



# PRINCIPLES FOR GUIDING RESPONSIBLE INVESTMENT IN AGRICULTURE

## **Practices and Lessons from IFAD Funded Programmes in Ghana**

By

**Franck Luabeya Kapiamba**

**Programme Officer, IFAD Country Office, Ghana**

# Background

- ❑ Since 1980, IFAD has approved US\$271.5 million in loans and grants to support 17 projects and programmes worth a total investment cost of US\$782.7 million.
- ❑ To a larger extent, ongoing Programmes either include a pro-poor value-chain development component or are full fledged VC development programme
- ❑ Proactivity of private companies in expanding their outreach to poorer rural and growing urban consumers, as part of their strategy to build their long-term business competitive advantage, is well recognized
- ❑ At country-level, IFAD has been adapting to these changes by seeking to build mutually beneficial partnerships between the public sector, the private sector, and small rural producers
- ❑ Best practices and lessons learned from IFAD VC-based Programmes in Ghana can be leveraged to shape principles for responsible investment in agriculture

# COSOP (2012-16): Strategic Objectives and Outcomes

- ❑ Small farm and off-farm enterprises have access to markets and adequate technologies, allowing them to improve their commercial and environmental sustainability in agricultural value chains:
  - **Outcome 1:** Small rural enterprises (SRE) have access to improved agricultural technologies that increase their competitiveness and sustainability
  - **Outcome 2:** SRE adopt effective organizational approaches to access competitive agricultural input and produce markets, with which they profitably engage
- ❑ Small farm and off-farm enterprises have access to efficient, sustainable services to strengthen their capacity, skills and financial assets
  - **Outcome 3:** SRE have access to appropriate and sustainable financial services
  - **Outcome 4:** the number of small rural enterprises and their aggregate revenue and profit are increased, and employment is generated.

# Access to markets and adequate technologies

- ❑ **Establishing and strengthening VC Committees** in order to:
  - Participate in the selection of partner FBOs for participation in the major cropping and VC activities;
  - Serve as a communication platform between district-level value chain actors;
  - Facilitate the establishment of linkages between FBOs, aggregators, investors and PFIs;
  - Serve as credit application reviewers for farmers making applications to banks for seasonal credit;
  - Scout for new market opportunities for members;
  - Identify required enabling public infrastructure and facilities to enable improved and more profitable operation

# Access to markets and adequate technologies

- ❑ **Strengthening FBOs and their members** in technical, business and organizational skills needed to participate in commercially oriented production and associated activities:
  - Identification and selection of FBOs to join the VCC with support from Value Chain Facilitator (VCF);
  - Mentoring and institutional capacity building of FBOs by VCF;
  - Financial audit and registration, provided by Department of DOC;
  - Training in institutional capacity building and other topics;
  - Facilitation of linkages to PFIs by the VCF and the VCCs;
  - Capacity building and sensitization on core values, including gender, nutrition, environmental and social impact awareness

# Access to markets and adequate technologies

- ❑ The focus has been on productivity enhancing technologies
  - That reduce production cost per unit of output
  - increase environmental sustainability and resilience to climate change, particularly in the northern Ghana
- ❑ This has been pursued through:
  - Promotion of adequate technologies, including conservation agriculture, irrigation, improved seed and inputs,
  - Facilitation of partnerships between aggregators or “off-takers”, public extension services, input dealers and PFIs
  - Support and collaboration with MOFA’s Youth into Agriculture Programme, particularly in view of enhancing its sustainability through private service delivery and financing.

## **Access to markets and adequate technologies (cont'd)**

- Deepening of partnership with private sector through public goods provision to develop an attractive business case with interested investors.
- Building solid, sustainable mutually beneficial commercial linkages among farmers, off-takers, processors and other actors in the supported VC through contractual arrangements, increased collaboration, trust and transparency facilitated by Value Chain Committees.
- Out-grower schemes have emerged as institutional models that can link smallholder farmers to markets
- Reduction of post-harvest losses at various levels along the VC with the participation of Private Sector (e.g., Nestle).

# Access to appropriate and sustainable financial services

- ❑ **Rural Community Banks** have begun financing out-growers, members of FBOs affiliated to VCCs, and SME processors in project areas.
- ❑ Much of the financing is delivered through structured trade financing mechanisms (called *cashless credit*):
  - Producers join an FBO; the FBO prepares a pro-format crop budget; the RCB finances the inputs and services; the producers deliver to a contractual buyer; the buyer pays the RCB and the RCB rebates the balance of the payment from the buyer to the producer after deducting principal and interest
- ❑ Matching grants to leverage private investment and crowd in financial resources from financial institutions.



# Mainstreaming gender-related issues

- Priority given to value chains that are important for women and young
- Empowering women in FBOs and VCCs and providing leadership training
- Sensitizing DAs and Regional House of Chiefs
- Conducting good gender and value chain diagnostics
- Adequate capacity-building in targeting of gender for core staff of coordinating and implementing entities
- Direct targeting of women groups in very poor districts
- Using the Gender Action Learning System (GALS) methodology to identify win-win options along the VC
- At least 50% of all direct programme clients being women.
- Using gender-disaggregated indicators to monitor outreach to women

# Relevant Lessons Learned for Responsible Investment

- ❑ Supply-driven support to poor, vulnerable people and production-oriented “food security” interventions do not often lead to sustainable development.
- ❑ Subsidies and subsidized services need to be transparent and carefully targeted in order to enable commercially viable, inclusive and sustainable development to occur.
- ❑ An approach capable of being scaled up needs to focus on capital investments, combined with strengthening of institutions that support targeted clients in analysing their opportunities and making their choices.
- ❑ Developing sustainable linkages to input and output markets, as well as to private service providers and investors is crucial for sustainability

## Relevant Lessons Learned for Responsible Investment (cont'd)

- Effective involvement and support for FBOs requires close technical supervision and implementation support to ensure their empowerment and transformation into sustainable and credible business units.
- Vibrant sector development and changing contexts and opportunities imply the need for longer-term engagement with more flexible approaches, and a focus on much greater private-sector engagement in service provision for targeted programme clients.



MERCI DE VOTRE ATTENTION

**THANK YOU FOR YOUR ATTENTION**