



JOINT MEMORANDUM TO PARLIAMENT

BY

**KEN OFORI-ATTA
MINISTER FOR FINANCE**

AND

**HON. DR. BRYAN ACHEAMPONG
MINISTER FOR FOOD AND AGRICULTURE**

ON A

US\$200.0 MILLION CREDIT

FROM

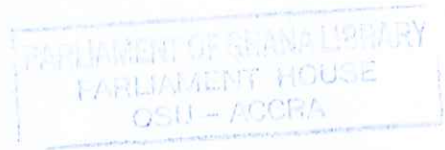
THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

OF THE WORLD BANK GROUP

FOR THE

GHANA TREE CROP DIVERSIFICATION PROJECT

8TH NOVEMBER, 2023



SECRET

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PARLIAMENT DECISION REQUESTED

1. Members of Parliament are respectfully requested to consider and approve a proposed **US\$200.0 million** (Two Hundred Million United States Dollars) Credit from the International Development Association (IDA) of the World Bank Group (WBG) as financing for the Ghana Tree Crop Diversification Project (TCDP). The objective of the project is to improve economic, climate, and social resilience in selected tree crop value chains in six administrative regions of Ghana.

BACKGROUND INFORMATION

2. The tree crops sector plays an enormous role in agriculture and the economy. Tree crops generate income for subsistence households as well as for commercial producers. While production constitutes just 24 percent of the land area cultivated, and 9 percent of the total volume of crops produced, they account for 85 percent of Ghana's total agricultural exports, 70 percent of which is cocoa.

3. Globally, Ghana is the second largest producer of cocoa, having generated 17 percent of the global supply from 2019 - 2022. In 2022, Ghana produced about 800,000 tons of cocoa, worth US\$2 billion - accounting for 9 percent of Ghana's GDP and 20–25 percent of its foreign exchange earnings. Ghana is also a more minor supplier of half a dozen other tree crops including cashews (2% of global supply in 2020), coconuts, oil palm fruit, natural rubber (each <1% but among the top-20), mangos (<1%, ranked 36th), and shea nuts (4.5%, ranked 5th). In general, these other tree crops have been less competitive and ranked lower on global export markets than they could have been. Cocoa, cashew, coconut, and rubber segments employ some 728,000, 100,000, 10,364, and 4,322 farmers respectively (Ghana Census of Agriculture, 2019).

4. However, the sector still faces critical challenges. Productivity is the biggest challenge despite rising output. Low yields, poor coordination, and management limit farmers' inputs, technical capacity, and negotiating power. Producers also are unfamiliar with climate-smart agriculture (CSA) and how climate change and biodiversity loss affect agricultural production. The government, development partners, civil society organizations, and global market participants are concerned about Ghana's widespread child labor in all agricultural subsectors, including cocoa and other tree crop production. Ghana has a comprehensive child labor law and significant progress has been made to reduce its prevalence.

5. As a result, Government has designed the TCDP to focus on:
- (i) productivity and market access improvements;
 - (ii) enhancement of private sector competitiveness in value-addition and processing, based on commodity market demand; as well as institutional strengthening and value chain governance;
 - (iii) sustainable intensification approaches and planning; market scoping to identify buyers of certified cocoa and preparation of market contracting;
 - (iv) assessment of private investment in post-harvest processes and infrastructure for value addition; and
 - (v) identification of financing mechanism.

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6. To do this, a dual strategy for tree crop development has been designed: one focused on cocoa and the other on all other strategic tree crops. The cocoa sector interventions, which is based on the Cocoa Sector Development Strategy for 2017-2027 (CSDS-II) seeks to modernize the industry to be competitive, robust, and resilient as well as improving productivity and efficiency, adopting innovation and differentiation with a focus on quality management, traceability, and certification.

7. For the other tree crops, the five-year tree crops development strategy (2022–2027) which targets six-priority tree crops: - cashew, shea, mango, coconut, rubber, and oil palm, - has been adopted. This strategy aims to regulate and develop a sustainable sector focusing on (i) research support (ii) production and value chain support including commercialization; (iii) capacity building; and (iv) licensing and regulation. Consequently, the Ghana Tree Crop Diversification project (GTCDP) is therefore designed to be implemented by the Tree Crops Development Authority (TCDA) and Ghana Cocoa Board (COCOBOD) under the supervision of the Ministry of Food and Agriculture (MOFA).

PROJECT DESCRIPTION

9. The Project Development Objective (PDO) is to improve economic, climate, and social resilience in selected tree crop value chains. Economic resilience outcomes will improve productivity and value addition whereas climate resilience outcomes are intended to increase climate adaptation and mitigation strategies resulting in reduced Green House Gas (GHG) emissions and social resilience outcomes will address child labor challenges and gender gaps in the intervention areas.

10. The project is meant to: (i) support important sector-wide activities and reforms, as well as investments on the ground in priority agro-ecological areas chosen for their ability to reach critical mass and make interventions as effective as possible; (ii) improve the national institutional framework (policy reforms and governance) of the tree crops sector and the abilities of its actors to make sure their work is sustainable on an economic, social, and environmental level; (iii) ensure better inclusiveness of all actors in sector management, including women and young people, by improving the governance of the sector, the management and efficiency of Farmer Based Organizations (FBOs), and the capacity of key institutions that oversee the sector; and (iv) support implementation arrangements that rely on existing national institutions, such as MOFA, COCOBOD, TCDA, the National Agriculture Research Institutions (NARIs), Ghana Export Promotion Authority (GEPa), and Ghana Investment Promotion Centre (GIPC), in order to scale up on-going activities in support of the development of the tree crop sector.

11. The TCDP aligns with the World Bank Group Country Partnership Framework (CPF) for the fiscal years 2022–2026 and is aimed at supporting Ghana's medium-term national development strategy and will directly contribute to the GoG's priorities for economic and social development laid out in the Coordinated Program of Economic and Social Development Policies (2017–2024) and the Ghana Beyond Aid (2019) strategy, which envision Ghana becoming a more self-reliant, inclusive, resilient, and sustainable economy.

12. The project will be carried out in eleven districts across six regions in Ghana. The selection was based on these criteria: (a) districts with high impact potential because the selected agro-ecological areas have the capacity to scale up and make the interventions as effective as possible; (b) districts with a relatively high poverty rate; (c) ease of delivery of interventions, considering both comparable

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past and ongoing investments that could be leveraged to drive scale and sustainability. Based on these criteria, districts were further prioritized by crop as follows:

- (i) Cocoa in the Western North Region (Districts of Essam and Adabokrom) and Eastern Region (District of Asamankese);
- (ii) Cashew in Bole and Sawla-Tuna-Kalba of the Savana region, Wenchi and Tain in the Bono region, and Techiman Municipal and Techiman North in the Bono East region; and
- (iii) Coconut in Upper West Akim and Suhum of the Eastern Region, and rubber in Upper West Akim.

