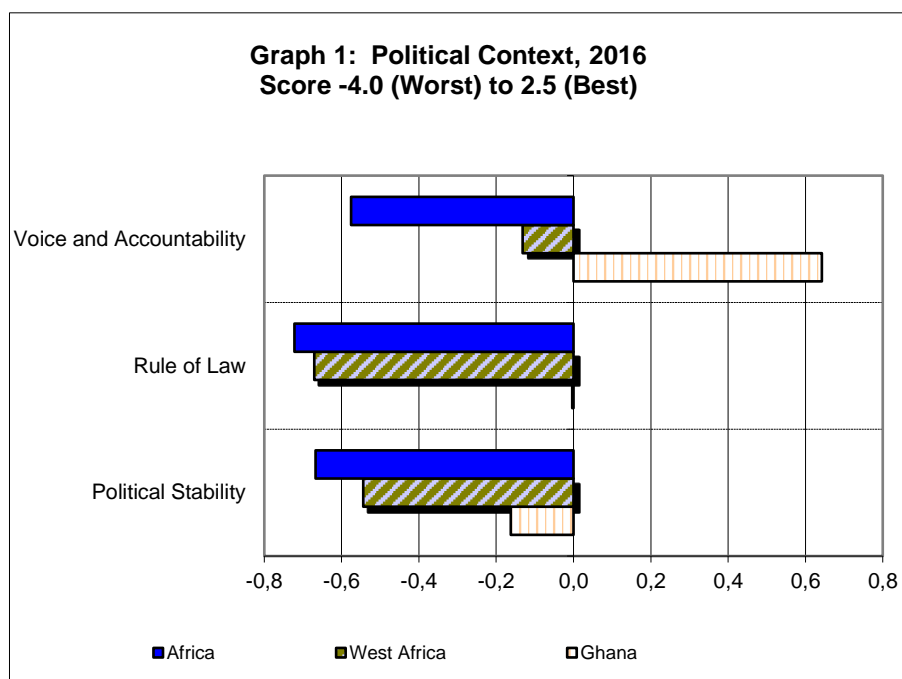
1.1.5 The proposed project is therefore justified for three main reasons. First, the cocoa sector is a strategically important sector, which has a major impact on rural poverty and exports. Second, it is consistent with both the national strategy and the Bank's country strategy for Ghana. And third, it provides a vital complement to the Bank's proposed investment operation.

1.2 Rationale for Bank Involvement

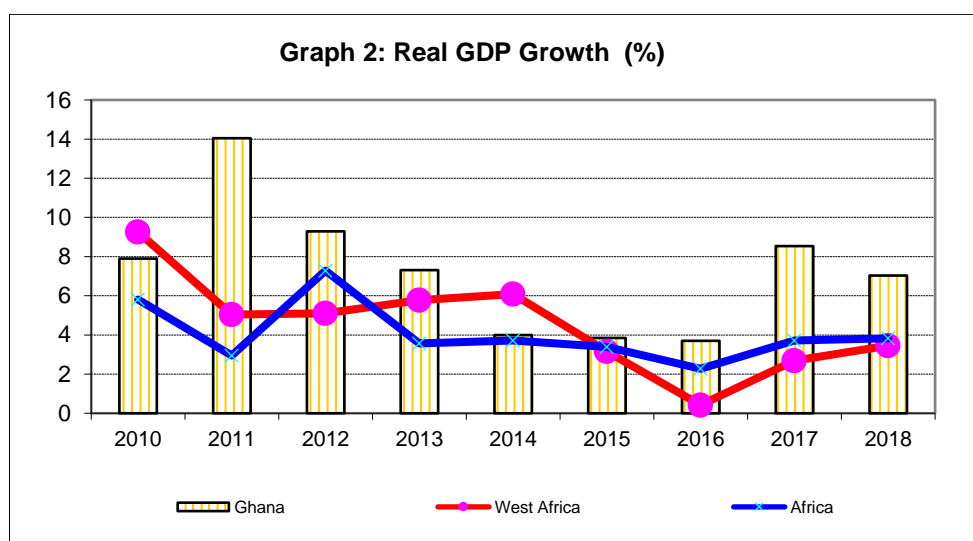
1.2.1 Ghana has enjoyed political stability since its return to multiparty democracy in 1992. General elections (Presidential, Legislative and communal) are held regularly and the devolution of power has been transparent. The New Patriotic Party (NPP), led by Nana Akufo-Addo, won the last Presidential election, held in December 2016. NPP also has a majority in parliament. The new Government development vision for Ghana is to "build the most business-friendly economy in Africa" and foster the competitiveness of Ghanaian firms. In this regard, the Government reform agenda being implemented includes, among others, improving the efficiency of the energy sector, enabling a business-friendly environment; and diversifying the economy.

1.2.2 Coordination between Ghana and Côte d'Ivoire has become a high priority for both countries. The Cocoa Swollen Shoot Virus Disease (CSSVD) is the single biggest risk to the sector in both countries and it cannot be effectively controlled without regional cooperation given the close proximity of cocoa-producing areas in the two countries. There are also benefits to be gained from collaboration in research on improved seedlings which can raise productivity while resisting drought and disease. Both countries have made commitments to eliminate child labour and deforestation related to cocoa production, and each can learn from the experiences of the other. Smuggling, which can work in either direction depending on the year, has a destabilizing effect on sector management. Both countries wish to strengthen controls and coordinate pricing policies in order to reduce and eventually eliminate the incentives for smuggling. By improving their joint understanding of the global market, and coordinating their production strategies, they will be in a better position to calibrate supply with demand and attenuate the boom-bust cycle which has plagued the sector. A Joint Cocoa Commission is being proposed to improve coordination. It may eventually be opened to other African cocoa-producing countries

1.2.3 Ghana is highly rated in governance indicators as shown in the Graph 1 below. The country's CPIA score remained at 4.0 in 2015 and 2016, among the ten best performers in Africa. On the 2018 Global Peace Index (GPI), Ghana ranked 5th in Africa and 41st globally. In 2017, Ghana scored 65 out of 100 in the Mo Ibrahim Governance Index, which ranked the country 8th out of 54 countries in Africa. It performs very well on the measure "safety and rule of law", ranking sixth. Despite those improvements over the last decade, the perception of corruption is still high (especially in the judiciary) and Ghana ranks 81st out of 180 countries on the 2017 Corruption Perception Index, down from 70th in 2016. Ghana is ranked 120th according to the Doing Business 2018 report. Its distance-to-frontier of 57.24 is well above the sub-Saharan average of 50.43. Ghana does best on getting credit (55th) and protecting minority investors (96th) and worst on trading across borders and resolving insolvency (158th in both cases).



