

# Evaluation Summary

## *Ex-post evaluation of AFD's interventions in the perennial crops sector in Ghana: rubber outgrower plantations projects phases IV and V (ROPP IV, ROPP V)*

Country: **GHANA**

Sector: **Agriculture**

Evaluator: Le Groupe-conseil Baastel and BRL Ingénierie

Date of the evaluation: **February – November 2022**

### Key data on AFD's support

**Project numbers:** CGH1094 / CGH1124

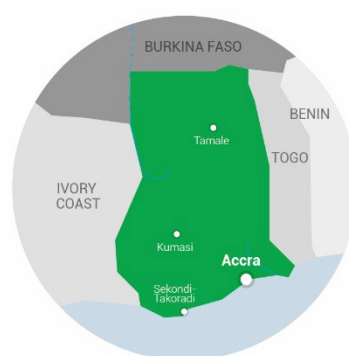
**Amount:** loans CGH1094 14.000.000 €;  
CGH1124 17.700.000 €

**Disbursement rate:** 100% (global)

**Signature of financing agreement:** CGH1094 3/08/2010;  
CGH1124 11/12/2014

**Completion date:** CGH1094 31/12/2016;  
CGH1124 15/07/2020

**Total duration:** 10 years



### Context

The Rubber Outgrower Plantation Projects (ROPP) have been implemented to promote and develop rubber outgrower plantations in the Western, Central and Ashanti Region of Ghana since 1995. Between 1995 and 2010, under phases I, II and III, 11.055 ha of rubber plantations were established by 2.650 outgrowers using a triangular approach to finance the rubber plantation and installation process. Phases I, II and III were already funded by the AFD. ROPP IV was launched in 2008 when the implementation of phase III was in its second year. Then Phase V was approved in 2011. As a difference from previous phases, Phase IV and V were not executed under the coordination and supervision of the Ministry of Food and Agriculture, but rather by a coordination unit hosted by GREL, the technical operator and offtaker. Both phases IV and V were funded by two non-sovereign loans from AFD to the Agricultural Development Bank.

### Actors and operating method

- Ghana Rubber Estates Ltd (GREL), an agro-industrial company that carries out primary processing of raw natural rubber and exports its products, which hosted the coordination office of the Project
- The Rubber Outgrowers and Agents Association (ROAA), created in 1995 during Phase I of the ROPP
- Agricultural Development Bank (ADB) State owned development bank in Ghana.

The tripartite lending agreement (TLA) has been the key element of ROPP projects since 2005. It is a classic scheme of association of an agro-industrial technical operator (GREL), a financial operator (ADB) and a multitude of small primary producers represented by the ROAA.

### Objectives

The overall objectives of ROPP IV and V are :

1. To help achieve a lasting reduction of rural poverty.
2. To contribute to increasing export revenue.
3. To contribute to mitigate climatic changes through the carbon sequestration capacity of rubber plantations.

#### Specific objectives

ROPP IV : to plant 10.500 ha of rubber by 2.750 new outgrowers.

ROPP V : To plant 7.000 ha of rubber trees by 2.333 new outgrowers.

To plant 930 ha of food crops (0,4 ha/planter).

The consolidation of the institutional and organisational framework of the sector.

### Expected outputs

The two main expected results are: (ROPP IV and V)

- To provide support to the 17.500 ha of new rubber plantations for 4.833 new smallholders.
- Improve food crop production through 20 demonstration plots and 930 ha of food crops planted.

## Performance assessment

### Relevance

With regard to agricultural sector policy in Ghana, loans provided in support to the development of tree crops were in line with the FASDEP II policy (2007) and the Medium Term Agriculture Sector Investment Plan (METASIP (2011-2015) targeting the development of cash crops, the diversification of incomes and enhanced productivity. ROPP IV and V were also aligned with AFD's intervention strategy

### Coherence

The ROPP is part of Government of Ghana's strategy to develop perennial crop chains including rubber with the Tree Crop Development Authority (TCDA). It responds to a demand from stakeholders in the rubber chain and is coherent with Ghana's development plans.