PROJECT COMPONENTS

13. The project clusters its activities around three interrelated technical components supporting soft and hard solutions to promote the development of the tree crop sector: (i) Institutional Strengthening and Value Chain Governance; (ii) Improving Tree Crops Productivity and Climate Resilience; and (iii) Support for Post-Harvest Management, Value Addition, and Market Access. The fourth project component focuses on Project Management and Monitoring.

Component 1: Institutional Strengthening and Value Chain Governance (US\$16.8 m)

14. This component will strengthen institutional capacity of COCOBOD and TCDA and improve sector governance for competitive and sustainable development of tree crops by; (i) supporting organizational capacity development of both institutions; (ii) operationalizing policies and regulations meant to improve the enabling environment; (iii) investing in digitizing the value chains for traceability including environmental and social sustainability, and (iv) building the national capacity to monitor and prevent child labor in the tree crop sector.

15. The project will support both TCDA and COCOBOD in their digital transformation for traceability, including setting digital payment and money collection systems, tree tagging and registration, bar coding, and monitoring of output from farm to port. It is expected that the digital management systems that trace every tree crop farmer under the project (and beyond) will contribute to improving the governance of the value chains; especially, in terms of transparency.

Component 2: Improving Tree Crops Productivity and Climate Resilience-(US\$127.9m US\$27.5m of COCOBOD Counterpart Funds)

16. This component will support the productivity, profitability, and climate resilience of tree crop farms by; (i) strengthening research capacity for tree crops and ensuring collaboration with value chain actors to promote demand driven research; (ii) rehabilitating farms affected by cocoa trees disease through the use of a compensation mechanism and adoption of improved cutting, spraying, and other farming practices; (iii) supporting cashew, coconut and rubber nurseries engaged in climate-smart tree multiplication and input delivery centers; (iv) linking private sector service delivery to farmers via the coconut federation, cashew council and FBOs; and (v) strengthening delivery of climate-smart extension and other relevant services. The component promotes reforestation, restoration of degraded lands, and carbon sequestration to maximize Climate Co-Benefits (CCBs).

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17. Diversification is a central element of the project at the farm, landscape, and country level that the component will promote. On-farm diversification will be promoted as part of a climate smart strategy for all on-farm investments. Diversification of tree crops in project areas is promoted according to geographic climate suitability to promote landscape level benefits.

Component 3: Support for Post-Harvest Management, Value Addition, and Market Access- (US\$39.3m)

18. Component 3 will support private investments in secondary value addition of SMEs in cocoa, cashew, and coconut value chains and in cashew and coconut processing units by financing: (i) the promotion, mobilization, and pre-screening of investments proposals via an independent selection committee; (ii) matching grants to partially finance the cost of eligible investments; (iii) technical assistance (TA) to investors for detailed preparation of business plans to be presented to financial institutions; (iv) technical assistance to investors for the start-up phase of their investments; (v) support for export fairs in-country to link local businesses to buyers.

19. COCOBOD's Project Implementation Unit (PIU) and TCDA's Project Coordinating Unit (PCU) will be responsible for implementation of its related subcomponent with support from Ghana Investment Promotion Council (GIPC) and Ghana Export Authority (GEPA) for the mobilization of investors, and the facilitation of their investments and market access. Other entities providing support to the subcomponent will be Participating Financial Institutions (PFIs) meeting eligibility criteria for providing credit to eligible investors and Ghana Incentive-Based Risk Sharing System for Agricultural Lending (GIRSAL) for providing partial guarantees for de-risking the lending of PFIs that it considers eligible under its own specific criteria.

Component 4: Project Coordination, Management, Monitoring & Evaluation (US\$16.0m)

20. This component will support project coordination, management, and monitoring and evaluation (M&E) by the PIU at COCOBOD and PCU at TCDA. The project will support the following activities: (i) establishing and maintaining financial management and procurement systems; (ii) reporting on program activities; (iii) ensuring the full implementation of environmental and social safeguards; (iv) maintaining and ensuring the performance of the monitoring and evaluation system; and (v) developing and implementing a knowledge management and communication for development strategy.

21. This component will also be leveraged for designing and monitoring gender, child labor and other inclusion issues that will be internalized to the project. The component will finance the needed recruitments of project personnel, the coordination of implementing agencies and the operating costs of the project.

PROJECT BENEFICIARIES

22. The project's direct beneficiaries are cocoa, cashew, coconut, and rubber farmers. Improved productivity and incomes will directly benefit 52,775 farmers and their households as a result of project interventions in farm productivity. Women will account for an estimated 40% of farm beneficiaries. The project will assist five to ten input suppliers and ten nurseries. Through project matching grants, technical assistance support, and access to markets and services, an estimated 185 small and medium-sized enterprises that add value to cocoa, cashews, and coconuts will benefit directly.

23. Local communities and cooperatives would benefit indirectly from the enhanced institutional capacity of the parent organizations, with impacts ranging from TCDA's levies collection through the digital system to COCOBOD's own capacity building, operationalization of CMS, R&D, stronger child labor safeguards, and an expansion of market services.

24. The project's support to private sector agribusiness is expected to create around 20,000 jobs at an investment of US\$4,200 per job including a high proportion for women (60 percent) and directly mobilizing youth. The project has transformational potential given the numbers of jobs that will be created linking downstream and upstream value chain actors in the cocoa, cashew, coconut, and rubber value chains.

JUSTIFICATION FOR GOVERNMENT ACTION

25. The proposed project is consistent with Ghana's medium-term national development strategy. It will directly contribute to the GoG's priorities for economic and social development laid out in the Coordinated Program of Economic and Social Development Policies (2017–2024), and the Ghana Beyond Aid (2019) strategy, which envisions Ghana becoming a more self-reliant, inclusive, resilient, and sustainable economy.

26. It focuses on: (i) accelerating the implementation of the CSDS II (2017-2027) as well as the Tree Crops Development Strategy (2022-2027) which aim at supporting sustained increases in productivity, value added and producer's income in the sector.

FINANCING OPTIONS AND IMPACTS CONSIDERED

27 In seeking to fund the project, the Ministry of Finance (MoF) and the MOFA considered the options below:

Option 1: Co-funding from National Budget Allocations (NBA)

28. The first option considered was to finance the cost of this project through co-financing from national budget allocation over the five-year (2022-2027) implementation period. This option comes with advantages such as low cost of finance (since no interest payments and debt repayments are required), flexible implementation, and full ownership and control over the project. However, given the adverse effects of on-going fiscal consolidation programme on and economic growth and revenue performance, the ability of the Government to use this option is limited.