1.2.4 The economy of Ghana enjoyed an oil boom starting in 2011, with GDP growth averaging 8% for the next two years. However, the average growth rate fell below 4% for the next three years (2014-16). Weak macroeconomic management led to a rapid increase in public expenditure, rising fiscal deficits, growing indebtedness, and inflation. This was exacerbated by a fall in the prices of key commodities underpinning the economy, namely, oil, gold and cocoa. However, the situation was brought under control in 2017, aided by a major increase in oil production which boosted GDP growth to 8.4%. GDP growth is projected to slow to 6.3% in 2018 due to more modest results in the oil sector, partially offset by better performance in non-oil GDP.



1.2.5 The share of agriculture in GDP has fallen from 30% in 2010 to 19% in 2016, due in part to the growth in the petroleum sector. However, it remains by far the largest employer, as well as a major source of exports. Two-thirds of non-oil manufacturing depends on agricultural inputs. Cocoa has long been the dominant agricultural export, and still accounts for 25% of total exports, and 10% of agricultural GDP. Cocoa production is the main source of cash income for some

800,000 households, comprising 4 million people. Ghana was the largest cocoa exporter in the world in the 1960s; it is now second after Côte d'Ivoire, accounting for some 20% of global trade. Annual cocoa production has grown from about 400,000 tons in the late 1990s to 1 million tons in 2011. However, that was an unusual year, which included significant smuggling from Côte d'Ivoire due to higher farm gate prices in Ghana and political instability in Côte d'Ivoire. Since then production has stabilized at around 850,000 tons.

1.2.6 The cocoa sector faces a long-standing problem of low yields due to old trees, disease, and poor agricultural practices. Fluctuating world prices have also been a common occurrence, and after strong prices from 2014 to 2016, they fell by 35% in early 2017, before a partial recovery in 2018. This has created financial challenges for the government given its commitment to maintain producer prices. The Ghana Cocoa Board, commonly referred to as COCOBOD, is a state-owned enterprise and the key actor managing the sector. It buys all cocoa from farmers through Licensed Buying Companies, and is the only authorized seller to local processors or foreign customers. It suffered substantial losses in 2017 and is likely to face another deficit in 2018, which will only be partially offset by the government's decision to forego the 3% tax usually levied on cocoa exports. (See the Technical Annex for more details on the cocoa sector).

BOX 1: COCOBOD - ORGANIZATIONAL DESCRIPTION

The Ghana Cocoa Board, otherwise known as "COCOBOD" was established in 1947. Formerly known as Cocoa Marketing Board, COCOBOD has the mission of encouraging and facilitating the production, processing and marketing of good quality cocoa, coffee and shea nut in Ghana. The ministerial responsibility for cocoa is currently exercised by the Ministry of Food and Agriculture but COCOBOD has a Chief Executive Officer as its administrative head who is appointed by the President of Ghana. The CEO is assisted by three deputies (Finance and Administration; Agronomy & Quality Control; and Operations) as well as directors of eight COCOBOD directorates (Human Resource, Research, Audit, Finance, Medical, Legal, Special Services, and General Services). In addition, there are Seven Departments/Units which are headed by Departmental Heads. These are Public Affairs Department, Security Unit, Procurement Unit, Scholarships Unit, Information Systems Unit, Estates Unit and Transport Unit. COCOBOD has 8,300 employees.

The COCOBOD has clear responsibility for the following functions within the cocoa value chain:

- Oversee agricultural research, hybridization of seeds and sale of seed to the farmers through the Cocoa Research Institute of Ghana (CRIG) and Seed Production Division (SPD).
- Provide technical support by way of control of pest and diseases, and training and extension services to the farmers through the Cocoa Health and Extension Division (CHED); and productivity enhancement activities.
- Issues licenses to buying companies to buy and consolidate local purchases of cocoa beans in the country on its behalf.
- Through its Quality Control Department has the responsibility for inspecting, checking, grading and sealing each consignment of cocoa to ensure quality standards are maintained.
- Guidelines for purchasing cocoa beans and for operation of local buying companies.
- Responsible through Cocoa Marketing Company of marketing cocoa beans for exports and to cocoa processing companies in the country.
- Responsible of productivity enhancement activities.

COCOBOD's Specialized Divisions and Functions:

Cocoa Marketing Company Limited (CMC)

Located in Accra with a satellite office in London, CMC is a wholly-owned subsidiary of COCOBOD with the sole responsibility to market and export Ghana cocoa beans to local and foreign buyers. Its major responsibilities include: 1) procurement of graded and sealed cocoa beans from the LBCs at the three takeover centers; 2) stocking of cocoa prior to shipment; 3) securing optimal prices and maximizing foreign exchange revenue; 4) managing sales and collecting receipts; and 5) settling of any disputes via direct arbitration.

Quality Control Division (QCD)

QCD is responsible for maintaining quality standards and overseas quality control measures at all stages of the supply chain. These measures include: 1) inspection and certification of the licensed buying companies (LBC) depots where cocoa is bulked and stored; 2) grading, sealing and certifying of cocoa at the LBC depots; 3) sampling of cocoa on arrival at port warehouses (located at Kaase, Tema, and Takoradi) and prior to export to determine whether a particular consignment meets local and international standards; 4) inspection and fumigation of storage sheds, warehouses and shipping vessels and all cocoa consignments prior to shipment; and 5) promotion and sensitization of farmers through training of optimal pre- and post-harvest practices required to maintain quality standards.

Seed Production Division (SPD)

SPD is responsible for the multiplication and distribution of improved cocoa (and coffee) planting materials to farmers. SPD maintains seed gardens at 23 cocoa stations in the six cocoa-growing regions. The Division multiplies high-yielding, early-bearing hybrid cocoa varieties and distributes them to farmers as seed pods at a subsidized cost. The Unit produces about 3 million hybrid pods and raises about 2 million cocoa seedlings per annum.

National Cocoa Diseases and Pest Control (CODAPEC)

The CODAPEC program, popularly known as “Mass Spraying,” was reintroduced in the 2001/02 cocoa season to assist cocoa farmers across Ghana to combat cocoa mirids and black pod diseases. CODAPEC's other objectives include: 1) training farmers and technical personnel on the cultural and chemical methods of pests and diseases control; and 2) educating and training local sprayers on safe pesticides usage. District and local task forces carry out CODAPEC's mandate and coordinate the spraying programs. Currently, 67 cocoa districts covering all of Ghana's major cocoa growing areas are benefiting from the program.

