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SEMI-ARID FOOD GRAIN RESEARCH AND DEVELOPMENT

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CSIR, Ghana

National Report on Production and Financial Services Program

*Country Framework, Lessons Learned, Best Practices and
Pilot Activity Areas*

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1.0 INTRODUCTION

Agriculture is the prime mover of Ghana's economy. It contributes about 36% of Gross Domestic Product (GDP) and employs nearly 60% of the economically active population.

Yet the growth of the sector has generally been slow. The sector grew at about one percent in the first half of the 1990s, and improved to slightly above four percent in the second half of the decade. But the required growth rate for agriculture given the goals of Vision 2020 is six percent. The slow growth of the sector has been attributed to low productivity, which in turn is a result of weak delivery systems of production support and financial services.

The underlying problem for improving agricultural production support and financial services is that, following macroeconomic policy reforms and market liberalisation, there has been a dramatic reduction in public involvement in the delivery of production support and financial services (PSAFS). However, the transition of agricultural production support and financial service delivery from the public to the private sector has been proceeding at a very slow pace.

It is concern about the slow pace of this transition that prompted USAID Africa Bureau and SAFGRAD to embark on an initiative aimed at strengthening the delivery of production support and financial services in some selected countries of West Africa.

Primary Goal

Enhance the capacity of rural farmers and agro-businesses to efficiently engage in economic enterprises through an improved access to PSAFS; this will enable them to increase their productivity, to generate income and employment in order to sustainably improve their livelihood

Objectives

- (i) Establish a framework (system) that embodies
 - an information knowledge base developed from implementation of specific activities for the programme;
 - an indigenous capacity within SAFGRAD and national agricultural research networks;
 - and sound operating principles, guidelines and procedures to guide national and regional efforts aimed at strengthening the provision of PSAFS in targeted countries;

- (ii) Develop mechanisms for sharing lessons learned and experiences gained from best practices and innovative strategies for providing PSAFS and
- (iii) Find ways and/or mechanisms to develop, test and promote innovative options (identified from the knowledge base) for improving PSAFS.

2.0 PROGRAMME IMPLEMENTATION

In Ghana the programme was launched on the 7th and 8th of February, 2000 at a meeting held with various stakeholders i.e. public, private and civil society organizations involved in the provision/delivery of production support and financial services.

A major output of the of the meeting was the formation of a National Working Committee (NWC) to guide the implementation of the programme. Partnership is now high on the agenda of most social actors engaged in the development enterprise. Therefore members of the NWC were selected from the public, private and NGOs sectors and institutions as follows: -

- **Public sector**

Ministry of Food and Agriculture

- (1) Agricultural Extension Services Directorate
- (2) Policy Planning, Monitoring and Evaluation Directorate

Research institutions

- (3) Council for Scientific and Industrial Research

Universities

- (4) Institute of Statistical, Social and Economic Research, University of Ghana

- **Private Sector**

- (5) EMPRETEC
- (6) Glass Jar Users Association
- (7) Federation of Association of Ghanaian Exporters

- **Financial institutions**

- (8) Agricultural Development Bank
- (9) Association of Rural Banks

- **Civil Society Organizations (i.e. NGOs)**

- (10) Hunger Project

- (11) Adventist Development and Relief Agency

- **Women's Organization**

- (12) National Council on Women and Development

The terms of reference (TOR) of the NWC are

1. to revise and adapt the work plan presented at the meeting to reflect Ghanaian conditions
2. to devise ways for implementation of activities
3. to monitor and review the progress of the implementation of the work plan
4. to serve as a forum to harmonize issues of production support and financial services to stakeholders
5. to harmonize activities of various stakeholders, minimize duplication and stimulate synergies and complementarities
6. to ensure that up to date minutes are sent to the DDG of the AFFS/CSIR
7. to agree on modalities for conducting its meetings and for replacement of non-functioning members
8. to deliberate on any other relevant issues related to the programme referred to the committee.

To fulfil the first TOR, the NWC met on the 22nd and 23rd of March, 2000 and reviewed the work plan to reflect Ghanaian conditions in terms of time, indicators and responsibilities for carrying out various assignments. Activities carried out to implement the plan and the results achieved are shown in the table (i.e Ghana PSAFS: Coverage of Programme Objectives) below.

GHANA PSAFS : COVERAGE OF PROGRAM'S OBJECTIVES

OBJECTIVES	ACTIVITIES	RESULTS
<p>1. Dialogue with AID field mission & other donors interested in improving PSAFS</p> <p>What is the result of the dialogue with the USAID Mission ? Is Mission enthused and supportive of the activity. Who are the main contacts ? What is the substance of the dialogue and working with the mission ?</p>	<p>PSAFS Consultative meeting in Feb 2000</p> <p>Meeting of WASGP Evaluation Team/PSAFS Review team with Drs Sands and Quiver in August, 2000. Consultancy studies National Workshop March 2001 Regional Workshop April 2001</p>	<p>Mission aware of the programme but does not appear to be much enthused about it. Main contact person is Dr Fenton Sands, Director, Office of Trade, Agriculture and Private Sector, USAID</p>
<p>2. Dialogue with private sector, NGOs and other groups interested in improving PSAFS</p> <p>Who are the principal partners here and what are the results of the dialogue ? Did it lead to working with them and what are the results of the work and relationship ?</p>	<p>PSAFS Consultative meeting in Feb 2000 PSAFS consultancies NWC Meetings National Workshop of March, 2001 Regional Workshop of April, 2001.</p>	<p>Main partners are ADRA, AMEX, EMPRETEC, FAGE, The Hunger Project, Sasakawa Global 2000, MOFA, EMPRETEC, Glass Jar Users Association, FAGE, ADB and Rural Banks Association, GHAMFIN. Active participation by these partners in NWC meetings and provision of information on PSFAS activities in the country.</p>
<p>3. Inventory of major types of PSAFS of USAID partners and other donors</p> <p>Which services are provided and by who ?</p>	<p>Consultancies undertaken of PSAFS</p>	<p>See table below for list of donors and activities engaged in.</p>
<p>4. Identify and dialogue with USA PSAFS agents/ organizations (survey).</p> <p>What is the status of this objective ? Has the NWC been able to dialogue with corresponding PSAFS organization ? Has a mechanism been set up for completion fo this ? At least, what US organization has Been identified so far ? What linkage or suggestion for how to link ?</p>		<p>No survey of USA organizations done Consultation to be initiated through national and regional workshops</p>