Option 2: Co-Funding from Two Multilateral Regional Banks (TMRB) (AfDB and EBID)

28. The second option considered was to explore securing financing from the two multilateral regional banks which would offer concessional credit facility. In addition to the relative favourable cost of finance, the option presents Government the opportunity to leverage regional technical knowledge and expertise, and resources in delivering the project, thereby freeing scarce national funds to finance other equally important projects that may not attract domestic or external investment. The option is also effective for risk sharing with the private partner. The major constraints to this option are: (a) significant variation in requirements to accessing funds from these two regional banks which could unduly prolong the project preparation; and (b) limited prospects for securing such significant amount over a short period, especially as these banks have already expended substantial funds to support regional countries in recovering from COVID-19.

Option 3: Financing from IDA (IDA Funding)

29. The third option was to seek IDA funding, which comes with a long maturity period, low interest rate, readily available funds and flexible disbursement and implementation arrangements. It thus offers more favourable terms, provides timely access to needed amount of funds along with considerable and unique technical expertise. IDA is instrumental in addressing issues of poverty through inclusive Agriculture especially in the West Africa region.

30. As per the above options, the two other alternatives considered for the project appeared competitive. However, based on timely access to funds, concessionality (interest rates, grace and repayment periods) and sustainability of impacts, the IDA funding emerged as the most compelling option for the project.

INTER-MINISTERIAL CONSULTATION RECORD

31. A wide range of consultations were held at different levels of Government during preparation through to the negotiation of the project. Key MDAs and MMDAs consulted included the Ministry of Agriculture; Ministry of Finance; Ministry of Gender, Children and Social Protection; The Office of the Attorney General and Ministry of Justice (OAGMoJ); Ministry of Employment and Labour Relations; Ministry of Local Government, Decentralization and Rural Development; Ministry of Trade and Industry; Office of the Head of Local Government Service; National Development Planning Commission; and the World Bank.

IMPLEMENTATION PLAN

32. The Ministry of Food and Agriculture has an oversight responsibility for the implementation of the Project. COCOBOD and TCDA are directly responsible for the implementation of the Project. The TCDA would host a Project Coordination Unit (PCU) and COCOBOD would host a Project Implementation Unit (PIU). The PCU will have overall responsibility of coordinating reports. This arrangement is to facilitate collaboration between COCOBOD and TCDA. However, during implementation, MOFA will issue a formal request to the World Bank to make both TCDA and COCOBOD Project Implementation Units (PIUs), with MOFA maintaining coordination oversight through its Programme Coordination Unit (PCU). This arrangement is to align the Project to current aid coordination and programme management arrangements within MOFA.

33. Each entity would be responsible for implementing activities related to their specific value chains and have responsibility over all aspects of implementation as well as managing separate bank accounts. A Project Steering Committee (PSC) chaired by the Hon. Minister for Food and Agriculture or his representative will be constituted. The committee will be made up of TCDA and COCOBOD CEO's or designated representatives and representatives of MOF, Ministry of Lands and Natural Resources (MLNR), MELR, MOGCSP, MLGRD.

34. The PSC will provide policy guidance for the Project and shall meet at least twice each Fiscal Year. The PCU will be responsible for organizing the meetings of the steering committee. A Technical Committee (TC) will be constituted to offer technical support to the PCU/PIU and other implementing agencies to ensure project development objectives are achieved. The TC shall meet quarterly to provide technical support and review activities on ground and make recommendations to the PSC. The technical Committee shall include technical officials from the key participating agencies.

LEGISLATION/REGULATORY PLAN

35. No new legislation or amendments to existing legislation are required for the implementation of the project. The project will be governed by the provisions of the Public Financial Management Act (921) 2016; TCDA Act, 2019 (Act1010), Ghana Cocoa Board Act, 1984 (PNDC Law 81).

FINANCIAL IMPACT

36. The proposed project is structured as an Investment Project Financing (IPF) to be implemented over six years, from 2023 to 2029. The total cost of the project is US\$227.5 million with US\$50 million from IDA Performance Based Allocation (PBA), US\$150 million from the IDA Scale-Up Window Shorter Maturity Loans (SUW SML), and US\$27.5 million in counterpart financing from COCOBOD.

IDA PBA FINANCING TERMS FOR US\$50 MILLION

- ❖ Maturity Period (including 5 years Grace Period) - 30 years
- ❖ Maximum Commitment Charge (this is waived) - 0.5%
- ❖ Service Charge - 0.75%
- ❖ Interest Charge - 1.25%

The US\$50.0 million IDA financing has a grant element of 38.59%.

IDA SCALE-UP WINDOW SHORTER MATURITY LOAN TERMS FOR US\$150 MILLION

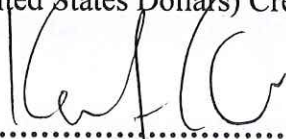
- ❖ Maturity Period (including 6 years Grace Period) - 12 years
- ❖ Maximum Commitment Charge - 0.5% (this is waived)
- ❖ Service Charge - 0%
- ❖ Interest Charge - 0%

COMMUNICATION AND OUTREACH

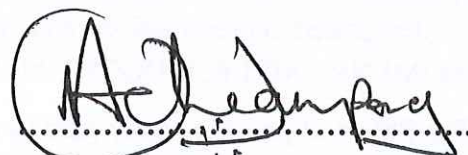
37. In line with Government’s commitment to improve access to information, an elaborate Communication Plan has been developed for the TCDP. The relevant stakeholders and interested public would be engaged through electronic and print media, sensitization workshops, community durbars, and regular stakeholder meetings among other platforms.

CONCLUSION

38. Considering the benefits expected from the implementation of the Project, especially as Government seeks to advance economic growth in the medium term, Members of Parliament are respectfully requested to consider and approve the proposed **US\$200.0 million** (Two Hundred Million United States Dollars) Credit from IDA.



KEN OFORI-ATTA
MINISTER FOR FINANCE



HON. DR. BRYAN ACHEAMPONG
MINISTER FOR FOOD AND
AGRICULTURE

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COMMUNICATION PLAN

FOR THE

US\$200.0 MILLION CREDIT

FROM

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

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FOR THE

GHANA TREE CROP DIVERSIFICATION PROJECT

BY

KEN. OFORI-ATTA

MINISTER FOR FINANCE

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AND

HON. DR. BRYAN ACHEAMPONG

MINISTER FOR FOOD AND AGRICULTURE

OCTOBER, 2023

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INTRODUCTION

1. An effective communication plan is critical to the successful implementation of the Ghana Tree Crop Diversification Project (TCDP). This document outlines how the issues pertaining to the project would be communicated to various stakeholders and the general public before, during and after implementation of the project.

PROJECT STAKEHOLDERS

2. Consultations have been held with the key Ministries, Institutions and Agencies to be impacted by the project on the Project Development Objective, scope, design and implementation arrangements. These include:

- i. Ministry of Finance;
- ii. Ministry of Food and Agriculture;
- iii. Ministry of Local Government and Rural Development;
- iv. Local Government Service;
- v. Ministry of Gender, Children and Social Protection
- vi. Ministry of Trade and Industry;
- vii. The Office of the Attorney General and Ministry of Justice (OAGMoJ);
- viii. Ministry of Employment and Labour Relations;
- ix. National Development Planning Commission;
- x. Office of the Head of Local Government Service;
- xi. Ghana Cocoa Board; and
- xii. Tree Crops Development Authority.