Cocoa Research Institute of Ghana (CRIG)

Established in 1938, CRIG has established itself as a center of excellence in the study and cultivation of cocoa. Its mandate is to undertake research into challenges relating to the production, processing and utilization of cocoa and other tree species. Its activities include: 1) providing cocoa farmers with technical innovations that improve yields; 2) identifying new processing techniques and marketable consumer products and by-products; and 3) ensuring effective transfer of research findings, new technologies, and agronomic practices to farmers.

Cocoa Health and Extension Division (CHED)

CHED is responsible for the survey and control of the Cocoa Swollen Shoot Virus Disease (CSSVD). The Division's activities include providing training and extension services to cocoa farmers.

A board of directors provides oversight to the executive management of COCOBOD. This board has a Chairman different from the CEO and is composed of government nominees as well as a representative from the Cocoa, Coffee and Shea Nut Farmers' Association.

1.2.7 In light of increased small scale processing of cocoa and need for strengthening the sanctions associated with the regulations and guidelines, the COCOBOD Law needs to be revised. The Government's option to promote local cocoa processing is hindered by the risk of losing control of the internal marketing of cocoa beans if on-farm or small cocoa processing is not adequately monitored. In addition, other challenges relate to the weaknesses of current sanctions on various offences pertaining to regulations and guidelines for quality assurance and the supervision of licensed buying companies. This is partially due to the lack of legal instruments to enforce those sanctions.

1.2.8 The COCOBOD is in the process of improving its performance in order to raise farmers' incomes and expand production. It is well understood that returns to the farmer are too low and there is a risk that the next generation will gradually abandon the sector. Thus producers require better prices and more effective support. Programmes to support replanting, such as those to be financed by a new AfDB investment project, are essential. But so is better access to fertilizer and pesticide spraying. Having piloted programs to convince farmers of the benefits of fertilizer and pesticides, COCOBOD recognizes that it would be more effective to rely on the private sector to scale up such services. In addition, by rationalizing these and other services previously provided by COCOBOD - commonly referred to as industry costs - it will be possible to offer a higher farmgate price to farmers. Furthermore, rolling in private sector for inputs supply will address the challenges of mismanagement related to inputs procurement witnessed in the past.

1.2.9 Training and information technology can also improve sector outcomes. The COCOBOD has conducted a staff rationalization study to reassign staff where they are most needed and avoid further recruitment. However, some will require substantial training in order to fulfil their new roles. Better use of information technology will also be necessary for such a far-flung industry involving some 800,000 actors. For example, modern IT applications can ensure that fertilizer subsidies reach the intended beneficiaries, and do not leak out to other crops or even other countries. This innovation will go hand-in-hand with the comprehensive farmer database to be developed under the AfDB investment project. This comprehensive database is proposed to include a call center system, payment platform, farm management system, an input dealer's management system, and subsidy management system.

1.2.10 Updating the COCOBOD law will help in a variety of ways. The current law dates from 1984, with only minor amendments in 1991. The sector has evolved since then, notably with the privatization of cocoa buying. Also, inflation has undermined the effectiveness of the fines imposed for smuggling. And, there are now 10 local producers of chocolate. However, they are required to buy their cocoa from COCOBOD which has a monopoly on sales. The expansion of domestic processing is one of the strategies to improve increasing value addition and increase revenues to farmers and other supply chain actors. Therefore, the review of the Law will also aim to formalize and improve the small-scale processing and artisanal chocolate sectors.

1.3 Aid Coordination

1.3.1 Several other development partners have been active in the cocoa sector. The Netherlands is supporting a Cocoa Rehabilitation and Intensification project, which creates rural service centers to improve the private provision of inputs and services. The Canadian Government has an on-going project focused on the private provision of improved seedlings, while also working with COCOBOD on their seedlings operations. The World Bank has supported the development of a new cocoa sector strategy, and is finalizing the preparation of a new project to stop deforestation related to cocoa production. The World Cocoa Foundation (WCF) is involved in coordinating activities of its member companies. The Netherlands, WCF, and World Bank are supporting a new

Ghana Cocoa Platform to promote dialogue between all stakeholders. The International Food Policy Research Institute (IFPRI) has conducted research on the sector and recently produced an important book on cocoa in Ghana. There is a donor-working group to coordinate actions on cocoa, which the AfDB has joined. The AfDB is working closely with the World Bank on a joint program of support to the cocoa sectors in both Ghana and Côte d'Ivoire. The proposed project is the only one focused on institutional support to COCOBOD.

1.3.2 The AfDB has supported five projects in the agriculture sector but none in the cocoa sector. Projects have focused on food crops and, secondarily, on horticulture export crops.

II. PROJECT DESCRIPTION

2.1 *Project Objectives and Components*

2.1.1 The proposed development objective is to improve the performance of the cocoa sector to increase cocoa farmers' revenues and reduce poverty. The specific project objectives are i) to support institutional reforms, and ii) to support capacity-building. The two main components of the project correspond to these two objectives. A third component, for project management, will be funded by COCOBOD.

2.1.2 The different activities financed under this project will contribute to an enabling cocoa sector environment through increased transparency and effectiveness in COCOBOD operations, which will promote higher productivity and prices for farmers. The project will also improve harmonization of policies between Côte d'Ivoire and Ghana, which will support productivity enhancement through collaboration on research, disease control, the prevention of smuggling, and better management of production and stocks, which may influence global cocoa prices.

Table 1 below details activities which will be supported under each component and sub-component of the project and estimated costs by sub-component.

Table 1: Project Components and Sub-components

	Component	Cost in UA (000)	Component Description
I.	Component I	3,000	Support to institutional reform
I.1	Support to the Joint Cocoa Commission		Support to development of texts formalizing the establishment of the Joint Cocoa Commission; preparation of a strategy, action plan and operating manual for the Commission; equipment for the secretariat. The areas of support are: (i) Production and Research: scientific research in cloning; joint actions to address the CSSVD virus; (ii) Economics and marketing: value-chain analysis; establishment of market research backs-ups to trading rooms; (iii) Institutional Framework: elaboration of operating manual; support the validation and ratification of the Charter and related rules and regulations; procurement of equipment.
I.2	Reform of the COCOBOD law		Update the 1984 Law establishing COCOBOD, and prepare necessary legislative instruments, especially regarding the aim to formalize and improve the small-scale processing and artisanal chocolate sectors, and provisions related to sanctions on smuggling; support to the approval process. The supported activities include: (i) review of the text of Law and Legislative instrument; (ii) support enacting/ratification; (iii) publication/dissemination.
I.3	Promotion of private sector delivery of inputs		Conduct a study on how to ensure successful private sector input provision, drawing on experience in other countries; develop a strategy for Ghana cocoa; develop regulations and procedures, including for standards and quality control. The specific activities include: (i) review of previous input policies in the cocoa sector of Ghana, other sectors and countries to take stock of lessons learnt; (ii) proposals for new input policy informed on sound technical analysis; (iii) stakeholder engagement and consultation; and (iv) publication and dissemination of policy document.
I.4	Assessment of COCOOD programmes		Undertake analytical work to assess COCOBOD effectiveness in specific areas (e.g. productivity enhancing projects, farmer access to inputs, production and distribution of seedlings, effectiveness of Licensed Buying Companies);

