

GHANA | BACKGROUND

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|--|---------------------------------------|
| Population¹ | 24 million |
| Of which in agriculture¹ | ~14 million (56%) |
| Of which smallholders² | ~12 million (0.5% of global total) |
| Funding flow % world | 3.3% of total funding captured |
| % Africa | 5.9% of total Africa funding captured |

Total Funding Captured 2009-onward:

\$395M

Total Number of Projects Captured:

56



Overview of Ghana's agricultural sector

Ghana has witnessed two decades of continuous growth and belongs to the small group of African countries with a record of positive per capita GDP growth over the entire last 20 years.³ The main drivers of growth have been sound economic reforms, natural resources, and political stability.

Growth in the agricultural sector has improved since the 1990's, reaching 5.4% in 2008.³ In recent years **agriculture has grown more rapidly than the economy as a whole**. Consequently, both poverty and hunger have declined since the 1980's. In fact, Ghana has become the **first African country** to reach the first Millennium Development Goal 1 (MDG1) of **halving poverty and hunger before the target year of 2015**. However, given its high initial rate, poverty remains widespread, particularly in the North. Income growth varies widely across regions and the already existent income gap between the North and the rest of the country is expected to widen further in the years to come.

The agricultural sector and its growth rate **depend heavily on rainfall**. Moreover, the current growth rates are **achieved mainly by land expansion**, not by an increase in yield. The staple subsector has been identified as the major driver of both agricultural growth poverty reduction in the future. The nonagricultural sector can potentially play a critical complementary role by providing the poorest households with a second source of income.

Outputs of most crops have increased at a faster rate than population growth (exceptions are sorghum, millet and cassava).³ While production of tobacco, cotton and coffee have all declined, sheanuts, cocoa and palm oil have experienced strong growth between 2003 and 2005. **Growth rates for livestock have been low**, and particularly poor for cattle. Fish production has remained constant between 2000 and 2006.³

Ghana's agricultural sector targets are outlined in three key documents: the Vision 2020, the Ghana Poverty Reduction Strategy (GPRS) and the Food and Agriculture Development Policy (FASDEP I and II). In addition, the **government aims to achieve middle-income (MIC) status by 2015**, an ambitious goal considering that it will have to more than double per capita income during the next ten years to reach the typical level of per capita income for MIC countries (\$1,000).³ It has announced an agriculture-led growth strategy and specified concrete sector goals in the GPRS.

Challenges and opportunities of the agricultural sector

Ghana's agricultural sector is confronted by several developmental challenges and stands to benefit from some opportunities:

- **Substantial gaps between actual and potential yields persist for most crops.**³ Improving productivity could lead to significantly higher agricultural growth. The government intends to increase the share of agriculture in its spending to move towards closing these gaps.
- **Markets for agricultural outputs function poorly** and are a main cause for rural poverty.⁴ Improving access for smallholders to fertilizer and improved seeds would significantly increase yields.
- Short fallow periods (or even continuous cultivation) due to **population pressures** has led to **land degradation** in the densely inhabited Upper East and Upper West region.⁴
- **Land ownership** and security regulation is often over-complex, intransparent and varies widely.⁴

On the opportunity side, Ghana has been identified as one of the **USAID Feed the Future** initiative's potential 'Focus countries'. Further, having learned valuable lessons from FASDEP I, FASDEP II will take a **highly differentiated approach**, targeting different categories of farmers according to their specific needs.⁵

Ghana and CAADP Progress

Ghana held its CAADP Roundtable on October 27-28, 2009 and signed its country compact.

- **Agricultural GDP growth has been volatile**, reaching nearly 10% in 2004, up from -4.6% a year earlier before dipping to 0.2% in 2007. The 2008 growth rate of the sector is 5.4%, just below the CAADP 6% target.⁶
- **Agricultural spending fell dramatically during the early 1990s** from 40% to below 5%. Although spending has since increased, it has not reached the heights of spending in the early 90s. Since the early 2000s, spending has generally **remained lower than the CAADP 10% target** (2006 was an exception: spending reached 10.3%). Today Ghana is being outspent in funds dedicated to agriculture as a percentage of GDP by its neighbors in the West African region.⁶

¹ World CIA Factbook

² Estimate extrapolated from "Small farms: current status and key trends", Oksana Nagayets, IFPRI, 2005

³ Comprehensive Africa Agriculture Development Programme (CAADP) in Ghana, Brochure 1-5

⁴ IFAD: "Rural Poverty in Ghana"

⁵ Ghana Ministry of Agriculture: "FASDEP II"

⁶ Regional Strategic Analysis and Knowledge Support System Ghana Page (www.resakss.org)

GHANA | SMALLHOLDER FUNDING TRENDS

Funding trends by focus area

Smallholder funding flow in Ghana is concentrated relatively evenly between the inputs/training and finance/markets focus areas. As in many other countries, the largest projects are broad in their objectives touch upon all three of the focus areas.

