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Drivers of success for agricultural transformation in Africa

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Agricultural transformation:

Public-Private Partnership(PPP)- A Catalyst for accelerated private sector investment in agriculture in Ghana.

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**AGRICULTURAL TRANSFORMATION :
PUBLIC PRIVATE PARTNERSHIP (PPP)- A CATALYST FOR
ACCELERATED PRIVATE SECTOR INVESTMENT IN
AGRICULTURE IN GHANA**

A Presentation by Nana Osei-Bonsu
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AGRICULTURAL TRANSFORMATION: DRIVERS OF CHANGE

- Agriculture is a key economic sector to many African countries as it employs most of the rural population and contributes significantly to household income, gross domestic product (GDP), foreign exchange earnings, food and nutritional security. Ghana is no exception in this regard.
- In Ghana, the sector contributes about 25% to GDP and employs 55% (2006) of the working population.

AGRICULTURAL TRANSFORMATION

DRIVERS OF CHANGE

- Recognizing the poverty reducing potential of agriculture, successive governments of Ghana for the past decade and half have adopted agriculture led growth development strategies.
- Some progress has been made in developing the sector, however a country with about 6.3 million hectares of arable land available for agriculture, the current state of agriculture in Ghana still leaves much to do.

AGRICULTURAL TRANSFORMATION

DRIVERS OF CHANGE

- Agriculture productivity in Ghana is low and cannot meet the food, fiber and fuel needs of the people due to many factors including:
- Agrarian Farming System Virtually dependent on rain-fed agriculture
- Dependency on Small Landholders (acreage per head of 2-5 acres)
- Manual System
- Absence of critical Farm Support –Extension officers

AGRIC TRANSFORMATION: challenges

- THE BIG CHALLENGES IN ATTRACTING LOCAL PRIVATE SECTOR INVESTMENTS INTO AGRIC ARE:
- INFRASTRUCTURE DEFECIENCIES
 - IRRIGATION
 - POWER
 - STORAGE FACILITIES & WAREHOUSES
 - ROADS, TRANSPORTATION & ACCESS TO MARKET
- FINANCE: WEAK FINANCIAL SYSTEMS AND INSTITUTIONS, UNAVAILABILITY AND ACCESS TO LOW COST LONG TERM CAPITAL
 - RURAL FINANCIAL INSTITUTIONS UNABLE TO ACCESS RISKS INHERENT IN AGRIC INVESTMENTS SO SHY AWAY FROM THEM
 - WHERE AVAILABLE, VIRTUAL DEPENDENCY ON HIGH COST SHORT TERM CREDIT
 - LOW LEVEL OF LOCAL CAPITAL MOBILIZATION—NEED FOR PENSION FUNDS TO CREATE ABUNDANT POOL OF FUNDS FOR INVESTMENT IN THE AGRIC SECTOR
 - ABSENCE OF AGRIC INSURANCE
 - NO VIABLE WAREHOUSE RECEIPTS SYSTEMS IN PLACE, etc

AGRIC TRANSFORMATION--CHALLENGES

- ABSENCE OF CRITICAL AGRIC MANAGEMENT SKILLS and CAPACITIES— NOT MANY SCHOOLS TO TRAIN EVEN DRIVERS TO DRIVE CRANES FOR STUMPING AND LAND PREPARATION
- LACK OF INFORMATION PLATFORM TO PROVIDE VALUABLE ANALYTICAL INFORMATION-WEATHER, SOIL CONTENT, WATERWAYS AND RIVERBEDS, LOCUSTS ETC
- ABSENCE OF STANDARDIZED LAND TENURE SYSTEM.