II.	Component II	1,800	Support to capacity-building
II.1	Training		Develop capacity-building strategy based on recent staff rationalization study and design and implement necessary training, including project management and M&E for CHED and SPD staff; warehouse management.
II.2	In-house research and M&E capacity		Build capacity of Research, M&E Department to collect data, conduct M&E, understand and monitor global cocoa market.
II.3	Information systems		Develop an Information Master Plan and procure computers and internet access for CHED and SPD units; purchase software.
II.4	Social and environmental management		Develop a social and environmental management strategy of COCOBOD
III.	Component III	700	Project management
	Project management		Identify COCOBOD staff responsible for project coordination and implementation; develop operating manual and reporting requirements; finance staff and equipment.
	Total project cost	5,500	

2.2 Technical Solutions Adopted and Alternatives Considered

The two key reforms supported by the project are (i) the update of COCOBOD Law to adapt it to the Government vision of improving local processing and strengthening sanctions regimes; and (ii) private sector input supply. This was identified as an important part of the new draft strategy. In consultation with the authorities of COCOBOD, it was determined that their priorities lay in the area of fertilizers and pesticides where private sector capacity already exists. On the other hand, they feel that they have strong capacity in seedlings production and need to retain quality control. Furthermore, the Canadian aid program is working on experiments in private sector provision of seedlings and is engaged in discussions with COCOBOD on this issue. In the area of information technology, COCOBOD has significant hardware needs. However, given the small size of the proposed operation, and the availability of more resources through a parallel AfDB investment loan, it was agreed that this project would focus on a master plan, studies and software.

<i>Technical Solutions Adopted and Alternatives Considered</i>	
Revision of COCOBOD Law	The option to fully liberalize cocoa sector management in Ghana was not considered as this was not a Government option. Hence, the option to revise selectively the Law for addressing identified constraints to promotion of local content and sanctions enforcement.
Private sector input supply	The authorities of COCOBOD determined that their priorities lay in area of fertilizers and pesticides where private sector capacity already exists. The project will not cover seedlings, as COCOBOD considers that they must retain responsibility for this input given their research capacity and the need to maintain quality.
Information technology	COCOBOD has significant hardware needs. However, given the small size of the proposed operation, and the availability of more resources through a parallel AfDB investment loan, it was agreed that this project would focus on a master plan, studies and software.

2.3 Project Type

The COSISP is an institutional support project to improve the performance of the Ghana Cocoa Board, COCOBOD. It aims to promote reforms and build capacity, including coordination with Côte d'Ivoire. It is part of package of financial and technical support to the two countries by the AfDB and the World Bank.

2.4 Project Cost and Financing Mechanism

The total cost of the project is UA5.5 million of which UA 5 million is contributed by the Bank using the resources of the African Development Fund, and UA 0.5 million represents the counterpart contribution² (in-kind) of the Government of Ghana. Tables 2 to 5 present the estimated project costs by component and by sub-component, by source of financing, by category, and by year. A detailed cost table is provided in the Technical Annex B2.

Table 2: Estimated cost by component (UA' 000)

Component	Foreign exchange	Local currency	Total cost	% in foreign exchange
Support for institutional reform	2,137.50	712.50	2,850.00	75
Support for capacity-building	1,282.50	427.50	1,710.00	75

² Government counterparts is in-kind (office location; utilities; staff salaries)

Project management	166.25	498.75	665	25
Total baseline cost	3,586.25	1,638.75	5,225.00	69
Provision for price escalation/contingencies (5%)	192.50	82.50	275.00	70
Total Project Cost	3,778.75	1,721.25	5,500.00	71

Table 3: Sources of Financing (UA' 000)

Source of financing	Foreign exchange	Local currency	Total cost	% of total
ADF	3,728.75	1,271.25	5,000.00	91
Government	50.00	450.00	500.00	9
Total project cost	3,778.75	1,721.25	5,500.00	100

Table 4: Project costs by category of expenditure (UA' 000)

Category of expenditure	Foreign exchange	Local currency	Total cost	% in foreign exchange
Goods	819.38	273.12	1,092.50	75
Services	2,603.48	1,115.77	3,719.25	70
Operating costs	<i>163.39</i>	<i>501.61</i>	665.00	25
Total baseline cost	3,586.25	1,638.75	5,225.00	71
Provision for price escalation/contingencies	192.50	82.50	275.00	70
Total project cost	3,778.75	1,721.25	5,500	71

Table 5: Project costs by category of expenditure (UA' 000): - ADF Loan

Category of expenditure	Foreign exchange	Local currency	Total cost	% in foreign exchange
Goods	819.38	273.12	1,092.50	75
Services	2,693.12	799.38	3,492.50	77
Operating costs	41.25	123.75	165.000	25
Total baseline cost	3,553.75	1,196.25	4,750.00	75
Provision for price escalation/contingencies	175.00	75.00	250.00	70
Total project cost	3,728.75	1,271.25	5,000.00	75

Table 6: Schedule of expenditures by component (UA' 000)

Component	2018	2019	2020	2021
Support to institutional reform	100.00	825.00	975.00	1,100.00
Support for capacity-building	100.00	680.00	680.00	375.00
Project management	50.00	210.00	210.00	195.00
Total project cost	250.00	1,715.00	1,865.00	1,670.00

2.5 *Project Area and Beneficiaries*

The project zone is roughly the southern half of the country. The Western Region will benefit in particular, since over half of all cocoa is grown in this region and future growth there is expected to remain strong. The primary beneficiaries will be cocoa farmers, many of whom are below the poverty line. Shifting input supply to the private sector will reduce the industry costs incurred by COCOBOD which are deducted from the f.o.b price before calculating the 70% to be paid to the farmers through the farm gate price. Thus the price paid to farmers will increase. The farmers will now have to pay for their inputs, but it is expected that private supply will be more efficient and effective.³ In addition, subsidies will be paid, and new investments in IT solutions will reduce or eliminate leakages so that these subsidies reach the farmers.

³ One study has found that private spraying had a larger impact on productivity than public spraying programs. IFPRI, The Cocoa Coast: The Board-Managed Cocoa Sector in Ghana.