5. Develop collaboration and partnership system to improve PSAFS in rural areas	NWC meetings. National and Regional workshops. Consultancies undertaken	NWC and Consultants found that ADRA, AMEX, World Vision, NBSSI, FAGE are very interested in collaborating to improve PSAFS. PSAFS system in place is that the public sector is the lead provider of research and extension services while inputs are supplied by the private sector. There is also a high level of NGOs participation in the provision of PSAFS. It can be improved through (i) strengthening of partnership between public, private and NGOs (ii) training of input distributors in marketing and (iii) improving access to PSAFS through establishment of more service centres in rural areas .
What has the consultant/NWC come up with ? What has SAFGRAD come up with ? What is the system in place and how can it be improved ?		
6. Establish network between AID field missions, NGOs and other partners to facilitate through meetings, seminars, workshops a sustained flow of information useful in improving PSAFS	NWC in place and functioning. PSAFS workshops	Elements of system are already in place. Consultant selected to assist in the implementation of an information system.
What has been done on this ? What needs to be done and how will that which needs to be done will be handled at the workshop ?		
7. Identify and establish service delivery mechanism to respond to requests for assistance from field missions and national organizations		
What has the NWC done on this ? Is this one for further work beyond the workshop ? We came close to this in Mali where Mission suggested that member(s) of the NWC serve on Mission's National Advisory Group. Is this taking place in each country ? if not, why not ? What is the mechanism for through which USAID field mission and African organizations can use to get assistance from the programme? What is the link between NWC and USAID ?	Local experts from NWC used as facilitators for consultancy studies and preparation of synthesis reports	This is not taking place in Ghana because the USAID is not very enthused about the programme. This needs further action after the workshop. We will ask for the assistance of Mr William Akiwumi in this direction.
8. Develop mechanism to identify and monitor performance of innovative options to	Completed studies and reports	Services identified through consultancy studies. When innovative options are identified collaboration, allocation and monitoring of

<p>improve PSAFS</p> <p>We have not identified those innovative options yet (those are the pilot activities which could be supported under the project). But, assuming that we have identified these options, what was (or will be) the mechanism for field mission, private sector and public sector to collaborate, to allocate resources and to monitor performance ?</p>		<p>resources would be undertaken through the establishment of information systems (i.e implementation plans, quarterly reports) and review missions. Consultant's assistance will be requested in building the database.</p>
<p>9. Establish an information system to share best practices and lessons learned</p> <p>(This is an objective that needs to be worked on during and after the workshop). What are the recommendations of the NWC on this ? How will such a system be sustained ?</p>	<p>Consultancy studies NWC meetings National and Regional Workshops</p>	<p>Information/data collection on PSAFS through consultancy studies. Information system to be established with assistance of consultant. NWC recommends workshops, newsletter electronic discussion groups for sharing best practices and lessons learnt. Appointing someone to be responsible for the preparation of the newsletter</p>
<p>10. Analyze & determine demand for PSAFS (by AID field mission and national organizations)</p> <p>What has the NWC/consultants come up with ? Was this analysis done in consultation with USAID or in isolation ? How strong is the demand in the various constituencies ?</p>	<p>Baseline surveys carried out in three districts</p>	<p>High demand for tractor services. Low demand for fertilizers and crop protection chemicals by beneficiaries (farmers and POs) of PSAFS</p> <p>Demand from AID missions not determined</p>
<p>11. Determine relevance of PSAFS to strengthen subregional input and output markets</p>		<p>Study not done yet : regional study beyond resources available</p>
<p>12 Establish program for developing mechanisms to strengthen partnerships and networks nationally and regionally</p> <p>What has been done by the NWCs ? What sort of plan did the NWC come up With ? (One plan underway is the convening of three subregional workshops to be held in Ghana, Kenya and South Africa in August, 2001). But what is the suggestion (programme) for supporting such fora? for</p>	<p>Focal Unit established. NWC meetings National and regional workshops</p>	<p>It is suggested that a training programme be set up to support the development of groups and associations.</p> <p>To be done under Phase 2 of programme.</p>

developing group formation and association ?
How will this be handled at the workshop ?

<p>13. Provide technical & financial support for human resource development (training) to financial and support service organizations</p> <p>This will come after the identification of the pilot entities have been identified. What has the NWC/SAFGRAD come up with in the identification of these ? What sort of technical and financial assistance are the NECs recommending ?</p>	<p>Consultancy studies</p>	<p>Training needs identified are (i) improvement of literacy and numeracy levels of producers and service providers; (ii) development of effective organizations (iii) management of production and marketing, including access to information and co-ordination of activities of actors at different levels (iv) improvement of access to technology, (iii) improving competitiveness in export markets including access to information, quality production, and cost effectiveness of production, and co-ordination to meet demands of external markets. Training modules, sessions to be conducted in phase II</p>
<p>14. Provide financial support for NGOs and financial intermediaries for developing and promoting innovative financial service options</p> <p>Has the NWCs come up with any recommendations on this ? Has the NGOs and FIs been identified ?</p>	<p>Consultancies undertaken</p>	<p>Support will be for institutional development of NGOs involved in microfinancing; development of on-lending linkages among NGOs in microfinance ; assist in the establishment of a suitable regulatory environment ; assisting NGOs to access funds for on-lending. Financial intermediaries identified are the ADB, Rural Banks and the Ghana Micro Finance Institutions Network</p>