AGRIC TRANSFORMATION--PPP

- BUT THE MAIN CONSTRAINT IS THE ABSENCE OF CRITICAL IMPLEMENTABLE POLICIES THAT WILL ATTRACT PRIVATE SECTOR INVESTMENT INTO THE SECTOR. PLETHORA OF POLICIES & PROJECTS
- APPLICATION OF NEW PPP TO BRING ON BOARD PRIVATE SECTOR INVESTORS; BUT
- PPP NOT A PANACEA FOR ALL THESE CONSTRAINTS AND CHALLENGES, RATHER A CATALYST TO ATTRACT PRIVATE SECTOR INVESTMENT INTO THE AGRIC SECTOR
- UNDER PPP-PRIVATE SECTOR TO PROVIDE WHAT NORMALLY MAY BE PROVIDED BY THE STATE

AGRIC TRANSFORMATION--PPP

- UNDER PPP: PRIVATE SECTOR TO FINANCE, DEVELOP AND MANAGE PROJECTS & RECOUP INVESTMENTS FROM PROCEEDS GENERATED FROM IMPLEMENTATION OF RESPECTIVE PROJECT—
- PRIVATE SECTOR ASSUMES RISK OF SUCCESS OR FAILURE OF PROJECT
- CHALLENGES IN PPP BILL
 - i VIABILITY GAP FINANCING
 - ii NO RESOURCES TO CONDUCT FEASIBILITY ON UNSOLICITED PROPOSALS
- IF AGRICULTURE IS TO DRIVE INDUSTRIALIZATION OF GHANA, PPP SHOULD BE TARGETING VALUE CHAIN PROJECTS THAT ENSURE AT LEAST 50 % VALUE ADDITION TO FARM PRODUCE LOCALLY

AGRIC TRANSFORMATION- PPP POLICY DRIVERS

- EXPAND THE SCOPE OF COMMERCIAL AGRIC (GCAP) NATIONWIDE, TO ALSO PROTECT PEASANT AND SMALL HOLDER FARMERS & ENSURE INCLUSIVENESS OF WOMEN & YOUTH
- LINKS TO INNOVATIVE AGRICULTURAL VALUE CHAIN PROJECTS WITH PRO POOR PROGRAMS TO ADDRESS POVERTY ALLEVIATION- EMPOWERMENT PROJECTS WITH SUSTAINABLE INCOME EARNING OPPORTUNITIES TO THE VUNERABLE
- TO ADDRESS CURRENT POST HARVEST LOSSES-TRAIN FARMERS IN BETTER HARVESTING METHODOLOGIES, TRANSPORT, STORAGE & PROCESSING

AGRIC TRANSFORMATION- POLICY DRIVERS

- INCREASE PRODUCTIVITY THROUGH AVAILABILITY & USE OF HIGH TECH RESEARCH INTO HIGH YIELDING SEEDS; INCREASED FERTILIZER USE(achieve the CAADP fertilizer consumption target of 50kg/ha by 2015) APPLICATION OF TECHNOLOGY, MECHANIZATION & OTHER BETTER FARM PRACTICES
- LINK POLICIES TO RURAL DEVELOPMENT STRATEGIES— REVERSE MIGRATION
- TARGETED INCENTIVES WITH TIMELINES AND VERIFIABLE INDICATORS FOR BUSINESSES TO LOCATE IN RURAL AREAS FOR RURAL MARKET DEVELOPMENT
- OTHER INCENTIVES : LOW COST FUNDING TENABLE ONLY IN RURAL AREAS

AGRIC TRANSFORMATION- POLICY DRIVERS

- Exemptions and tax credits for investment of profits of extractive industries (mining, oil & gas) into agric for sustainable sources of funding & diversification
- Private investment in the sector is critical to achieve the quantum requisite to meet the growing food demands by the ever increasing population
- However, private sector investments have competitive options and destinations and unless the right policies to create the enabling environment are put in place, critical mass of private sector investments to increase production for food security and nutrition would not be achieved.

AGRIC TRANSFORMATION- POLICY DRIVERS

- I trust and hope that in our discussions in the next 2 days, serious considerations would be accorded the policy framework that would attract accelerated private sector investment in the production, distribution and availability of quality and affordable agricultural produce in the Continent.

- **THANK YOU**