2.6 Participatory Approach to Project Identification, Design and Implementation of the project

The project was designed in close collaboration with the management and staff of COCOBOD, and with guidance from the Ministries of Finance and Food and Agriculture. Consultations were also held with the private sector, as represented by the World Cocoa Foundation and the National Cocoa, Coffee and Sheanuts Farmers' Association. The team also coordinated with key development partners: the Government of the Netherlands, the World Bank, and IFPRI. Implementation will benefit from participation in the new Ghana Cocoa Platform where all stakeholders are represented, and oversight by a sub-committee of the Board of COCOBOD where the Ministries of Finance and Food and Agriculture will be represented. The AfDB will also take part in a donor working group which follows the cocoa sector.

2.7 Bank Group Experience and Lessons Reflected in Project Design

2.7.1 On 31 August 2018, the Bank's active portfolio comprises 20 projects. It includes 11 public sector projects and 6 private sector projects for a total commitment amount of UA 485.06 million. This portfolio breakdown is as follows: (i) social: 16%; (ii) transport: 14%; (iii) Agriculture: 13%; (iv) Energy: 11%; (v) Water and Sanitation: 9%; and (vi) Governance: 2%. The remaining 35% consist of non-sovereign operations from the private sector window (in the Banking, Tourism; Energy; and Air Transport sectors). Based on the last performance assessment of Bank portfolio in Ghana, the overall score was 3.0 on scale of 1 to 4. However, it rose from 2.53 in 2013 to 2.67 in 2015 on a scale of 0 to 3. However, the imposition of a moratorium on new loans by the Government of Ghana during the 2013-2015 period under its new debt strategy had affected the portfolio performance as the disbursement ratio has fallen from 28% in 2015 to 18% in 2016 before improving to 22.4% in 2017.

2.7.2 The project took into account the key lessons learned from the implementation of the governance programme and projects. The key lessons are: (i) improve government ownership of Bank-funded projects/programmes in Ghana to ensure smooth implementation; (ii) foster close collaboration with other donors supporting governance related programmes and projects; and (iii) ensure that adequate fiduciary systems are in place before presentation of Bank-funded projects to the Board. The COSISP was elaborated based of these lessons as the project's components and activities were jointly identified and agreed upon with COCOBOD. In addition, the Bank team undertook extensive consultations with all development partners involved in the promotion of the cocoa sector in Ghana; and COCOBOD capacity to execute adequately the fiduciary functions (in terms of procurement and financial management) was duly assessed.

2.8 Key Performance Indicators

The logical framework provides details on the performance indicators. These are summarized in the Box below.

Box 1: Key Performance Indicators

Output indicators
<ul style="list-style-type: none"> • Texts establishing Joint Cocoa Commission approved by both Ghana and Côte d'Ivoire • Two joint project reports completed. • New COCOBOD law and legislative instruments approved by Parliament • Two assessments of cocoa sector Programmes completed • Input supply policy and regulations for private sector participation approved • Capacity Building Assessment done and training conducted • Information technology Master Plan approved
Outcome indicators
<ul style="list-style-type: none"> • Joint Cocoa Commission made 4 decisions on key issues • Area using fertilizer increased from 59% to 65% • Industry costs reduced to 10% of gross f.o.b. • 200 person-days of training completed, of which 30% for women
Impact indicator
<ul style="list-style-type: none"> • Producer price has increased to 63% of gross f.o.b. price in 2021

III. PROJECT FEASIBILITY

3.1 Economic and Financial Performance

As this is an institutional support project, an economic cost-benefit analysis is not feasible. Nonetheless, this project should have important economic benefits, by supporting higher prices and productivity for farmers. It should also help improve the financial situation of COCOBOD. Relying on the private sector to supply inputs will reduce some costs while increasing production levels. Training and information technology will raise its effectiveness. When prices are low, the government requires COCOBOD to maintain farm gate prices through a subsidy, so reducing smuggling will lower the overall level of subsidy to be paid out. Any success in smoothing out global prices will also be beneficial for financial management.

3.2 Environmental and Social Impact

3.2.1 Environment: This project does not present any potential direct negative effects on the environment. On the other hand, by promoting cocoa production, it could create incentives for farmers to expand production by cutting down forested areas. However, the Government of Ghana has signed an agreement not only to prevent further deforestation but also to remove cocoa trees from less degraded forests, and promote shade-grown cocoa generally. This is the Joint Framework for Action under the Cocoa and Forests Initiative. Indeed, COCOBOD will soon be implementing a World Bank-financed project to implement this policy.

3.2.2 Social: Child labor has historically been a common practice in cocoa production in West Africa. Ghana has made progress in this area but it must remain vigilant and strengthen its mechanisms to monitor and discourage the practice. The comprehensive farmer database that COCOBOD will put in place with the help of the upcoming AfDB investment project, supplemented by the IT systems supported by this operation, will be a major step forward in reducing child labor. Major chocolate companies have signed the Harkin-Engel Protocol to eliminate the worst forms of child labor and are under pressure from both the US and the EU to speed up implementation. COCOBOD will develop an Environmental and Social Management System with support from the project.

3.2.3 Gender: Women own about 30% of the cocoa plantations and account for two-thirds of the labor force involved in cocoa production. The main impediment for women in the agriculture sector are: (i) access to land; and (ii) access to finance. Those issues are dealt within the broader Government policies in the agriculture sector and are beyond the COSISP project coverage. However, women will be the major beneficiaries of enhanced productivity and better prices, although the intra-household distribution of income will affect outcomes. They will also benefit from the various trainings and capacity building activities financed by the project. The draft cocoa strategy calls for mainstreaming gender issues. COCOBOD will be encouraged to monitor the impact of its programs on female farmers, and to ensure that female staff are equal beneficiaries of training provided through the proposed project.

3.2.4 Resettlement: No displacement of farmers is associated with the proposed operation. However, as explained above, the fight against deforestation will require the resettlement of some cocoa farmers who have illegally planted in protected forests. The World Bank project will deal with this issue and provide appropriate compensation.

IV. IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 Executing agency: After carefully considering the alternatives, it was concluded that the COCOBOD was best suited to manage the project since they will be responsible for conducting all of the components. Furthermore, their human resource capacity exceeds most if not all ministries.

4.1.2 Project coordination: A project coordinator and supporting staff will be designated by COCOBOD management. They will report to a sub-committee of the Board of COCOBOD, comprising representatives of the Ministries of Finance and Food and Agriculture. In this way, the project will be accountable to the ministry responsible for cocoa (Food and Agriculture) and the ministry responsible for the AfDB loan (Finance). The sub-committee will also include the representative of the cocoa farmers' association who sits on the COCOBOD Board.