Summary of Coverage of Donor Support to PSAFS

DONORS	1	2	3	4	5	6	7	8	9	10	11
USAID								X	X	X	X
DANIDA	X	X		X			X		X	X	X
SAA/SG2000	X	X	X				X		X	X	X
GTZ			X						X		X
DfID							X	X	X		
JICA	X	X				X		X			
World Bank							X		X		X
UNDP						X			X	X	X
FAO	X	X				X		X	X		X
IFAD	X	X	X			X	X	X		X	
TOTAL	5	5	3	1	0	4	5	5	8	5	7

1= Farm mechanisation

2 =Post-harvest mechanisation

3=Seed/Planting material

4= Agro-chemicals

5= Feed

6 = Irrigation/Water management

7= Infrastructure (road and storage)

8 = Management and Marketing

9= Public services and institutional strengthening

10= Financial service

11= Capacity Building

During the meeting, Dr Wayo Seini, a senior research fellow of Institute of Statistical, Social and Economic Research (ISSER), University of Ghana was elected as Chairman of the Committee. The NWC with the assistance of SAFGRAD has also been monitoring and reviewing the implementation of the work plan in line with TOR 3. The programme was also reviewed in August 2000 by a team of external consultants.

Other activities carried out by the NWC were the appointment of a consultant Dr (Mrs) Ramatu Al-Hassan Head of the Department of Agricultural Economics, University of Ghana to conduct an inventory/desk review of available information on production support and financial services and a team of socio-economists led Dr. K. A. Marfo from the Crops Research Institute, Kumasi to conduct base line studies on production support and financial services involving farmers/rural communities and NGOs in three rural communities.

On the 22nd of March, 2001 the NWC held a workshop where the findings of these studies were shared with various stakeholders. Generally, the findings show that public sector is the lead provider of research and extension services while inputs are supplied by the private sector.

The following sections present the findings from these studies and contributions from the workshop. The current status of each service type, constraints in its provision and the main actors are highlighted. Information on lessons learned, and best practices are also given. At the end of the document, a list of pilot projects is given.

3.0 AGRICULTURAL INPUTS AND EQUIPMENT

3.1 Agricultural mechanisation services

Agricultural mechanisation services involves mainly land preparation and agro-processing. As a result of privatisation, NGOs, cotton companies, and development projects are now the major suppliers of land preparation services. Land preparation services are undertaken by tractors and animals (i.e bullocks) especially in northern Ghana. Implements for animal traction are manufactured by a private company (i.e. Tamale Implement Factory) while the Agricultural Engineering Services Directorate (AESD) of the Ministry of Food and Agriculture (MOFA) – a public organisation – trains farmers in the use of animal traction. The AESD also trains tractor operators and oversees the importation of mechanisation equipment.

The other component of agricultural mechanisation services is processing equipment. A major provider of this service is the Ghana Regional Appropriate

Technology Industrial Service (GRATIS) Foundation and its Intermediate Technology Transfer Units (ITTUs) in each of the ten regions of Ghana. The Department of Agricultural Engineering of the Kwame Nkrumah University of Science and Technology also manufactures agro-processing equipment. In addition, there are a number of small-scale manufacturers such as Hormeku Engineering, Agbemsco, Roland Metal, K and A Engineering etc. Sasakawa Africa Association (SAA) is presently the lead promoter of processing equipment for cassava, grains and vegetable oils (e.g. the palm oil press). The Post-harvest Management Division (PHMD) of MOFA is the main facilitator of these services.

• **Constraints:**

(i) Land preparation

- Low density of equipment therefore service was not always available. Availability here implies the timeliness of service delivery, since rain-fed agriculture is very sensitive to delays.
- High cost of tractor services.
- Lack of gender friendly farm implements e.g hoes

(ii) Agro-processing:

- Poor quality of raw material.
- Lack of standards resulting in poor quality of products.

(iii) General:

- Rapid depreciation of the cedi which affects everything across board
- Local manufacturers lack capacity to manage their business effectively

• **Lessons Learned**

- (i) In Techiman area farmers preferred scaling up operations and improved physical access in tractor service delivery than lowering of prices for services provided as is the case with other services.
- (ii) Food processing in rural areas is mainly done by women
- (iii) Agro-processors require regular tests of their products to ensure maintenance of excellent quality and to check veracity of claims
- (iv) Technical skills of manufacturers can be improved by GRATIS

- **Best practices**

- (i) Use of animal traction for land preparation on the fragile soils of northern Ghana.
- (ii) Provision of management and technical training by NBSSI and GRATIS.
- (iv) Provision of land preparation services under nucleus farmer/outgrower schemes.
- (v) Use of long handle hoes by women in particular
- (vi) Organizing farmers into groups to improve access to acquisition of inputs

3.2 Seed/planting materials

The production and distribution of improved seed/planting materials are now the responsibilities of the private sector. These activities are supervised by the Seed Certification Division of the Directorate of the Plant Protection and Regulatory Services (PPRSD) of the MOFA. The Seed Certification Division checks farms to verify farm size and level of sanitation, and to monitor harvesting, cob selection, shelling, drying, cleaning, laboratory testing for purity and germination, grading and bagging. It also issues certification tags.

The industry is, however, dominated by the informal sector, which is characterised by on-farm seed multiplication, farmer-to-farmer exchange and exchanges of grain from the market for use as seed. The formal sector deals in only a few crops (mainly cereals) and supplies about 10% of the demand.