ORIGIN OF THE ISSUE

3. Ghana's tree crops play an enormous role in agriculture and the economy. Tree crops generate income for subsistence households as well as for commercial producers. While production constitutes just 24 percent of the land area cultivated, and 9 percent of the total volume of crops produced, they account for 85 percent of Ghana's total agricultural exports, 70 percent of which is cocoa. Globally, Ghana is the second largest producer of cocoa, having generated 17 percent of the global supply from 2019 - 2022.

4. In 2022, Ghana produced about 800,000 tons of cocoa, worth US\$2 billion - accounting for 9 percent of Ghana's GDP and 20-25 percent of its foreign exchange earnings. Ghana is also a more minor supplier of half a dozen other tree crops including cashews (2% of global supply in 2020), coconuts, oil palm fruit, natural rubber (each <1% but among the top-20), mangos (<1%, ranked 36th), and shea nuts (4.5%, ranked 5th). In general, these other tree crops have been less competitive and ranked lower on global export markets than they could have been.

5. The sector still faces challenges. Productivity is the biggest challenge despite rising output. Low yields, poor coordination and management limit farmers' inputs, technical capacity, and negotiating power. There is limited awareness and adoption of climate-smart agriculture (CSA) among producers. The government, development partners, civil society organizations, and global market participants are concerned about Ghana's widespread child labor in all agricultural subsectors, including cocoa and other tree crop production.

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6. Ghana has a comprehensive child labor law and significant progress has been made to reduce its prevalence. The credit facility of US\$200.0million by the World Bank is to augment government agricultural interventions. The credit facility will support the implementation of the Tree Crop Diversification Project. The TCDP will leverage the activities that have been implemented and most essentially taking advantage of the harmonization of trade policies across the sub-region to access open markets that comes with the harmonization.

7. The TCDP will seek to structure the Tree Crops Development Authority and aggressively promote cultivation and value chain activities of Coconut, Rubber and Cashew, similarly, COCOBOD will focus on rehabilitating diseased farms and undertake climate resilient cocoa production. Government's dual strategy of promoting the development of the tree crop sector is by focuses on cocoa and all other strategic tree crops.

AUDIENCE

8. In communicating the issues of this project, the under-listed will be the target audience:
- i. The General Public;
 - ii. Civil Society Organizations;
 - iii. Development Partners;
 - iv. Value Chain Associations;
 - v. Key Ministries, Departments and Agencies; and
 - vi. Project-affected Communities.

COMMUNICATION OBJECTIVES

9. The proposed communication objective is to inform the general public on national efforts towards increasing on-farm productivity, building climate resilience, enhancing value addition, strengthening institutional capacity and value chain governance through digitization and traceability. It is also aimed at keeping stakeholders abreast with the progress of interventions undertaken by the project towards increasing production of cocoa, coconut, cashew and rubber as well as addressing issues of child labour in the tree crops sector.

ANNOUNCEMENTS

10. The project will be announced through the following channels: official websites of the implementing agencies, newspaper publications, workshops, community durbars, distribution of printed documents in relevant institutions, annual/mid-year project stakeholder meetings, and radio adverts. Each implementing agency will be responsible for announcing their respective components.

11. In order to secure Parliamentary Approval, the project would be laid before Parliament and published in the Parliamentary Hansard and on their website. Further, the channels afforded by the presentation of the Budget Statement and Mid-Year Budget Review will be explored to update the general public.

BUDGET

12. The communication cost of the project will be financed under funds allocated to Component 5 (Project Management and Implementation Support) of the project.

ANALYSIS DOCUMENT

BY

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COUNTRY CONTEXT

1. The Republic of Ghana is a lower-middle income country in which a period of sustained poverty reduction is imperiled by a recent series of macroeconomic shocks. Ghana doubled its per capita Gross Domestic Product (GDP) between 2000 and 2021 from US\$1,020 to \$2,014, reducing the proportion of its population living on less than US\$2.15 a day from over a half to under a quarter.
2. Economic opportunity grew even faster despite rapid population growth, with cash crop, oil, and gold prices exceeding the country's 3.3 percent average annual population growth rate enough to persistently raise per capita income.
3. A major setback to economic progress in Ghana deepened following COVID-19 and the Russia-Ukraine war. GDP growth fell to 0.5 percent in 2020 after averaging 7 percent between 2017 and 2019. Although growth picked up to 5.4 percent in 2021, the deteriorating macroeconomic environment coupled with the severity of the crisis led to a slowdown in growth to 3.5 percent in 2022 and it is projected to further decline to 1.6 percent in 2023. In 2024 it is expected to improve to 2.9 percent.
4. Inflation reached its highest level in 21 years at 54.1 percent year on year as of December 2022 and have subsequently declined to 40.1 percent in August 2023 reflecting tightened monetary policy, exchange rate stability and zero central bank financing of Government. Government is determined to restore macroeconomic stability and set the economy on a strong growth path.
5. In view of this, Government has an ambitious plan to diversify and grow the economy by modernizing agriculture and accelerating industrialization, as well as prioritizing climate resilience and mitigation measures. These are among the objectives of the National Medium-Term Development Policy Framework for 2022 – 2025 and the GoG's "Ghana Beyond Aid" reform agenda for 2019 – 2028.

AGRICULTURE SECTOR

6. While industry and services sectors now dominate the national economy, agriculture sector still remains a pivotal pillar of Ghana's economic progress. The sector accounts for 20 percent of Ghana's GDP and employs over a quarter of its workforce. Sixty-eight percent of jobs in the informal sector are related to agriculture and more than 70 percent of the female labor force is engaged in the sector.
7. The sector growth averaged 6 percent per year from 2017–2021. This reached new heights of 7.3 percent in 2020 and 8.4 percent in 2021 during the COVID-19 crisis as the rest of the economy was contracting. The pivotal role of agricultural growth in economic resilience has emerged as a key lesson from the COVID-19 experience in Ghana.
8. Government therefore in its quest to boost economic growth through the Agricultural sector embarked on a number of project interventions including but not limited to:

- i. The West Africa Agricultural Productivity Programme 1&2 (WAAPP) which sought to aggressively promote research technologies in the cultivation and dissemination of crop and tuber plants across the African sub-region;
 - ii. The Ghana Commercial Agricultural Project (GCAP) which sought to improve agricultural productivity and production of both smallholder and nucleus farms in selected project intervention areas by primarily strengthening investment promotion infrastructure, facilitating secure access to land; Securing PPPs and smallholder linkages in the Accra Plains and SADA Zones; rehabilitation and modernization of four major irrigation schemes and six smaller scale schemes; as well as reforms and strengthening of the Ghana Irrigation Development Authority (GIDA) and the Irrigation Company of Upper Region (ICOUR).
 - iii. Grant scheme by the Japanese Development assistance under the auspices of the World Bank supported Government to implement the Ghana Peri-Urban Value-Chain Vegetable Production Project (GPVVP). The objective was to improve on the productivity and access to market by the beneficiary vegetable farmers in selected peri-urban communities in Ghana. The project promoted water harvesting and small-scale irrigation schemes to facilitate an all-year round vegetable production and consumption; however, the gains under this project was eroded as a result of the insurgence of the COVID-19 which collapsed business of off-takers from small-holder farmers. The institutional structures however, are operational and could be tapped into.
 - iv. Currently being rolled out is the West Africa Agricultural Food System Resilience Programme(FSRP) which is building on the success of WAAPP and GPVVP. The project seeks to increase the sub region and Ghana's preparedness against food insecurity and improve the resilience of food systems.
9. Thus the implementation of the Tree Crop Diversification Project (TCDP) is timeous as it will support, strengthen and deepen Governments' intervention in the agricultural sector. The TCDP will leverage on activities that have been implemented and most essentially taking advantage of the harmonization of trade policies across the sub-region to access open markets that comes with the harmonization.
10. The TCDP will seek to strengthen the Tree Crops Development Authority and aggressively promote cultivation and value chain activities of Coconut, Rubber and Cashew. Seemingly, COCOBOD will focus on rehabilitating diseased farms and undertake climate resilient cocoa production. Government's dual strategy of promoting the development of the tree crop sector is by focusing on cocoa and all other strategic tree crops.

TREE CROPS SECTOR

11. Ghana's tree crops play an enormous role in agriculture and the economy. Tree crops generate income for subsistence households as well as for commercial producers. While production constitutes just 24 percent of the land area cultivated, and 9 percent of the total volume of crops produced, they account for 85 percent of Ghana's total agricultural exports, 70 percent of which is cocoa. Globally, Ghana is the second largest producer of cocoa, having generated 17 percent of the global supply from 2019 - 2022.

12. In 2022, Ghana produced about 800,000 tons of cocoa, worth US\$2 billion - accounting for 9 percent of Ghana's GDP and 20–25 percent of its foreign exchange earnings. Ghana is also a minor supplier of half a dozen other tree crops including cashews (2% of global supply in 2020), coconuts, oil palm fruit, natural rubber (each <1% but among the top-20), mangos (<1%, ranked 36th), and shea nuts (4.5%, ranked 5th). In general, these other tree crops have been less competitive and ranked lower on global export markets than they could have been.

13. The tree crop sector can contribute substantially to Ghana's economy and society than it currently does, in terms of job creation, poverty reduction, and upholding the socio-economic fabric of some of the country's poorest people. Cocoa, cashew, coconut, and rubber segments employ some 728,000, 100,000, 10,364, and 4,322 farmers respectively (Ghana Census of Agriculture, 2019).

SECTOR CHALLENGES AND DUAL STRATEGY FOR TREE CROPS

14. The sector still faces challenges. Productivity is the biggest challenge despite rising output. Low yields, poor coordination and management limit farmers' inputs, technical capacity, and negotiating power. There is limited awareness and adoption of climate-smart agriculture (CSA) among producers.

15. The government, development partners, civil society organizations, and global market participants are concerned about Ghana's widespread child labor in all agricultural subsectors, including cocoa and other tree crop production. Ghana has a comprehensive child labor law and significant progress has been made to reduce its prevalence.

16. Government therefore promoted a dual strategy for tree crop development: one focusing on Cocoa and the other on all other Strategic Tree Crops.

17. In this regard, COCOBOD adopted its second Cocoa Sector Development Strategy for 2017-2027 (CSDS-II) to address weakness of the institution's first strategy (CSDS I). The CSDS I focused predominantly on interventions to increase productivity but did not adopt adequate strategies for dealing with Cocoa Swollen Shoot Virus Disease (CSSVD) and overlooked the inclusion of management information systems for efficient operation.

18. CSDS II addresses these weaknesses by seeking to modernize the industry to be competitive, robust, and resilient. Interventions of CSDS II are geared towards improving productivity and efficiency, adopting innovation and differentiation with a focus on quality management, traceability, and certification.

19. Government in line with the development of strategic tree crops, established the Tree Crops Development Authority (TCDA) in 2019. In 2022, the TCDA launched a five-year tree crops development strategy (2022–2027) targeting the six-priority tree crops: cashew, shea, mango, coconut, rubber, and oil palm.

20. This strategy aims to regulate and develop in a sustainable environment for the production, processing, and trading of six tree crops, and is articulated around four main strategic/operational areas (i) research support (ii) production and value chain support including commercialization; (iii) capacity building; and (iv) licensing and regulation.

TCDA is also proposing the enactment of Tree Crops Regulations which seeks to (i) set farm gate prices; (ii) impose higher levies on foreign tree crop buyers; (iii) allow processors to access pre-season tree crop purchases; and (iv) repurpose some existing levies as subsidies for processors.

PROJECT DESCRIPTION

21. The TCDP is aimed at supporting Ghana's medium-term national development strategy. The project will directly contribute to the GoG's priorities for economic and social development laid out in the Coordinated Program of Economic and Social Development Policies (2017–2024) and the Ghana Beyond Aid (2019) strategy, which envision Ghana becoming a more self-reliant, inclusive, resilient, and sustainable economy.

22. The project is meant to support important sector-wide activities and reforms, as well as investments on the ground in priority agro-ecological areas chosen for their ability to reach critical mass and make interventions as effective as possible. It will further improve the national institutional framework (policy reforms and governance) of the tree crops sector and the abilities of its actors to make sure their work is sustainable on an economic, social, and environmental level.

23. Additionally, it will improve its governance structure, management and efficiency of FBOs, and the capacity of key institutions by facilitating inclusiveness (women & young people) of the key actors in management of the sector.

24. The project will support implementation arrangements that rely on existing national institutions, such as MOFA, COCOBOD, TCDA, the National Agriculture Research Institutions (NARIs), Ghana Export Promotion Authority (GEPa), and Ghana Investment Promotion Centre (GIPC), to scale up on-going activities in the development of the tree crop sector.

PROJECT GEOGRAPHICAL FOCUS

25. The project will be carried out in eleven districts across six regions in Ghana. The selection was based on these criteria: (a) districts with high impact potential because the selected agro-ecological areas have the capacity to scale up and make the interventions as effective as possible; (b) districts with a relatively high poverty rate; (c) ease of delivery of interventions, considering both comparable past and ongoing investments that could be leveraged to drive scale and sustainability. Based on these criteria, districts were further prioritized by crop as follows:

- (i) Cocoa in the Western North Region (Essam and Adabokrom Districts) and Eastern Region (Asamankese District);
- (ii) Cashew in Bole and Sawla-Tuna-Kalba Districts of the Savana region, Wenchi Municipal and Tain District in the Bono region, and Techiman Municipal and Techiman North in the Bono East Region; and
- (iii) Coconut in Upper West Akim and Suhum Municipal of the Eastern Region, and rubber in Upper West Akim.