### Effectiveness

From the stakeholders' point of view, most of the objectives of ROPP IV and V have been achieved. None would dispute the success of the project as the planned hectares have been planted and many farmers stated during the interviews that they have significantly improved their quality of life. Farmers testify that they now receive a regular income from rubber sales from their rubber plots and can afford better housing, education for their children up to university level and good health care for their families. However, there is no quantitative data to support these testimonies.

### Efficiency

The evaluation analysed the advantages and disadvantages of the tripartite agreement model, applied to the rubber sector in Ghana. One of the observations is the unequal risk-taking by the stakeholders and in particular by the financial operator. The loan repayment mechanism through GREL has proven to be inefficient as it can be easily dodged selling through agents or through another farmer's identity. Side-selling increased significantly since 2016 with the presence of an increasing numbers of cup lumps buyers in the region. The price paid by those intermediaries is often higher than GREL's considering all costs. The repayment of ROPP IV loans is greatly affected by the decline in latex deliveries to GREL. Because of this, ADB has a large outstanding portfolio on phase IV. Phase V didn't reach maturity at the time of the review. On the other hand, the interest's capitalization during the so-called grace period, meant to avoid expenses during the immature period, happened to increase the loan capital significantly with a big threat on producers' capacities to repay.

### Impact

The tripartite model manages to organize value chain financing, allowing many small-scale producers to develop themselves while also providing GREL with a secure and growing offer of rubber which it can process and commercialize further. The model is undoubtedly a success when looking at the number of trees planted. The goal was met with 18.215 ha of new rubber plantations achieved. The ROPP was also a success in terms of number of new growers with the target of 5.133 new growers met with 36% of women growers and 682 ha of food crops.

### Sustainability

In the past 20 years (2001-2020), Ghana lost 1.3 million hectares or 19% of its forest cover. Clearance of forest for agriculture is the leading cause of deforestation. In Ghana, the period of intensive deforestation was in the 1980s and earlier. Back then the deforestation was incentivized by the plantation of cocoa and oil palm crops. Many rubber producers testified to have replaced these cocoa or oil palm trees with rubber trees, mainly for economic reasons. The original vegetation, the forest, had already been replaced by perennial crops, however this could not be confirmed through historical data such as satellite imagery. When monocultures are installed, such as rubber plantations, wildlife and biodiversity is reduced significantly.

### Added value of AFD's contribution

AFD brought a consistent support to the rubber value chain through the lending of long term financing. It is rare to observe a strategy lasting more than 25 years and 5 phases in a specific sector.

## Conclusions and lessons learnt

Both ROPP IV and V have been successful in expanding rubber cultivation in the Western and Central Regions of Ghana.

Based on the evaluative analysis, several lessons and recommendations are proposed. These recommendations were discussed during a final workshop organized in early October 2022. The positions of the different stakeholders diverge, therefore additional facilitation work should be organized to find compromises between the different stakeholders, including ROAA that was not represented at the final workshop.

- Roles and responsibilities of the different parties to the TLA should be recalled and clarified with all stakeholders represented.
- Any breaches to the TLA, and disagreements between the parties should be presented before an appropriate mediator. The TCDA, now operational, could be a mediator, if deemed relevant. It should be noted that TCDA recently developed a pricing mechanism.
- Future applications of tripartite agreements in agricultural commodity chains should be analysed in detail in order to balance the roles, the responsibilities and the risk-taking of each party.
- Small scale producers should be well represented in any future tripartite agreements.
- A mediator should be defined and set-up at the onset of any future tripartite agreement.
- For future similar initiatives, Banks should be part of the selection process of credit clients and risks should be spread among the actors, incl. forex risk; loans should be covered by a real and practicably enforced guarantee mechanism.
- In future perennial crop development projects, environmental aspects and particularly biodiversity should be integrated into the design of strategies

