PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA195

Project Name	Ghana Commercial Agriculture (P114264)
Region	AFRICA
Country	Ghana
Sector(s)	General agriculture, fishing and forestry sector (40%), Agro-industry, marketing, and trade (40%), Crops (20%)
Lending Instrument	Specific Investment Loan
Project ID	P114264
Borrower(s)	
Implementing Agency	Ministry of Food and Agriculture (MOFA)
Environmental Category	A-Full Assessment
Date PID Prepared	31-Jan-2012
Estimated Date of Appraisal Completion	06-Dec-2011
Estimated Date of Board Approval	22-Mar-2012
Decision	

I. Project Context

Country Context

Ghana has attained the status of a middle income country and is likely to have achieved the first millennium development goal (MDG) of reducing poverty by half. According to the revised data, economic growth averaged 6.5 percent per annum (p.a.) over the period 2006 – 10 (even accounting for the temporary slowdown to 4 percent in 2009) compared to an average of 5.1 percent in the previous five year period. This is a full two percentage points higher than the previous decade. Poverty has declined from 52 percent in 1992 to 29 percent in 2008 and is likely to have continued to fall thereby rendering Ghana has having achieved the first MDG. Progress against most other development indicators has shown similar trends with targets for hunger, primary completion, gender parity at school and access to water goals are all on track to be met by 2015, if not also already met. However, other important MDGs such as sanitation, child and maternal mortality are still off-track and require more effort, for their own sake and because of their likely impact on other MDGs.

However, development gains have not distributed evenly across the country the north of Ghana is increasingly characterized as a ‘lagging region’. According to a recent Poverty Assessment undertaken jointly by joint the World Bank and Government of Ghana (GoG) regional imbalances persist with higher and more extreme poverty rates in the northern sector (with a headcount rate of 63 percent) compared to the South (20 percent). Poverty is also more extreme with a poverty gap statistics of 0.283 and 0.048 for North and South respectively. Other MDG indicators show similar differentials, as do broader measures of human development and food security. For instance, according to a recent food security and vulnerability assessment undertaken by the World Food Program (WFP) in the Northern, Upper East and Upper West, 10 percent, 15 percent and 34 percent of the respective households are currently food insecure. The causes the impoverished North are complex and have a deep historical context. Analysis undertaken for the Poverty Assessment demonstrates that despite convergence in human development indicators, and improved physical connectivity, economic opportunities continue to decline. Should economic and demographic trends continue, poverty will be largely eradicated in the South by 2030, while still affecting two-fifths of the population in the North (compared to three-fifths in 2005/06).

With oil revenues driving Ghana’s future growth, the economy will continue to grow at a rapid rate. If managed well, revenues from the oil economy could provide a major source of funding for Ghana’s development needs. According to Ghana’s poverty reduction strategy (PRS) – known as the Ghana Shared Growth and Development Agenda (GSGDA) – achieving the growth targets of 9.2 percent per year over 2010 – 2013 requires $23.9 billion of investment and services expenditures over the period, excluding salaries. Realizing these levels of investment is contingent on a financing gap of $12.5 billion per year being met. According to the recent assessment of the PRS by the World Bank and IMF while the growth targets are reachable it is unlikely that the financing gap will be fully closed. The costing also assumed inflows of oil revenues of Ghc200 million in FY2011, Ghc800 million in FY2012 and Ghc700 million in FY2012 which are subject to uncertainty.

Managing revenues appropriately and targeting high priority investments with the highest economic and social returns is critical to avoid potential Dutch Disease impacts. As noted in a recent World Bank report, oil revenue brings well known challenges in terms of institutional and macroeconomic absorptive capacities. Increased competitiveness of the non-oil sector is essential to mitigate potential macro-economic impacts. Productivity-enhancing investments, as well as other investments to improve the efficiency of key value chains, would offset increased costs from real exchange rate appreciations without an overall loss of competitiveness. Importantly, farm incomes would be maintained. But the window is short and experience elsewhere demonstrates that when markets are lost, it is extremely difficult to regain competitive position.

Fortunately, this window of opportunity coincides with a period of increasing private sector interest to capitalize on high global food prices and Ghana’s attractive investment climate for agricultural investment. Notwithstanding the aforementioned risks, Ghana has a number of attributes that make it an attractive location for investment in agriculture and agri-business. It is economically and politically stable. The investment climate is positive. It has good logistics for serving European markets and domestic food markets are likely to expand with continued urbanization and there is substantial scope for import substitution. Existing productivity is low, suggesting the potential for large returns if yields can be increased. Moreover, while food prices have fallen from their recent peaks, they are nevertheless expected to remain above historical levels into the medium term. According to the Ghana Investment Promotion Council (GIPC), in the third quarter of 2011 alone, three new agriculture-related investments were registered with a value of over $200 million.