PROJECT DEMOGRAPHIC FOCUS

26. The project further focuses on closing gender gaps in the tree crops sector by:
- (i) increasing women's ability to obtain productive resources and increase incomes through tailored access to inputs, advice, and financial services;
 - (ii) supporting women to open bank accounts and mobile money accounts to receive direct compensation and farm maintenance payments;
 - (iii) building their entrepreneurial capacities to develop activities in tree crops production, processing, and value addition (via MSMEs) – with preference given to women in this segment; and
 - (iv) promoting their participation and leadership in Farmer Based Organization (FBOs) and decision-making in sector management.
27. In tackling gender gaps in the sector, the project pre-empts a strong long-term impact on women's incomes and associated household welfare. Local communities, civil society, women's groups, and other stakeholders will be channels in reaching out to the women.

PROJECT DEVELOPMENT OBJECTIVES

28. The Project Development Objective (PDO) is to improve economic, climate, and social resilience in selected tree crop value chains. Economic resilience outcomes will improve productivity and value addition whereas climate resilience outcomes are intended to increase climate adaptation and mitigation strategies resulting in reduced GHG emissions. Social resilience outcomes will address child labour challenges and gender gaps in the intervention areas.
29. The PDO level indicators are:
- (i) Increase in yields for targeted tree crops, (percent, disaggregated by tree crop)
 - (ii) Increase in value-added (sanitary and phytosanitary standards (SPS), quality assured) commodity sold; (percent, disaggregated by tree crop)
 - (iii) Reduction in net greenhouse gas emissions (tCO₂eq per year, Corporate Results Indicator)
 - (iv) Reduction in Child Labour in tree crop growing households (percent, disaggregated by type)

PROJECT COMPONENTS

30. The project clusters its activities around the following three interrelated technical components supporting soft and hard solutions to promoting the tree crops sector development: (i) Institutional Strengthening and Value Chain Governance; (ii) Improving Tree Crops Productivity and Climate Resilience; and (iii) Support for Post-Harvest Management, Value Addition, and Market Access. The fourth project component focuses on Project Management and Monitoring (as illustrated in Table 1).

Component 1: Institutional Strengthening and Value Chain Governance (US\$16.8 M)

31. This component will strengthen institutional capacity of COCOBOD and TCDA and improve sector governance for competitive and sustainable development of tree crops by; (i) supporting organizational capacity development of both institutions; (ii) operationalizing policies and regulations meant to improve the enabling environment; (iii) investing in digitizing the value chains for traceability including environmental and social sustainability, and (iv) building the national capacity to monitor and prevent child labor in the tree crop sector.

32. The project will support both TCDA and COCOBOD in their digital transformation for traceability, including setting digital payment and money collection systems, tree tagging and registration, bar coding, and monitoring of output from farm to port. It is expected that the digital management systems that trace every tree crop farmer under the project (and beyond) will contribute to improving the governance of the value chains; especially, in terms of transparency.

Component 2: Improving Tree Crops Productivity and Climate Resilience (US\$127.9m & US\$27.5m of COCOBOD Counterpart Funds)

33. This component will support the productivity, profitability, and climate resilience of tree crop farms by: (i) strengthening research capacity for tree crops and ensuring collaboration with value chain actors to promote demand driven research; (ii) rehabilitating farms affected by cocoa trees disease through the use of a compensation mechanism and adoption of improved cutting, spraying, and other farming practices; (iii) supporting cashew, coconut and rubber nurseries engaged in climate-smart tree multiplication and input delivery centers; (iv) linking private sector service delivery to farmers via the coconut federation, cashew council and FBOs; and (v) strengthening delivery of climate-smart extension and other relevant services. The component promotes reforestation, restoration of degraded lands, and carbon sequestration to maximize Climate Co-Benefits (CCBs).

34. Diversification is a central element of the project at the farm, landscape, and country level that the component will promote. On- farm diversification will be promoted as part of a climate smart strategy for all on-farm investments. Diversification of tree crops in project areas is promoted according to geographic climate suitability to promote landscape level benefits.

Component 3: Support for Post-Harvest Management, Value Addition, and Market Access (US\$ 39.3m)

35. Component 3 will support private investments in secondary value addition of SMEs in cocoa, cashew, and coconut value chains and in cashew and coconut processing units by financing: (i) the promotion, mobilization, and pre-screening of investment proposals via an independent selection committee; (ii) matching grants to partially finance the cost of eligible investments; (iii) technical assistance (TA) to investors for detailed preparation of business plans to be presented to financial institutions; (iv) technical assistance to investors for the start-up phase of their investments; (v) support for export fairs in-country to link local businesses to buyers.

36. COCOBOD's Project Implementation Unit (PIU) and TCDA's Project Coordinating Unit (PCU) will be responsible for implementation of its related subcomponent with support from

Ghana Investment Promotion Council (GIPC) and Ghana Export Promotion Authority (GEPA) for the mobilization of investors, and the facilitation of their investments and market access. Other entities providing support to the subcomponent will be Participating Financial Institutions (PFIs) meeting eligibility criteria for providing credit to eligible investors and Ghana Incentive-Based Risk Sharing System for Agricultural Lending (GIRSAL) for providing partial guarantees for de-risking the lending of PFIs that it considers eligible under its own specific criteria.

Component 4: Project Coordination, Management, Monitoring & Evaluation (US\$ 16.0M)

37. This component will support project coordination, management, and monitoring and evaluation (M&E) by the PIU at COCOBOD and PCU at TCDA. The project will support the following activities: (i) establishing and maintaining financial management and procurement systems; (ii) reporting on program activities; (iii) ensuring the full implementation of environmental and social safeguards; (iv) maintaining and ensuring the performance of the monitoring and evaluation system; and (v) developing and implementing a knowledge management and communication for development strategy.

38. This component will also be leveraged for designing and monitoring gender, child labor and other inclusion issues that will be internalized to the project. The component will finance the needed recruitments of project personnel, the coordination of implementing agencies and the operating costs of the project.

PROJECT BENEFICIARIES

39. The project's direct beneficiaries are cocoa, cashew, coconut, and rubber farmers. Improved productivity and incomes will directly benefit 52,775 farmers and their households as a result of project interventions in farm productivity.

40. Women will account for an estimated 40% of farm beneficiaries. Beneficiaries will be located in 11 districts across six regions: Western North, Eastern, Savana, Bono, Bono East, and Eastern. Other direct beneficiaries include nurseries and suppliers of inputs. The project will assist five to ten input suppliers and ten nurseries. Through project matching grants, technical assistance support, and access to markets and services, an estimated 185 small and medium-sized enterprises that add value to cocoa, cashews, and coconuts will benefit directly.