# Evaluation Summary

## *Ex-post evaluation of AFD's interventions in the perennial crops sector in Ghana: Programme for the Promotion of Perennial Crops in Ghana, Rubber Outgrowers Plantations Project III (ROPP III)*

Country: **GHANA**

Sector: **Agriculture**

Evaluator: Le Groupe-conseil Baastel and BRL Ingénierie

Date of the evaluation: **February – November 2022**

### Key data on AFD's support

**Project number: CGH6008**

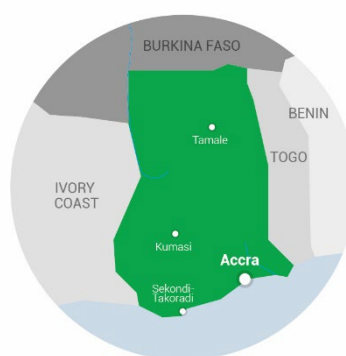
**Amount: loan 17.400.000 € Grant 2.000.000 €**

**Disbursement rate: 96,4% (global)**

**Signature of financing agreement: 15/08/2006**

**Completion date: 20/04/2015**

**Total duration: 8,5 years**



### Context

Rubber was introduced in Ghana in 1898 as an ornamental tree. In 1930 some trial plantations were established in the Western region and in the 1950s the first industrial plantation was set up. In 1968, GREL was born as a joint venture between the government of Ghana (GoG) and the American-based Firestone Tyre Company. In 1988 GREL rehabilitated the first 3,000 ha and built a new processing plant. Four years later, it established the Rubber Outgrower Purchases Unit (ROPU) to buy rubber from "external growers" to whom it provided technical assistance and production inputs. In the 1990s, rubber and other perennial crops were prioritized by the GoG as part of an economic development policy that sought to promote agricultural activities that would generate regular incomes over long periods. In 1995, the first intervention to promote perennial crops was launched, financed by the World Bank and AFD. Five different phases of the Rubber project have been implemented since 1995. These project include; Rubber Outgrowers Plantations Project I (ROPP I) which was implemented from 2001 to 2005. ROPP III was rolled out from 2006 to 2016. ROPP IV and V were rolled out from 2010 to 2020.

### Actors and operating method

- Ghana Rubber Estates Ltd (GREL), an agro-industrial company that carries out primary processing of raw natural rubber and exports its products.
- The Rubber Outgrowers and Agents Association (ROAA), created in 1995 during Phase I of the Rubber Outgrowers Plantation Project (ROPP)
- The Ministry of Food and Agriculture (MoFA), lead agency and focal point of the GoG
- The National Investment Bank (NIB), currently operating as a state-owned universal bank in Ghana

The tripartite lending agreement (TLA) has been the key element of ROPP projects since 2005. It is a classic scheme of association of an agro-industrial technical operator (GREL), a financial operator (NIB) and a multitude of small primary producers who are represented by the ROAA

### Objectives

1. To contribute to the elaboration of a national policy for the development of village plantations within the framework of perennial crops.
2. To increase the country's export revenues (rubber, oil palm) and contribute to the country's food self-sufficiency (palm oil, copra).
3. To reduce poverty in rural areas.
4. To ensure sustainable development by combating climate change and preserving natural resources, particularly by restoring the fertility of degraded soils.

### Expected outputs

The specific objective of the project was to increase the national production of natural rubber, palm oil and coconut products. The project consists of two components, namely

- 1) institutional support to the MoFA
  - Definition of a national policy for perennial crops
  - Prospective analysis for development of rubber
  - Implementation of a sector master plan for the vegetable oil sector
- 2) village rubber (ROPP III) and oil palm plantations
  - Creation of new plantations and establishment of a dedicated credit system (7 000 ha and 1 750 farmers)
  - Consolidation of the planters association

## Performance assessment

### Relevance

The PPPC was highly relevant and in line with Ghana's economic development policies of reducing rural poverty and increasing rubber production and exports. This project was also in line with AFD's policies and strategies for sub-Saharan Africa.