- **Constraints**

- (i) Low demand for improved seed
- (ii) Limited field staff and logistics of the Seed Certification Division
- (iii) High cost of improved seed

- **Lessons learned**

- (i) There is room for improving the use of improved seed given the relatively low resource requirement for improved seed purchase.
- (ii) Farmers purchase more local seeds than improved seeds due to absence of improved seeds of many staple crops

- (iii) Industry is dominated by informal sector
- (iv) Formal seed sector deals in only few crops (mainly cereals) and supplies about 10% of the demand

- **Best practices**

- (i) Sasakawa Global 2000 logistic support which included provision of certified seed/planting materials
- (ii) Community seed projects of the Savanna Agricultural Research Institute of CSIR and the Ministry of Food and Agriculture in the Northern Region
- (iii) Provision of training to seed growers in techniques of seed production by West Africa Seed Development Unit and the Ministry of Food and Agriculture

3.3 Fertilizers and other agro-chemicals

The industry is privatised therefore the products are currently imported by private companies and individuals and marketed through a network of wholesalers and retailers. Some import firms do the wholesaling/retailing themselves through outlets located in the regions. A number of smaller individual private businesses are also engaged in the importation of agro-chemicals. The major firms are Wenco, AGLOW, Dizengoff, Reiss and Co, Agrimart, Cocoa Farmers Company. However, the exact numbers and market shares could not be determined for lack of information and this makes it difficult to assess the level of competition in the industry.

- **Constraints**

- (i) High costs of capital requirements for entry into the business
- (ii) Low margins of profit due to inadequate road infrastructure in farming areas
- (iii) High cost of inputs relative to prices of crops
- (iv) Inappropriate application of agro-chemicals
- (v) Inavailability of agrochemicals in farming areas

- **Lessons learned**

- (i) Farmers, input distributors and extension agents need more education on the proper handling and application of agro-chemicals.
- (vii) Farmers who do not have means to use fertilizer tend to grow crops that could be supported by the soil fertility condition of the available field.
- (viii) Demand for fertilizers has been low because the profitability of new technologies is still questionable in some areas
- (ix) Exact numbers and market shares could not be determined for lack of information making it difficult to assess the level of competition in the industry

- **Best Practices**

- (i) Application of a combination of inorganic and organic fertilizers to crops
- (ii) Integrated pest management

3.4 Livestock and poultry feed

Provision of these inputs have also been privatised. The main actors are Ghana Agro Food Company (GAFCO), AGRICARE. The companies manage a range of depots scattered throughout the country for direct sales to large-scale farmers. They also maintain numerous distributors and sub-distributors throughout the country.

Livestock and poultry feeds are also compounded by both small and large-scale livestock farmers (e.g. Darko Farms) themselves thereby reducing the scope for commercial feed distribution.

- **Constraints**

- (i) High cost of imported raw materials
- (ii) High cost of feed products
- (iii) Lack of standards to check quality of feed products

- **Lessons learned**

- (i) There is much information on the preparation of feed using local raw materials at the Universities

- (ii) Manufacturers can improve the quality of their products through regular analysis at the Feed Laboratory of the Animal Research Institute

- **Best practice**

- (i) Establishment of depots throughout the country to improve access to feed by farmers

3.5 Irrigation

The Ghana Irrigation Development Authority (GIDA) – a public sector organization - is the main provider of irrigation systems in Ghana. There are 22 sites with a potential area of 12518 ha, 64 percent of which has been developed. Originally, the authority built and managed the irrigation facilities. Presently the sites are being operated under varying degrees of commercialisation and farmer management.

- **Constraints**

- (i) Land tenure systems which do not allow farmers to farm permanently on plots allocated to them
- (ii) Inadequate knowledge and skills of farmers on irrigation technology

- **Lessons Learned**

- (i) Small scale irrigation projects are easier to manage than large scale irrigation projects
- (ii) Adequate attention must be paid to socio-cultural issues in the design, operation and management of irrigation projects

- **Best Practices**

- (i) Farmer participation in the management of irrigation projects
- (ii) Nucleus farmer/outgrower schemes
- (iii) Construction of small scale irrigation schemes

4.0 RESEARCH, EXTENSION AND MARKET INFORMATION

4.1 Agricultural Research

Agricultural research is basically a public sector activity and it is carried out by the agricultural research institutes of the Council for Scientific and Industrial Research (CSIR), Faculties of Agriculture of the country's universities and some

Directorates of the Ministry for Food and Agriculture. About 75% of the scientists in the country belong to the CSIR. In 1991 the national agricultural research system (NARS) was strengthened through the formation of the Ghana Government/World Bank sponsored National Agricultural Research Project (NARP). The establishment of the NARP resulted in the removal of the imbalance of research in favour of few commodities especially maize and cocoa to almost all the major crops grown in the country. When the NARP ended in March, 1999 research facilities had been rehabilitated at most of the research institutes, the Universities and the six MOFA research stations at Kpeve, Wenchi, Aiyinase, Babile, Manga and Asuansi. The NARP also brought together for the first time under one umbrella all scientists from the agricultural research institutes of the CSIR, the Faculties of Agriculture of the Universities and the Biotechnology and Nuclear Agriculture Research Institute of the Ghana Atomic Energy Commission. From this arrangement emerged a stronger NARS and a multi-disciplinary and inter-institutional collaboration as a standard way of conducting research in Ghana. The NARP also improved collaboration between scientists, extensionists and farmers through the formation of five zonal Research Extension Linkage Committees.

- **Constraints**

- (i) Cumulative stock of useable improved technologies is very limited
- (ii) Low level of funding from government
- (iii) Many of the new technologies coming out from research institutes are not widely adopted by farmers
- (vi) Much of the research carried out by research institutes concentrates mainly on the physical and biological aspects of farm problems at the expense of the links between research results and the use of the results on farmers' fields.
- (vii) Weak linkages and co-ordination among research institutions

- **Lessons Learned**

- (i) For a long time to come the provision of research services will continue to be dominated by the government.
- (ii) Organizing research programmes around multidisciplinary teams from various institutions strengthens the national agricultural research system (NARS), improves linkages and co-ordination among research institutions and results in more effective use of scarce resources.