A large proportion of projects captured in the inputs/training category focus on supporting production of specific crops. Of these, those which are the focus of multiple projects include **rice**, **rubber**, **cocoa** and **roots and tubers**. This is in line with the yield improvement opportunities alluded to on the prior page.

The IFAD-AfDB **Northern Rural Growth Programme**, the single largest project captured in this analysis in Ghana, will be implemented according to a sector-wide approach agreed between the Government and development partners, a six-year initiative under the Food and Agricultural Sector Development Policy (FASDEP II). In line with the government's investment strategies, it aims to stimulate production through **irrigation** improvement, whilst improving **marketing** via commodity-specific ventures between smallholders and private operators and developing the supporting **transport and market infrastructure**. Specifically, the commodities to be prioritized include industrial crops such as **sorghum** and **oilseed**, **sheanuts**, **fruits**, **vegetables** and **animal products**.

In line with this, although not necessarily funded by the same donors, other projects in the finance/markets area tend to focus on the development of a particular product value chain, such as **cashews**, **cocoa** and **cassava**. IFAD is supporting a large **rural finance** initiative.

There is relative limited activity by international donors in Ghana around infrastructure/environment. The few projects that focus on this area span **bridge construction**, **land administration**, **water management**, and smallholder-supportive **policy reform**.

The donor landscape

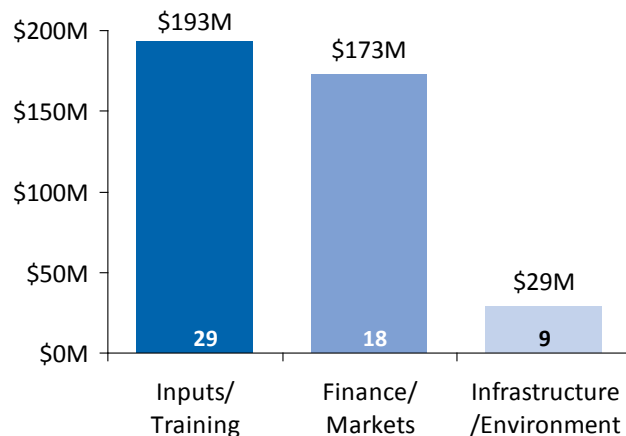
A large number of organizations across all three donor types are engaged in smallholder development funding in Ghana.

Bilateral involvement is high, with five separate agencies actively funding projects, among whom the **Agence Française de Développement** and **BMZ** are particularly active. **CIDA** is funding a broad project in support of the government Food and Agriculture Sector Development Programme (FASDEP).

Multilateral agencies are funding a combination of broad development projects and focused projects centered around a particular geography or crop. **IFAD** in particular is funding a variety of efforts around inputs/training, ranging from livestock development to rubber, cashews, rice, and cassava.

In terms of foundations, the **Gates Foundation** is very active, including Ghana in several projects that it is conducting Pan-Africa. Funding is focused on both inputs/training (for example the development and distribution of new rice varieties) as well as finance/markets (for example cashew supply chain development).

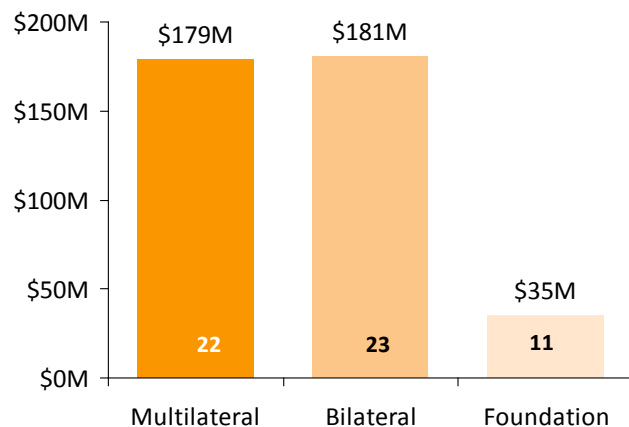
Funding & number of projects by main focus area



Representative projects

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> Promotion of Perennial Crop Plantation, AFD Root and Tuber Improvement and Marketing Programme | <ul style="list-style-type: none"> Agricultural Market Development, BMZ Rural Agricultural Finance Programme, IFAD | <ul style="list-style-type: none"> Bridge Construction, Northern Ghana, AFD |
| <ul style="list-style-type: none"> Northern Rural Growth Programme, IFAD, AfDB Food and Agriculture Sector Development, CIDA | | |

Funding & number of projects by funder type



Active funders

| | | |
|--------------|--------------------|------------------------------------|
| IFAD AfDB | AFD BMZ CIDA | Bill & Melinda Gates Foundation |
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