41. Local communities and cooperatives would benefit indirectly from the enhanced institutional capacity of the parent organizations, with impacts ranging from TCDA's levy collection through the digital system to COCOBOD's own capacity building, operationalization of CMS, R&D, stronger child labor safeguards, and an expansion of market services.

42. The project's support to private sector agribusiness is expected to create around 20,000 jobs at an investment of US\$4,200 per job including a high proportion for women (60 percent) and directly mobilizing youth. The project has transformational potential given the numbers of jobs that will be created linking downstream and upstream value chain actors in the cocoa, cashew, coconut, and rubber value chains.

POLICY RELEVANCE OF THE PROJECT

43. The project's objectives are fully consistent with the strategic pillars of the Coordinated Programme of Economic and Social Development Policies, Medium-Term National Development Policy Framework (2022-2025) of Government, and the Sector Medium-Term Development Plan (2022-2025). By investing in youth, women and SMEs in ensuring social inclusion and cohesion nationwide, the project supports the Ghana Beyond Aid Agenda of ensuring a Wealthy, Inclusive, Sustainable, Empowered and Resilient (WISER) Ghana.

44. The Project's objectives seek to build on Government's commitment and efforts to achieve the targets under the Sustainable Development Goals (SDGs). The project will be implemented in accordance with national environmental regulations.

FUNDING OPTIONS AND IMPACTS

45. The following three options were considered by the Government and partners:

Option 1: Co-funding from National Budget Allocations

46. The first option considered was to finance the cost of this project through co-financing from national budget allocation over the five-year (2022-2027) implementation period. This option comes with advantages such as low cost of finance (since no interest payments and debt repayments are required), flexible implementation, and full ownership and control over the project. However, given the adverse effects of the outbreak of COVID-19 pandemic on revenue performance and economic growth, the ability of the Government to sustain this option is limited.

Option 2: Co-Funding from Two Multilateral Regional Banks (AfDB & EBID)

47. The second option considered was to explore securing financing from the two multilateral regional banks which would offer concessional credit facility. In addition to the relative favourable cost of financing, the option presents Government the opportunity to leverage regional technical knowledge and expertise, and resources in delivering the project, thereby freeing scarce national funds to finance other equally important projects that may not attract domestic or external investment. The option is also effective for risk sharing with the private partner. The major constraints to this option are: (a) significant variation in requirements to accessing funds from these two regional banks which could unduly prolong the project preparation; and (b) limited prospects for securing such significant amount over a short period, especially as these banks have already expended substantial funds to support regional countries in recovering from COVID-19.

Option 3: Financing from IDA (IDA Funding)

48. The third option was to seek IDA funding, which comes with a long maturity period, low interest rate, readily available funds and flexible disbursement and implementation arrangements. It thus offers more favourable terms, provides timely access to needed amount of funds along with considerable and unique technical expertise. IDA is instrumental in addressing issues of poverty through inclusive Agriculture especially in the West Africa region.

Recommended Course of Action

49. As per the above options, the two other alternatives considered for the project appeared competitive. However, based on timely access to funds, concessionality (interest rates, grace and

repayment periods) and sustainability of impacts, the IDA funding emerged as the most compelling option for the project.

IMPACTS OF THE PROPOSED PROJECT

50. The implementation of TCDP is particularly important for Ghana's quest to enhance export of diversified agricultural produce, thereby increasing the sector's contribution to foreign exchange earnings. The project is expected to increase productivity and enhance value addition for the selected tree crops. This is expected to increase farmer incomes and reduce household vulnerability to economic and climate-related shocks, as indicated below:

Socio-economic Impact:

51. The tree crop sector can contribute substantially more to Ghana's economy and society than it currently does, in terms of job creation, poverty reduction, and upholding the socio-economic fabric of some of the country's poorest people. Cocoa, cashew, coconut, and rubber segments employ some 728,000, 100,000, 10,364, and 4,322 farmers respectively (Ghana Census of Agriculture, 2019).

52. The project will adopt a demand-driven approach to improve access to inputs, services and economic opportunities, as well as improve social inclusion and relationships between beneficiary communities and local governments. The Project will also address the inherent risk of child labour in tree crops through an integrated, area-based child labor prevention, identification, and remediation system. It will also contribute to growth in incomes at the farm level and along the value chain as a result of improved production and productivity of the selected value chains. Digitization and establishment of traceable value chains will provide additional incomes by enabling certification of produce.

Local Economic Development:

53. The project will build on the efforts of Government in boosting local economic development in target areas through the rehabilitation of public research institutions, establishment of private seed multiplication centers, provision of matching grants for value addition activities of farmer-based organizations and private enterprises. The project is also expected to employ local resources in the target districts for rehabilitation and maintenance of 25,000 hectares of cocoa farms.

Environmental Impact:

54. The project will impact positively on the environment through restoration of degraded lands and agroforestry-based rehabilitation or replanting of devastated cocoa farms. Enormous Climate Co-Benefits (CCBs) will be derived from (i) sustainably enhancing productivity; (ii) supporting the resilience of farmers' livelihoods in the face of climate change and weather variability; (iii) reducing GHG emissions per unit of cocoa and cashew produced and increasing carbon sequestration in agroforestry areas; and (iv) restoring degraded lands through replanting, especially coconut. The potential for carbon crediting and other mechanisms through which farmers and supporting institutions investing in climate adaptation and mitigation may derive additional income will be explored.

55. Rehabilitation and replanting in the project (40 percent of the project investment) will contribute extensively to reforestation and carbon sequestration over the life span of the tree crops. The planting of accompanying shade trees and use of CSA will add to the Climate Co-Benefits.

PROJECT COST AND DURATION

56. The proposed project is structured as an Investment Project Financing (IPF) to be implemented over six years, from 2023 to 2029. The total cost of the project is US\$227.5 million with US\$50 million from IDA Performance Based Allocation (PBA), US\$150 million from the IDA Scale-Up Window Shorter Maturity Loans (SUW –SML), and US\$27.5 million in counterpart financing from COCOBOD.

FINANCIAL IMPLICATION

57. The financing of US\$200.0 million would be provided as Credit as;

IDA BLEND FINANCING TERMS FOR US\$50 MILLION

- Maturity Period (including 5 years Grace Period) - 30 years
- Maximum Commitment Charge - 0.5% (this is waived)
- Service Charge - 0.75%
- Interest Charge - 1.25%

The US\$50.0 million IDA financing has a grant element of 38.59%.