- (iii) Multidisciplinary and inter-institutional research programmes are more difficult to manage than one-person one-discipline projects requiring the use of formal management information systems.
- (iv) Demonstrating the technical and financial viabilities will enhance chances of transfer and commercialisation of new technologies.
- (v) Improved or new technologies have higher chances of adoption when they are compatible with local practices.

- **Best practices**

- (i) Organising research programmes around multidisciplinary teams due to the multidisciplinary nature of agriculture.
- (ii) Co-ordination of research activities by an umbrella organisation which has control over research funds and is provided with adequate support services for planning, monitoring and evaluation.
- (iii) Use of on-farm trials to test and generate technologies.
- (iv) Conduction of demand-driven research.
- (v) Farming systems research

4.2 Agricultural Extension

Like many other West African countries the transfer of technologies and knowledge to farmers is carried out mainly by the Ministry of Food and Agriculture. Private sector participation is mostly in cash crops (i.e cotton, cashew, oil palm, rubber and pineapple). The extension system has undergone many changes over the years. The country now has a Unified Extension System (UES). Under the UES, all extension services previously run by the various departments except the veterinary services, pest control and data collection of the Ministry of Food and Agriculture have been brought under one umbrella. However, under the current decentralisation policy of the government the activities of extension agents are controlled by the District Assemblies.

The UES uses a modified Training and Visit (T and V) system to deliver its messages and also the Farmers' Field School (FFS) of the FAO's Integrated Crop Pest Management Programme. Under the UES, extension services have seen much improvement in management and professionalism.

Extension service by the private sector is mainly targeted at cash crops. Agencies in this service delivery are mostly NGOs (e.g. TechnoServe, ADRA, Sasakawa Global 2000) who tend to provide extension as part of a package including extension advice, credit and marketing. Extension support by USAID is under the Trade and Investment Programme (TIP) which has tilted fund allocation to government relative to direct support from a ratio of 4:1 to 1:5. The USAID extension support emphasises the business aspects of production management which is lacking in public sector services.

Constraints

- (i) Lack of qualified personnel and professionalism in extension delivery.
- (ii) Limited opportunities for extension to test research results.
- (iii) General lack of mobility for extension staff to enable them to reach farmers.
- (iv) A multiplicity of extension services lacking effective co-ordination and management.
- (v) Extension agents not accountable to farmers.
- (vi) Extension agents treat farmers as ignorant recipients of information rather than knowledgeable partners in technology transfer.
- (vii) Lack of personnel to handle gender sensitive issues.

• Lessons Learned

- (i) For a long time to come the provision of extension services will continue to be dominated by government.
- (ii) Avoidance of proliferation of independent and uncoordinated extension services.
- (iii) Operations of the RELCs at the zonal levels leave out the identification of problems at the district level.
- (iv) Using women extension agents to reach women farmers enhances adoption rates of technologies.
- (v) Technical messages communicated to farmers in specific locations were often of an extremely general type applicable over diverse agro-ecological conditions.
- (vi) Extension services are dominated by messages on crop production.

- **Best practices**

- (i) Nucleus farmer/outgrower schemes.
- (ii) Institutionalisation of RELCs.
- (iii) Use of on-farm trials.
- (iv) Decentralisation and unification of extension services.
- (v) Use of the commodity systems approach for the transfer of technologies where the entire cost of extension is borne by farmers through deductions from their sales revenue.
- (vi) Farmers' Field Schools.
- (vii) Training extension staff not only in technical subjects but also in extension methodologies and behavioural sciences to improve their understanding of farmers' attitudes.

4.3 Managerial Services and Market Information

The provision of management related training and market information is led by development projects, particularly with NGOs intervention through the use of group animation. TechnoServe, ADRA, CRS, Action Aid and many of the other local NGOs or Community Based Organisations target small scale farmers to improve their management skills. Amex International focuses on export oriented commercial farmers. EMPRETEC also provides training for the development of management skills as well as the capacity to access capital under a Credit Guarantee Scheme.

Ghana Export Promotion Council (GEPC) also runs the export schools on how to manage export businesses, for prospective exporters. The PPRSD provides training for exporters on the phytosanitary requirements of importing countries for different commodities. NGOs and CBOs working with small farmers tend to rely on the expertise of Department of Co-operatives for the group animation programmes. However training for farm business management is still lacking.

The NBSSI also provides some management training for non-farm agribusiness.

Market information is provided by TechnoServe and ADRA for small farmers, and by Amex International and GEPC for exporters. For internal marketing, MOFA provides price information on weekly basis on national radio.

Agricultural market information comprises, among others, commodity prices, commodity movements, transport charges, commodity demand conditions and potential markets. Such data are required to guide farmers, traders and other stakeholders in making rational decisions that will eventually lead to the allocation of resources for the production and/or marketing of agricultural products to maximise profits.

- **Constraints**

- (i) Inadequate funding by Government for data collection.
- (ii) Poor dissemination of information.
- (iii) Absence of grades and standards
- (iv) Interventions in management training are usually limited in scope
- (v) High levels of illiteracy among agricultural producers

- **Lessons Learned**

- (i) Market information generated by government is market prices on selected commodities. This creates a wide data gap with respect to input prices and information on domestic and export markets.
- (ii) The informal system is the main engine through which rural farmers get information on commodity prices, types of crops in demand, destination of commodities, etc.
- (iii) Absence grading and standardisation results in variations in prices quoted for commodities quoted from the same markets in a particular period.
- (iv) Management training has to start with basics of numeracy and literacy due to high levels of illiteracy among agricultural producers
- (v) Development groups now make participation in groups a condition for accessing assistance

- **Best practice**

- (i) Market information systems that include prices on inputs as well as those of outputs.
- (ii) Training in business management to small scale producers by Technoserve

5.0 FINANCIAL SERVICES

A rapid increase in productivity and hence output in the agricultural sector can be achieved through the adoption of improved technologies. This requires financial resources to acquire productive inputs such as crop protection chemicals, fertilizers and seeds as well as medium to long term assets like irrigation equipment, sprayers and other farm machinery available to farmers. Availability of credit will enhance farmers' access to these inputs needed to realise the full potential of new technologies.