4.1.3 Disbursement

The following disbursement methods will be used in disbursing funds to the project: (i) Direct payments; (ii) Payments through a Special Account (SA); and (iii) Reimbursement. Direct payments method will generally be used for the larger contracts signed between the project management and contractors / suppliers / service providers. The SA method will be used for meeting recurrent / administrative expenses and smaller contracts. A US dollar denominated SA will be opened at the Bank of Ghana (BoG), to receive ADF resources from the Bank. A GHS (local currency) account will be opened at BoG to receive transfers from the SA for making payments in Ghana Cedis. A second GHS account will be opened at the bank of Ghana to receive counterpart cash contributions from the Government of Ghana. The Project Implementation Unit (PIU), within COCOBOD, will manage all project accounts. All disbursements under the project will follow the disbursement procedures outlined in the Bank's *Disbursement Handbook*. The reimbursement method in case the national counterpart contribution was used to pre-finance expenses borne by the Bank "after prior notification of the Bank".

4.1.4 Financial Management, Disbursement and Audit Arrangements

4.1.4.1 Financial Management: The Ghana COCOBOD will be in charge of the implementation of the Cocoa Sector Institutional Support Project (COSISP). To ensure effective project coordination and monitoring, a dedicated Project Implementation Unit (PIU) would be constituted (under the direct

supervision of the Deputy Chief Executive for Operations) to be responsible for the day-to-day administration of the project. The PIU would be headed by an experienced Project Coordinator, (deployed from COCOBOD). COCOBOD is currently an implementing partner of the Bank funded Forestry Investment Project (FIP) and its parent Ministry, Ministry of Food and Agriculture has unparalleled experience in the implementation of Bank funded operations, including the completed Export Quality Marketing Agricultural Project (EMQAP), the Northern Rural Growth Programme and the ongoing Savannah Zone Agricultural Productivity Improvement Project (SAPIP). The FM section of the PIU will be headed by an experienced chartered accountant deployed from COCOBOD (expected to be the officer currently handling the ongoing FIP), with good practical knowledge on donor funded financial reporting and skills on the usage of Sage ACCPAC (accounting software of COCOBOD). An accounts officer, who is partly qualified but has good knowledge of donor financial reporting, will assist the FM Specialist. The accounts office will be in charge of all primary entries into the accounting system. The FM Specialist will use the Sage ACCPAC accounting software to produce quarterly un-audited interim financial reports (IFRSs) in line with IFRS for SMEs for the benefit of COCOBOD and shared with the Bank no less than 30 days after the end of each quarter. A bespoke project implementation manual (PIM) consisting of technical implementation, accounting policies and procedures and administrative procedures sections shall be developed and adopted to guide project implementation and streamline financial management (FM) practices within the project. The internal audit department of COCOBOD will provide internal checks and review project operations to strengthen the overall internal control environment. The FM Specialist will report to the Director of finance at COCOBOD (for preparing the consolidated accounts).

4.1.4.2 Disbursement: The Bank uses four disbursement methods in making resources available to its projects. Two (2) of these disbursement methods- (i) Direct payments and (ii) Special Account (SA) methods are recommended for this project with the reimbursement and reimbursement guarantee methods also at the disposal of the project, if required. The Direct payments method will be used in meeting payments against larger contracts concluded between project management and contractors/suppliers, which have been reviewed and approved by the Bank. The Special Account method will be used for payment of recurrent expenses and small contracts. For the Special Account method, a dedicated USD denominated special account will be opened at the Bank of Ghana (BoG), with the approval of the Minister of Finance (MOF) to receive Bank resources. A local currency project account will also be opened at the BoG to receive transfers from the SA USD account local currency payments. A second separate Ghana Cedi account will be opened at the BoG to receive counterpart funding contributions from the Government of Ghana. All the project accounts will be managed by COCOBOD. An initial advance to the SA will be based on a 6 months forecast submitted by the Project to the Bank and ‘no objection’ issued. All disbursements will be in accordance with the procedures outlined in the Bank’s *Disbursement Handbook*.

4.1.4.3 Overall Conclusion: The assessment concludes that COCOBOD has adequate capacity to manage the FM arrangements of the proposed project subject to developing a bespoke Project Implementation Manual (PIM), constituting a PSC and deploying all key staff (including an experienced FM specialist) from COCOBOD to the project. Subject to the nomination and secondment of acceptable and capable staff to the project, and timely implementation of the other FM action items, the overall FM risk is assessed as Moderate.

4.1.5 Procurement

4.1.5.1 “Procurement of goods (including non-consultancy services), works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the “Procurement Policy and Methodology for Bank Group Funded Operations” (BPM), dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out following:

4.1.5.2 Borrower Procurement System (BPS): Procurement through National Competitive Bidding (NCB) procedures will be carried out using BPS comprising its Laws and Regulations (Ghana Public Procurement Act, 2003 (Act 663), as amended Act, 2016 (Act 914) using the national Standard Solicitation Documents (SSDs) agreed during project negotiations” for various group of transactions to be entailed under the project, detailed in annex B 5.1 and the provisions stipulated in the Financing Agreement.

4.1.5.3 Bank Procurement Policy and Methodology (BPM): Bank standard PMPs, using the relevant Bank Standard Solicitation Documents (SDDs), will be used for Open Competitive Bidding-International (OCB-I) contracts for both goods and works and Acquisition of Consulting Services as indicated in the Technical Annex B5, Para. B.5.3.2.

4.1.5.4 Procurement Risks and Capacity Assessment (PRCA): the assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken for the project and the output have informed the decisions on the procurement regimes (BPS and Banks PMP) being used for specific transactions or groups of similar transactions under the project. The appropriate risks mitigation measures have been included in the procurement PRCA action plan proposed in Annex B5, Para 5.3.2. The project activities derived from its components has informed the procurement risk and capacity assessment as well as the market analysis based on which the procurement strategy of the project has been developed.

4.2 Monitoring

The COSISP will be implemented over a period of 37 months, from November 2018 to October 2020. The launching mission will take place in November 2018, during which time project staff will be trained in AfDB procedures for procurement, financial management and disbursement. Supervision missions will take place every six months. Progress reports will be prepared by the project team in advance of each supervision mission. The mid-term review is planned for June 2020 Performance indicators will be tracked and reported in every progress report. The different stages for project implementation are summarized in the following table.