IDA SCALE-UP WINDOW SHORTER MATURITY LOAN TERMS US\$150 MILLION

- Maturity Period (including 6 years Grace Period) - 12 years
- Maximum Commitment Charge - 0.5% (this is waived)
- Service Charge - 0%
- Interest Charge - 0%

IMPLEMENTATION PLAN

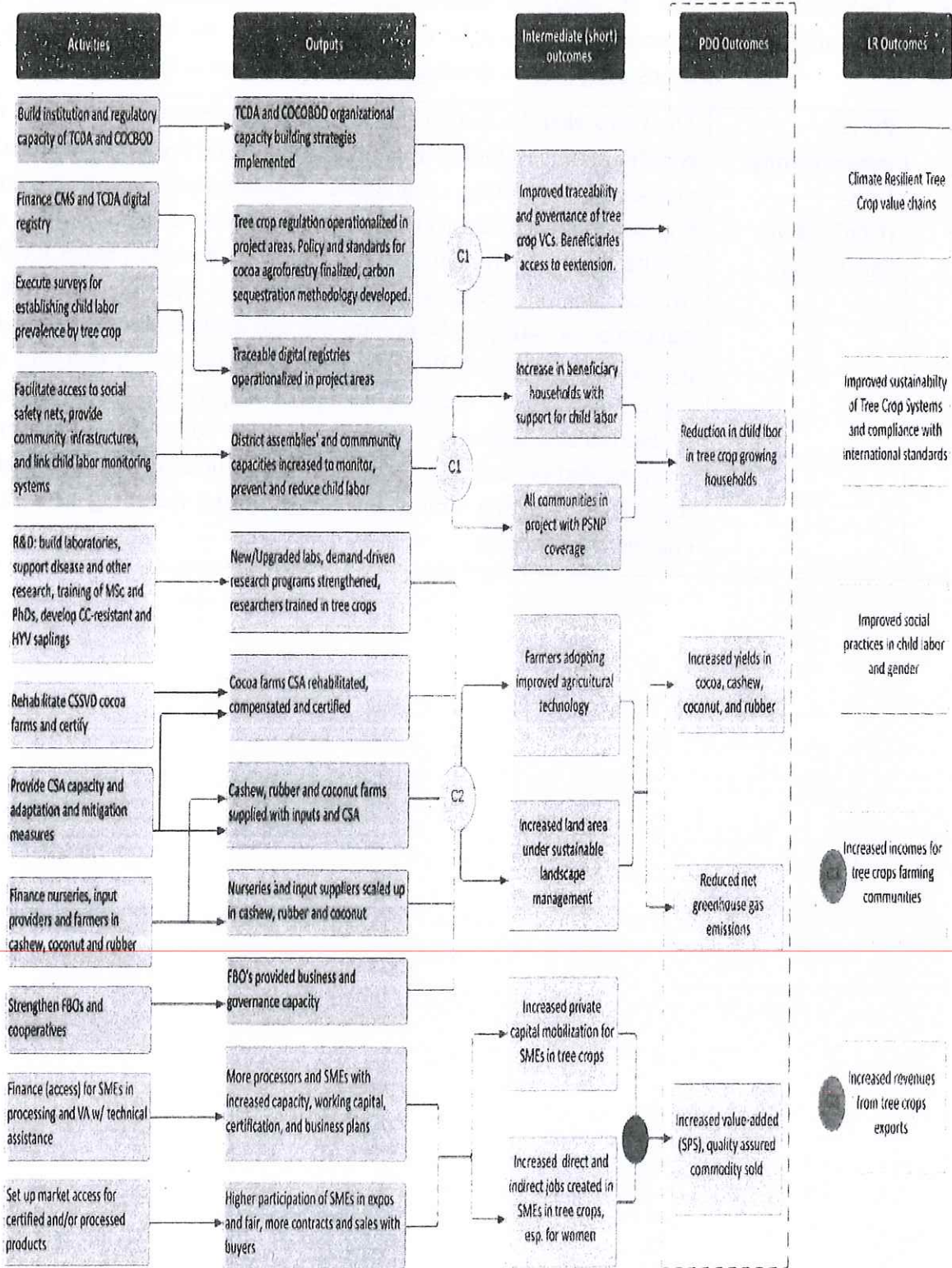
58. The project will be implemented by TCDA and COCOBOD through MoFA in close collaboration with MoF and World Bank and other relevant key stakeholders. Detailed below is the Implementation Plan for the project interventions:

Table 1: Implementation Arrangements

	INSTITUTION	ROLES AND RESPONSIBILITIES
1	Project Steering Committee (PSC)	PSC shall provide policy guidance for the Project and shall meet at least twice each Fiscal Year to undertake, among other tasks, the review and approval of the draft Annual Work Plans and Budgets, approve annual report and review status of Project implementation. The PSC will be Chaired by the Minister for MoFA or his designated representative.

	INSTITUTION	ROLES AND RESPONSIBILITIES
2	Ministry of Food and Agriculture (MoFA)	MOFA is the supervisory Ministry and shall provide oversight on implementation
3.	Technical Committee (TC)	The TC shall be chaired by the Chief Director of MoFA and its responsibility is to offer technical support to the implementing agencies in ensuring project development objectives are achieved.
4.	Project Implementing Units (COCOBOD and TCDA)	The Units shall be responsible for ensuring prompt and efficient overall coordination, day-to-day implementation of the Project at the local level, monitoring, reporting, evaluation, communication, and guidance of implementation of Project activities, including and not limited to : (i) facilitating the coordination of the respective activities under the Project; (ii) coordinating technical, fiduciary aspects, environmental and social standards and safeguards, monitoring and evaluation of the Project; (iii) preparing the Annual Work Plans and Budgets; (iv) carrying out the appraisal, review, technical support, supervision, monitoring and evaluation and approval of applications for Matching Grants and Sub-Projects, and (v) carrying out the administration and management of the respective Matching Grants and Sub-Projects, including verification of eligible beneficiaries.

Table 1: Key Components, Sub-Components, Expected Outcomes/Outputs





REPUBLIC OF GHANA

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Ref. No.

ORS 182/23/1079



31st October, 2023

Honorable Member!

**RE: THE GHANA TREE CROP DIVERSIFICATION PROJECT - REQUEST
FOR EXECUTIVE APPROVAL FOR THE PROPOSED US\$200.0 MILLION
CREDIT FACILITY BETWEEN THE REPUBLIC OF GHANA
AND IDA OF THE WORLD BANK GROUP**

I refer to your letter dated 27th October, 2023, with reference number ERMERD/WBGU/GTCDP/VO.I in respect of the above subject matter.

The President has granted approval for the US\$200.0 million facility between the Republic of Ghana and the International Development Association of the World Bank Group as financing for the Ghana Tree Crop Diversification Project.

I shall be grateful if you could take requisite action on the above.

**NANA BEDIATUO ASANTE
SECRETARY TO THE PRESIDENT**

**THE HON. MINISTER
MINISTRY OF FINANCE
ACCRA**

ATTN: HON. KEN OFORI-ATTA

PARLIAMENT OF GHANA LIBRARIAN
PARLIAMENT HOUSE
OSU - ACCRA

Cc. The Vice President
Jubilee House, Accra

The Chief of Staff,
Jubilee House, Accra

Secretary to the Cabinet
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