5.1 Financial Services Providers in the Agricultural sector in Ghana

In Ghana three financial services providers in the agricultural sector can be recognised, operators in the agricultural sector themselves, non-institutional and institutional financial services providers.

5.1.1 Operators

Personal savings as a source of agricultural finance in Ghana are done by means of direct savings from agricultural and non-agricultural income for agricultural investment.

5.1.2 Non Institutional (i.e Informal) Financial Service Providers

The non-institutional financial service providers are the oldest sources of agricultural financing in Ghana. These include relatives and friends, traders, distributors of agricultural inputs, produce buyers, landlords, credit unions, rotating savings and credit associations and private moneylenders. Among this group, the private moneylenders are the most important.

Within the informal sector, credit arrangements are based largely on trust, intimate knowledge of borrowers and close proximity between borrowers and lenders. The informal providers are very flexible in the provision of their services in terms of loan making procedures, quick withdrawals and disbursements and in some cases provide facilities for small savings.

In addition to charging high interest rates, informal lenders fall back on other ways to hedge against risk. Most of them require an introduction by a known person who may act as a guarantor and lend only within the communities. The informal financial service providers are normally lenders with the exception of the credit unions and the rotating credit unions and the rotating credit associations which provide both lending and savings services to their clients. Their services

are mostly suited for small operators who cannot have easy access to institutional lenders.

- **Constraints**

- (i) Loan advances are short term and have high interest rates of above 100% per annum for loans
- (ii) Informal nature of loans makes them risky to both lenders and savers
- (iii) Amounts of loans is very limited
- (iv) Poor management and poor access to information

- **Lessons learned**

- (i) Informal systems tend to have features that are conducive to small scale operators in the natural renewable resources (agriculture, fisheries and forestry) because of better physical and social access, simple procedures, quick withdrawal and disbursement and the provision of small savings and loans
- (ii) Informal systems such as Rotating Savings and Credit Associations (RoSCAs) inculcate savings habit and show that rural poor have high propensity to save
- (iii) Informal systems are performing a useful job in which formal banks which formal banks are not willing to do. They should be given the necessary help for them to grow.

- **Best practice(s)**

- (i) Operations of Susu (RoSCAs).

5.1.3 Institutional (i.e. Formal) Financial Service Providers

Before the deregulation of the Ghanaian banking sector, agricultural credit was provided by the Ghana Commercial Bank, the National Investment Bank, the Social Security Bank, the defunct National Savings and Credit Bank and the recently liquidated Ghana Co-operative Bank and Bank for Housing and Construction, in addition to the Agricultural Development Bank. This was in line with their obligation to commit at least 20 percent of their lending portfolio to the agricultural sector.

Another action taken before the deregulation, was the set up of a network of rural banks by the government in conjunction with the Bank of Ghana to supplement these banks in providing financial intermediation to the rural sector. The liberalisation of the banking sector coupled with the privatisation of some of the national banks meant that these commercial banks were no longer under an obligation to lend to the agricultural sector. As a result the other sectors such as the commercial and manufacturing which are less risky now attract most of the loanable funds of these banks. The resultant effect is that the onus of provision of financial services to the agricultural sector in Ghana now falls on the Agricultural Development Bank and to lesser extent rural banks and micro-finance institutions.

(a) Agricultural Development Bank

The ADB has 32 branches represented in all 10 regions. Fifty-six percent of these branches are in the rural areas. The bank provides credit to farmers through the following schemes:

- (i) The Nucleus farmer/outgrower scheme
- (ii) Cotton scheme
- (iii) Group lending scheme
- (iv) Inventory credit
- (v) Cocoa maintenance
- (vi) High technology cocoa maintenance scheme

• Constraints

- (i) High loan default and delinquency rates
- (ii) High loan administration costs
- (iii) Inadequate and unsuitable collateral
- (iv) Low saving mobilisation
- (v) Over reliance on external sources of funding because of low saving mobilisation
- (vii) Macro-economic bottlenecks

- **Lessons learned**

- (i) ADB has neither the rural branch network nor the agricultural lending expertise to serve small farmer clients.
- (ii) Low population density coupled with dispersed location of rural clients makes the provision of formal financial services costly.
- (iii) For any credit scheme to be successful it must be accompanied by a strong savings mobilisation scheme. Savings performance constitutes valuable information for credit decision
- (iv) Diversion of funds can be prevented through the disbursement of loans in kind

- **Best practices**

- (i) Loan disbursement in kind
- (ii) Lending through groups e.g nucleus/outgrower schemes
- (iii) Inventory credit

The overall objective of the Nucleus/Outgrower scheme is to achieve increased and sustained agricultural growth through the introduction of innovative technologies and effective and efficient processing and marketing systems. Under this scheme, a successful large-scale farmer, who is the nucleus farmer selects a number of small-scale farmers (outgrowers) in his catchment area and undertakes to do the following:

- (a) arrange credit for himself and his outgrowers;
- (b) transfers technology through the supply of improved inputs and adoption of modern agronomic practices;
- (c) organise markets for the produce of his outgrowers;
- (c) The nucleus farmer recovers the loans extended to the outgrowers by buying back the produce of the outgrowers or arranging for the sale on the open market.
- (e) Credit risk is borne by the nucleus farmer.
- (f) The nucleus farmer provides collateral security for the credit extended by the Bank.

The scheme has improved the ability of the ADB to extend credit to small scale farmers through reduction in transaction cost to the borrower and the Bank and reduction in loan default and delinquency through the exertion of group pressure and stringent screening of members. The scheme also has the advantage of enabling the group savings to be used to secure loans and help small farmers to develop over time into medium scale farmers who can access credit on their own.