Table 7: Monitoring Stages and Feedback Loops

Date	Stage	Activity
Nov. 2018	Project approval by ADF Board	Notify Government
Fev. 2019	Project effectiveness	Signature of loan agreement
Fev. 2019	Fulfillment of conditions prior to first disbursement	Opening of special account and designation of project coordinator
Fev. 2019	Launching mission	Training of project staff, preparation of work program
Jan. 2019	Initiation of first activities	Preparation of terms of reference
March 2019	Identification of first consultants	Evaluation of resumes
2019-2022	Implementation of all activities	Regular progress reports every six months
2019-2021	Supervision missions	Missions every six months
2020-2021	Audits	Audit reports every year
June 2020	Mid-term review	Report of mid-term review
Dec. 2021	Project completion	Completion report

4.3 Governance

COCOBOD has not managed an AfDB project recently, though it has in the past. However, it is preparing to manage a large AfDB investment project and a World Bank project; in both cases it has been determined that COCOBOD has the necessary capacity. As usual, a manual of procedures will be prepared for the proposed project and all purchases will require approvals of non-objection by the Bank. The project will maintain a separate bank account for the ADF resources as well as the counterpart resources provided by COCOBOD and the government. Financial reports will be submitted to the Bank every six (6) months. Project finances will be audited annually and the audit report will be submitted to the Bank within six (6) months after the end of the fiscal year.

4.4 Sustainability

The COCOBOD already has substantial staff numbers and quality which will be further strengthened through this project. The recently completed staff rationalization study, combined with training supported under the project, will ensure that staff are appropriately allocated and properly equipped for their tasks. The transfer of fertilizer and pesticide delivery to the private sector will help COCOBOD focus on its core mandate. Research conducted under the project will be designed and led by staff to ensure full ownership and commitment to implementation of relevant conclusions. The secretariat of the Joint Cocoa Commission will be kept light so that its recurrent costs are easily absorbed by the considerable resources available to the COCOBOD and its Ivorian counterpart, the Cocoa-Coffee Council.

4.5 Risk Management

Ghana is a politically stable country, which is enjoying strong economic growth and sound economic management. The implementing agency, COCOBOD, is one of the strongest institutions in the country. The project activities have no environmental impacts and COSISP is classified as Category 3 project. Table 7 summarizes the main risks and mitigation measures identified for this project.

Table 8: Risks and Mitigation Measures

Risks	Degree of risk	Mitigation measures
Vested interests resist proposed reforms.	Moderate	The Government has shown commitment to improve the cocoa sector Management and the project will focus on areas where consensus for reforms is reached.
A recovery in world cocoa prices or access to alternative funding weakens incentives for reform.	Low	The Government of Ghana has showed strong commitment to implement the proposed reforms in order to improve COCOBOD effectiveness.
Different systems in Ghana and Côte d'Ivoire undermine potential for cooperation.	Low	Cooperation will be encouraged at various levels, including some, which are not controversial, such as research and disease control.
Private sector fails to respond to opportunity to play a greater role in input provision.	Low	The project will engage with the private sector in order to understand any concerns they may have.

4.6 Knowledge Building

The project will finance several studies, which generate new knowledge. An analysis of the challenges involved in private sector input supply will summarize the experience in other countries and develop an approach appropriate to the Ghanaian context. Other studies will be led by the research department of COCOBOD to assess the effectiveness of selected programs. The project will also finance market intelligence studies (on global cocoa demand; consumers markets, including emerging markets. Cooperation with Côte d'Ivoire will promote the sharing of knowledge between the two countries, as well as new research.

V. LEGAL INSTRUMENTS AND AUTHORITY

5.1 Legal instrument

The legal instrument to finance this operation is an ADF loan agreement for UA 5 million between the Republic of Ghana and the Fund.

5.2 Conditions associated with the ADF intervention

Entry into Force of the Loan Agreement

5.2.1 The entry into force of the Loan Agreement shall be subject to the fulfilment by the Borrower of the provisions of Section 12.01 of the General Conditions of the Fund applicable to Loan Agreements and Guarantee Agreements.

A. Conditions precedent to first disbursement:

5.2.2 The obligations of the Fund to make the first disbursement of the loan shall be conditional upon the entry into force of the Agreement and the fulfilment by the Borrower, in form and substance satisfactory to the Fund, of the following conditions:

(a) The submission of evidence of the designation of the following staff for the Project Implementing Unit (PIU) with qualifications and terms of reference acceptable to the Fund as follows: (i) a project coordinator; (ii) a financial management expert; (iii) an accounts officer; and (iv) support staff.

B. Other Conditions:

The Borrower shall provide evidence, in form and substance satisfactory to the Fund, of the fulfilment of the following conditions:

(a) The establishment of a sub-committee within the Executing Agency's Board with composition, mandate and resources satisfactory to the Fund. The sub-committee shall comprise of representatives from: (i) the Ministry of Finance; (ii) the Ministry of Food and Agriculture; and (ii) the Cocoa Farmers' Association currently serving in the Board of the Executing Agency;

(b) The preparation and adoption of a project implementation manual for purposes of guiding Project implementation and streamlining financial management practices consisting of inter alia: (i) technical implementation processes; (ii) accounting policies and procedures; and (iii) administrative procedures; and

(c) The provision of additional internal checks and review of Project operations through the Executing Agency's internal audit department.

C. *Undertakings*

The Borrower undertakes the following under the Loan Agreement:

(a) To make available and on time all counterpart contributions for Project implementation.

5.3 *Compliance with Bank Policies*

- This Project complies with all applicable Bank policies.
- Non-standard conditions (if applicable): N/A

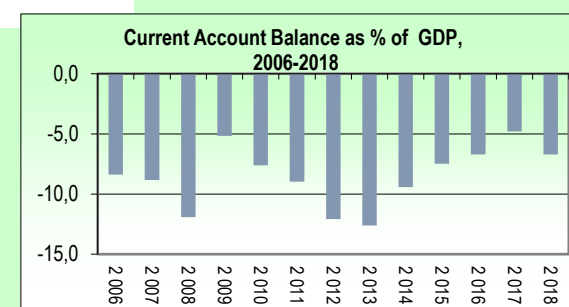
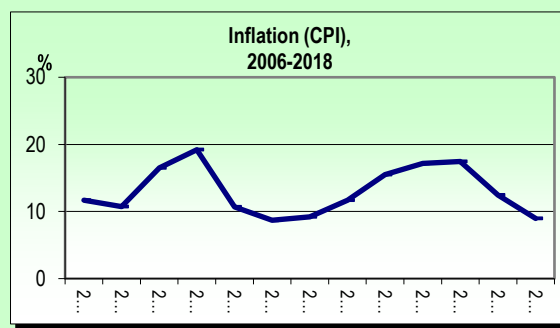
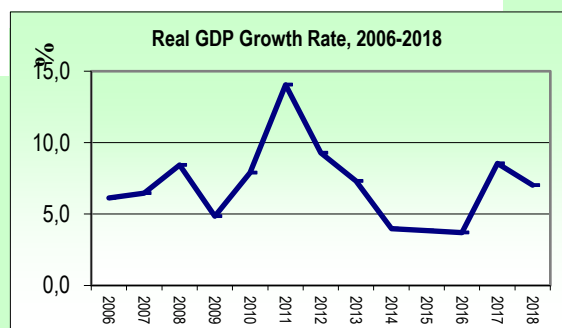
VI. RECOMMENDATION

Management recommends that the Board of Directors approve the proposed loan in the amount of UA5 million to the Republic of Ghana to finance the Cocoa Sector Institutional Support Project (COSISP) under the conditions set forth in this report.