### Coherence

The PPPC is part of a national Government of Ghana (GoG) strategy to develop perennial crop chains including rubber. It responds to a demand from stakeholders in the oil palm and rubber value chains and is coherent with Ghana's development plans.

### Effectiveness

From the perspective of stakeholders interviewed during the evaluation process, most of the objectives of PPPC have been met; no farmer would dispute the success of the project as the target hectares were planted. During the focus groups organized, outgrowers testified that "the production is good and rubber is far better than other crops. It does provide monthly income unlike cocoa and other crops. Payment is prompt as well, with the continuous purchases by GREL unlike cocoa". However, there is no quantitative data to support these testimonies.

### Efficiency

The evaluation analysed the advantages and disadvantages of the tripartite agreement model, applied to the rubber sector in Ghana. One of the observations is the unequal risk-taking by the stakeholders and in particular by the financial operator. The loan repayment mechanism through GREL has proven to be inefficient as it can be easily dodged selling through agents or through another farmer's identity and NIB has a large outstanding portfolio. On the other hand, the capitalisation of interests during the so-called grace period, meant to avoid expenses during the immature period, happened to increase the loan capital significantly. Furthermore, the delays in repayment are mainly caused by the malfunctioning of GREL's latex purchasing system. While side-selling is a phenomenon that started around 2016, the repayment of ROPP III loans has been affected by the decline in latex deliveries to GREL.

### Impact

The tripartite model manages to organize value chain financing, allowing many small-scale producers to develop themselves while also providing GREL with a secure and growing offer of rubber which it can process and commercialize further. The model is undoubtedly a success when looking at the number of trees planted. The goal was met with 7,885 ha of new rubber plantations achieved. The PPPC was also a success in terms of number of new growers with the target of 1,750 new growers met. Also, the creation of the national policy for perennial crops eventually led to the creation of the Tree Crops Development Authority.

### Sustainability

In the past 20 years (2001-2020), Ghana lost 1.3 million hectares or 19% of its forest cover. Clearance of forest for agriculture is the leading cause of deforestation. In Ghana, the period of intensive deforestation was in the 1980s and earlier. Back then the deforestation was incentivized by the plantation of cocoa and oil palm crops. Many rubber producers testify to have replaced these cocoa or oil palm trees with rubber trees, mainly for economic reasons. The original vegetation, the forest, had already been replaced by perennial crops, however this could not be confirmed through historical data such as satellite imagery. When monocultures are installed, such as rubber plantations, wildlife and biodiversity is reduced significantly.

### Added value of AFD's contribution

AFD brought a consistent support to the rubber value chain through the lending of long term financing. The results of the PPPC have thus been integrated into a long-term cooperation strategy. The participation of KfW in the financing of the PPPC has also been important.

## Conclusions and lessons learnt

Based on the evaluative analysis, the project served its purpose in terms of development of the rubber sector. In addition several lessons and recommendations are proposed. These recommendations were discussed during a final workshop organised in early October 2022. The positions of the different stakeholders diverge, therefore additional facilitation work should be organized to find compromises between the different stakeholders, including ROAA that was not represented at the final workshop.

- Roles and responsibilities of the different parties to the TLA, GREL, ROAA & outgrowers and NIB, should be recalled and clarified with all stakeholders represented.
- Any breach to the TLA and disagreement between the parties should be presented before an appropriate mediator. The TCDA, now operational, could be a mediator, if deemed relevant.
- Future applications of tripartite agreements in agricultural commodity chains should be analysed in detail in order to balance the roles, the responsibilities and the risk-taking of each party.
- Small scale producers should be better represented in any future agreements.
- A mediator should be defined and set-up at the onset of any future tripartite agreement.
- For future similar initiatives, Banks should be part of the selection process of credit clients and risks (forex, credit...) should be spread among the actors; loans should be covered by a real and practicably enforced guarantee mechanism.
- In future perennial crop development projects, environmental aspects and particularly biodiversity should be integrated into the design of strategies.