(b) Rural Banks

The first rural bank was opened in 1976. They are banks which have to serve within a 32 km radius of the bank and not to operate in cities. One of the main objectives of the establishment of rural banks was to mobilise savings in the rural communities and to channel these funds as credit to rural dwellers. As at December, 1999 there were 110 rural banks; 80% of these banks are located in Ashanti, Central, Eastern, Brong Ahafo and Western regions.

• Constraints

- (i) High reserve requirement of the Bank of Ghana limits the capacity of the banks to lend out mobilised funds.
- (ii) High loan administrative costs.
- (iii) Poor supervision.
- (iv) Inadequate appraisal before granting loans.
- (v) Inability to attract qualified staff.

• Lessons Learned

- (i) Loan recoveries are low due to poor supervision and inadequate appraisal before granting loans. This has not been deliberate because many rural banks have not been able to attract qualified staff to handle the intricacies of modern banking.
- (ii) Low population density coupled with dispersed location of rural clients makes the provision of formal financial services costly.
- (iii) For any credit scheme to be successful it must be accompanied by a strong savings mobilization scheme. Savings performance constitutes valuable information for credit decision.
- (iv) Diversion of funds can be prevented through the disbursement of loans in kind.

- **Best Practices**

- (i) Loan disbursement in kind
- (ii) Lending through groups
- (iii) Use of the Susu scheme

For instance, before the introduction of the scheme by the Nsoatreman Rural Bank in 1998, savings grew only 25% between 1997-1998 (1.2 to 1.5 billion cedis). However, by 1999 (one year after the introduction of the scheme) savings increased to 3.6 billion cedis indicating about 71% increase from the 1998 level. The Ahantaman Rural Bank has also successfully applied the Susu approach.

- (c) **Microfinance institutions**

Majority of the micro credit programmes are operated by NGOs. These include national organizations many of which receive assistance from international donor organizations. NGOs have a clear commitment to work with poor people. They are familiar with the household livelihood strategies and the financial situation of their target population. They are also well established in local communities with good access to the population.

- **Constraints**

- (i) Most NGOs do not have the required professional expertise or the business culture to efficiently execute credit operations.
- (ii) NGOs cannot mobilise savings since they operate outside the banking regulations and any specific regulatory provisions

- **Lessons learned**

- (i) For any credit scheme to be successful it must be accompanied by a strong savings mobilisation scheme.
- (iv) NGOs must change their public image of serving 'beneficiaries' to that of establishing contractual relationships with clients.
- (v) A survey of 12 micro-finance institutions showed that most were able to cover financial costs, operational costs and costs of capital erosion.
- (vi) Careful organisation and training of groups in credit use and additional complementary training in business, extension are determining factors in credit success and recovery rates vary with the type of activities financed.

- (vii) The groups organised and trained by NGOs have shown promising results mainly when groups remained small and manageable.

• **Best practices**

(i) Savings mobilization

In Ghana, many microfinance institutions have adopted the Susu Scheme to mobilise savings to support their lending activities. The Susu concept as it is known in Ghana, is generally referred to in micro finance literature as Rotating Savings and Credit Associations (RoSCAs).

- (ii) Credit with education – a micro-finance strategy that uses group-based lending combined with low-cost non-formal education to help women build their productive assets, accumulate savings, improve self-confidence and improve basic business and family survival skills.

- (iii) Combined Savings and Lending - The principle of the group savings with credit is that the group members open a joint account into which mutually fixed and compulsory weekly savings are lodged.

- (iv) Susu On-Lending – This practice involves the use of existing private Susu collectors who are registered members of the Ghana Co-operative Susu Collectors Association (GCSCA) as the channel for loan application and disbursement of small loans to Susu clients with the objective of inculcating in small business operators the culture of savings whilst at the same time improving their capital base and subsequently their business. The idea behind on-lending is to link small informal savers with the formal banking system through credit to meet the capital needs of clients, who in turn undertake regular savings for repayment of loans. Financial institutions that have operated this scheme under a pilot project of the Ghana Micro-finance Institutions Network are Nsoatreman Rural Bank, CITI Savings and Loans Ltd and Sinapi Aba Trust

- (v) Collateral and Security System – lending money carries with it the risk of non-payment. To reduce risk associated with lending, the formal financial sector demands physical collateral but this practice disqualifies the poor from obtaining credit because they cannot afford such physical collateral. Micro-finance however aims at assisting the poor who cannot be reached by formal credit and had therefore devised affordable collateral systems to reduce costs and risks of loan provision to the poor. These are:

Group guarantee system

Individual guarantee system

Goods storage as security

Savings collateral scheme

Joint ownership/use of personal effects.

- (vi) Inventory Credit Scheme – Inventory credit is the use of securely stored produce as collateral for commercial loans. Generally it is used to enable farmers store produce at harvest time to sell at higher prices in the lean season. In addition to TechnoServe, the Community Life Improvement Programme (CLIP) in the Northern Region also runs the Inventory Credit Scheme.
- (vii) Village Banking Scheme- This scheme is operated by the Catholic Relief Service (CRS) in northern Ghana. The scheme operates with groups who are linked to CRS through a Community Based Organisation. The scheme requires a compulsory saving of 20% of expected loan size. Two accounts are operated; the clients own account made up of the 20% of loan amount and the group account into which repayments are made.

- **Lesson Learned – General**

- (i) Private sector could be expected to provide service at the village level under conditions of high demand, low overhead costs and low barrier (capital requirements) to entry.
- (ii) There is very high access to and use of services where NGOs provide support. This is because they provide the whole range of production support and financial services. The NGOs should nurture the groups they sponsor to enable these services to sustained when support is withdrawn.
- (iii) Farmer organizations are not effective in service provision without outside help
- (iv) The survey carried out on the demand and access to agricultural production support and financial services in the Techiman area showed that delivery of the full complement of support services makes farming profitable.