ANNEX I: GHANA- SELECTED ECONOMIC AND FINANCIAL INDICATORS

Indicators	Unit	2000	2013	2014	2015	2016	2017 (e)	2018 (p)
National Accounts								
GNI at Current Prices	Million US \$	6 400	45 264	42 323	40 293	38 686	...	...
GNI per Capita	US\$	340	1 730	1 580	1 470	1 380	...	...
GDP at Current Prices	Million US \$	7 362	47 906	39 084	37 318	42 792	46 000	48 770
GDP at 2000 Constant prices	Million US \$	7 362	17 489	18 187	18 884	19 583	21 255	22 750
Real GDP Growth Rate	%	4,2	7,3	4,0	3,8	3,7	8,5	7,0
Real per Capita GDP Growth Rate	%	1,7	4,8	1,6	1,5	1,4	6,2	4,8
Gross Domestic Investment	% GDP	16,2	13,3	18,8	16,7	14,5	14,8	16,9
Public Investment	% GDP	6,2	2,5	3,5	3,1	2,7	2,0	2,2
Private Investment	% GDP	10,0	10,8	15,4	13,6	11,8	12,8	14,7
Gross National Savings	% GDP	10,6	1,3	9,3	9,0	7,8	9,1	10,1
Prices and Money								
Inflation (CPI)	%	25,2	11,7	15,5	17,2	17,5	12,4	9,0
Exchange Rate (Annual Average)	local currency/US\$	0,5	2,0	2,9	3,7	3,9	4,4	4,8
Monetary Growth (M2)	%	120,2	20,0	37,1	25,9	24,3	23,5	...
Money and Quasi Money as % of GDP	%	27,2	38,1	43,0	44,8	45,6	47,1	...
Government Finance								
Total Revenue and Grants	% GDP	19,8	20,8	21,8	23,4	20,1	20,0	19,9
Total Expenditure and Net Lending	% GDP	27,7	29,4	28,2	29,2	29,1	26,7	26,7
Overall Deficit (-) / Surplus (+)	% GDP	-7,9	-8,6	-6,4	-5,8	-8,9	-6,7	-6,8
External Sector								
Exports Volume Growth (Goods)	%	539,3	9,6	3,4	-8,4	5,8	31,0	-0,7

Imports Volume Growth (Goods)	%	-6,0	-1,2	-17,2	-7,7	-3,8	-1,4	5,1
Terms of Trade Growth	%	-83,3	-7,7	-7,2	-14,4	2,0	-5,4	-0,7
Current Account Balance	Million US \$	-483	-6 046	-3 677	-2 795	-2 865	-2 208	-3 272
Current Account Balance	% GDP	-6,6	-12,6	-9,4	-7,5	-6,7	-4,8	-6,7
External Reserves	months of imports	0,9	2,4	2,7	2,5	2,8	3,1	3,3
Debt and Financial Flows								
Debt Service	% exports	23,1	4,5	6,7	9,0	12,8	11,7	13,8
External Debt	% GDP	86,4	29,3	40,1	46,8	42,5	40,5	39,3
Net Total Financial Flows	Million US \$	518	3 358	2 969	3 063	2 966	...	...
Net Official Development Assistance	Million US \$	598	1 328	1 123	1 769	1 316	...	...
Net Foreign Direct Investment	Million US \$	115	3 226	3 357	3 192	3 485	...	...



Source : AfDB Statistics Department; IMF: World Economic Outlook, April 2018 and International Financial Statistics, April 2018;
AfDB Statistics Department: Development Data Portal Database, April 2018. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available

(e) Estimations

(p)
Projections

Last
Update:
May
2018

ANNEX II: TABLE OF AfDB PORTFOLIO IN THE COUNTRY

Status of Ongoing AfDB Portfolio in Ghana (UA Million) (August 2018)

Project Name	Loan/Grant Amount in UA Million	Approval Date	Disbursement Rate	Closing Date
PUBLIC SECTOR PROJECTS				
1. Accra Urban Transport Project	60.00	9/28/2016	12.6%	12/31/2020
2. Electricity Distribution System Reinforcement	48.46	02/26/2014	23%	10/30/2019
3. Renewable Mini-Grids & Solar Stand Alone Systems	0.65	06/04/2015	9.17%	06/30/2019
4. Net Metered Solar PV for SMEs & lighting	0.44	06/16/2015	27.27%	06/30/2019
5. Sogakope-Lome Water Transfer Project	1.13	12/18/2013	22.2%	12/31/2018
6. Greater Accra Sustainable Sanitation and Livelihoods Improvement Project	35.95	03/29/2017	0.54%	03/31/2022
7. Rural Enterprises Project III	49.69	12/19/2012	27%	09/30/2020
8. Engaging Local Communities in REDD++	13.20	01/22/2014	57%	12/31/2019
9. Development of Skills for Industry Project	70	06/20/2012	73%	12/31/2018
10. ISP to Oversight and Business Support	9.59	09/10/2012	92.89%	10/31/2018
11. Savannah Ecological Zone Agriculture Value Chain Development Project	27	12/15/2017	2.35%	03/31/2023
Sub-total Public Sector	316.11			
PRIVATE SECTOR PROJECTS				
12. Ghana MSME Business Linkage Programme	0.67	04/27/2014	46%	12/31/2018
13. Takoradi II Expansion Power Project	14.43	07/11/2012	37%	01/31/2020
14. Ghana Airport Company Ltd	85.71	10/14/2016	100%	10/03/2020
15. FORM Ghana	17.14	09/28/2016	89.4%	12/07/2021
16. CAL BANK	40.00	07/09/2018	0%	01/02/2023
17. Ghana Home Loan	11.00	06/06/2018	0%	12/31/2019
Sub-total Private Sector	168.95			
GRAND TOTAL	485.06			

ANNEX III - MAP OF GHANA