- **Best Practice – General**

Integrated approach to service delivery

This is an approach whereby all services are targeted in a single project, and stakeholders involved in the provision of the services collaborate to enhance each other's role. Examples of applications of this approach are the Village

Infrastructure Project and the Rural Enterprise Project. It is also the approach which is being developed in the pilot Brong Ahafo District Services Development Project under DfID Rural Livelihoods Programme.

6.0 PILOT PROJECT AREAS

Project 1: Increasing the Productivity of Nucleus Farmer/Outgrower Schemes through Savings and Credit Initiatives

Goal:

The goal of the project is to increase agricultural productivity in rural areas through nucleus farmer/outgrower schemes

Objectives:

- (i) to improve access to credit by small scale farmers through savings schemes
- (ii) to inculcate the habit of savings among rural farmers
- (iii) to increase the adoption of improved technologies
- (iv) to improve access to markets of produce of small-scale farmers
- (v) to encourage the processing of produce by the nucleus farmer

Past Experience:

Studies (e.g 'Inventory of Agricultural Production Support and Financial Services) have shown that the nucleus farmer/outgrower scheme is an innovation for increasing agricultural productivity in the country.

Under the West Africa Small Grants Programme (WASGP) one of such schemes was supported as part of the 'Increasing Vegetable Oil Seed Production and Processing in northern Ghana' project. It can be used to help small scale farmers improve their access to credit, inputs and markets and also for improving the transfer and commercialization of technologies. By adding a savings component the project hopes to improve farmers access to credit.

Key actors:

- Nucleus farmer - assists small scale farmers to get easier access to land preparation, credit, markets. Provides collateral security to credit extended by financial institutions.

- Outgrowers - enters into contract with nucleus farmer to produce crop a particular for sale to nucleus farmer
- Research institute - provides improved technologies
- Extension services - transfer improved technologies and train farmers in group dynamics (group formation, organization and management) and arrange for training in business management techniques
- Microfinance institution – supervises savings and credit schemes and offers training in community based schemes

Components

- Food production
- Savings and credit
- Marketing
- Training on group dynamics (i.e group formation, organization and management), business management and operation of community based credit schemes
- Agro-processing

Programme will support mainly the savings and credit, training and agro-processing components.

Project 2: Promoting Community-based Seed Production Schemes

Goal

The goal is to promote the use of improved seeds by farmers to enhance food security and poverty alleviation.

Objectives

The objectives are to:

- (i) train farmers in techniques of improved seed production and distribution
- (ii) improve upon existing means of seed supplies in local communities
- (iii) promote diffusion of improved seeds grown locally by farmers at affordable costs
- (iv) improve access to credit through increased savings mobilization
- (v) reduce transportation and administrative costs associated with the formal sector

Past Experiences

The community-based seed production scheme started in northern Ghana in 1995 by some donors. It received further support under the WASGP from 1998 – 2000 as part of the 'Increasing Vegetable Oil Seed Production in northern Ghana' project. Under the scheme groups of farmers comprising 5 – 10 individual farmers were given small amounts of improved seed and trained in techniques of quality seed production for multiplication and distribution to other farmers.

It offers an innovative approach for the development of micro-enterprises for seed production and distribution at village levels. The scheme also offers farmers an opportunity to (i) upgrade their skills and knowledge in quality seed production, (ii) increase access to and use of improved seed (iii) reduce transport and administrative costs associated with formal seed production and (iv) reduces the number of years that a newly released variety takes to reach farmers from seven to three years.

Key actors:

- Farmer groups - Seed production
- National Seed Service - Supplies improved seed and offers training in techniques of quality seed production
- Microfinance institutions – supervises credit and savings scheme of project
- West Africa Seed Development Unit (WASDU) - training in seed production

Components:

- Seed production
- Savings and credit schemes
- Training for capacity building and sustainability

Programme will support all components of the project.

Project 3: Improving Market Information Systems in Ghana

Goal

The goal of the project is to increase agricultural production through the provision of market information.

Objectives

The specific objectives are:

- (i) To establish a market information system
- (ii) To provide timely market information in the right form to various end users (a) traders (b) producers and (c) policy makers.
- (iii) To strengthen partnership between the public sector (District Assemblies) and the private sector (i.e traders, processors, input suppliers and transport owners)

Past experience:

In Ghana, the Ministry of Food and Agriculture has over the years set up a system for collecting wholesale and retail price data of selected commodities covering major urban centres and rural markets and disseminating the price information through the national radio and daily newspapers. Many analysts of the system (e.g National Workshop on PSAFS) have however observed that the system provided untimely information on only farmers' products (i.e outputs) - but not on inputs - and in English.

This situation can now be changed. The establishment of local FM stations in some districts offers innovative opportunities for testing the decentralization and timely dissemination of market information in the right form (i.e local language) appropriate to the needs of a particular locality and prevailing conditions. This mode of dissemination can be supplemented by others such as billboards at market places, shops, lorry parks, community centres, churches, schools and other public places. This project will lead to the strengthening of partnerships between the public and private sectors at the district levels. In the report on "Inventory of Agricultural Production Support and Financial Services" the consultant called for the encouragement of partnerships between the private and public sector rather than the simplistic arguments of public versus private sector considerations.

Key actors:

- District assemblies – management of markets in the district –
Public sector
- FM stations – dissemination of market information –
Private sector
- Extension staff – collection of data and processing into information –
Public sector

- Statistics, Research and Information Directorate of MOFA for training in data collection and processing – Public sector
- Traders, traders associations, farmers associations, processors, input suppliers, Ghana Private Road Transport Union (GPRTU) and other transport unions/owners – users/providers of market information - Private sector

Components:

- Data collection and processing
- Dissemination of information
- Training

Programme will support the three components.

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