II. Sectoral and Institutional Context

Ghana has recently concluded its new national poverty reduction strategy, known as the Ghana Shared Growth and Development Agenda (GSGDA 2011 – 2013). The GSGDA seeks to improve the wellbeing of Ghana's poor, most of which reside in rural areas and are dependent on agriculture for their primary livelihoods. Priority sectors for the $24 billion of proposed investments envisaged in the GSGDA are infrastructure (with 54 percent of planned expenditures, of which 15 percent is oil and gas development), health and education (25 percent) and enhanced competitiveness of the private sector (8 percent). Modernizing agriculture attracts 4 percent of investment. As noted in paragraph 4, the Joint Staff Advisory Note concludes that while "the underlying sector development plans are compelling and well considered […] their shallow emphasis on geographical interventions in deprived areas and the limited monitoring and evaluation capacity could weaken Ghana's ability to meet the development and poverty reduction objectives of the GSGDA."

Ghana's agriculture sector strategy is known as FASDEP II (2010 – 2015) and is organized around six priority themes. These are: (1) Food Security and Emergency Preparedness; (2) Increased Growth in Incomes; (3) Increased Competitiveness and Enhanced Integration into Domestic and International Markets; (4) Sustainable Management of Land and Environment; (5) Science and Technology Applied in Food and Agriculture development; (6) Improved Institutional Coordination. The required investment framework to implement FASDEP II is articulated in the Medium Term Agriculture Sector Investment Plan (METASIP) – and provides the foundation for the GSGDA costing. The METASIP, prepared by the Ministry of Food and Agriculture (MoFA) constitutes the national agriculture investment plan under the Comprehensive African Agriculture Development Program (CAADP); the Roundtable and the signing of the Compact having been concluded in October 2009. Broadly speaking, Ghana's commercial agriculture agenda is defined by elements of the programs seeking to increase incomes (priority area 2) and increased competitiveness and market integration (priority area 3).

Other policies also have a major bearing on outcomes in the agriculture sector. Of particular importance is the second private sector development strategy (PSDS II). The PSDS II will aim to increase by 20%, in real terms, the income of rural people in general and particularly in the poorer Northern and Central regions through more productive agriculture. The strategy highlights increasing the productivity of agriculture and the efficiency of agricultural value chains by supporting public and private initiatives as a sub-component of one of the five main outputs. Ghana's new financial sector strategic plan (FINSSP II) highlights the importance of agricultural lending, relevant financial products such as crop insurance etc, as well as broader financial sector issues that have a less direct but nevertheless important bearing on the development of the sector such as the stock exchange on which agribusiness may wish to be listed. Finally, insofar as the Government is seeking to partner with private sector in the development of the agricultural sector, the new Policy Framework on Public-Private Partnerships (PPPs), recently approved by Cabinet, sets out key objectives and the procedures for doing so.

In addition, a sustainable development initiative for the Northern Savannah agro-ecological zone has also been developed to address the particular challenges of this lagging region, as already highlighted in paragraph 3. The strategy proposes a Savannah Accelerated Development Authority, to coordinate efforts of ministries, departments and agencies (MDAs). A development fund has also been established to provide additional investment funds to complement sector ministries' investment programs.

III. Project Development Objectives

The project development objective (PDO) is: increased access to land, private sector finance, input- and output-markets by smallholder farms from private-public partnerships in commercial agriculture in Accra Plains and SADA zone. PDO level indicators are as follows:

1. Yield per hectare (in mt/ha) of major crops on both nucleus farms and the associated out-grower schemes benefiting from project support. This will be disaggregated by crop, especially, for rice, soya and maize, and for Accra Plains and SADA zone;

2. Area (ha) under formal commercial arrangements such as out-grower schemes and contract farming. This will disaggregated between land under nucleus farms and land under out-grower cultivation, and will be disaggregated by Accra Plains and SADA region;

3. Formal and/ or semi-formal marketing arrangements for small-holder farms (number) and will indicate the number of new arrangements fostered by the project. For each new arrangement documented, information will be gathered on their location, i.e Accra Plains or SADA, farm size and the nature of the arrangement, i.e. formal contract or semi-formal agreement;

4. Direct project beneficiaries (number), of which are female (%) (IDA Core Indicator);

5. Volume of credit (in GHS) to the agricultural sector, as reported by the Bank of Ghana;

6. Gross margins for selected crops (in GHS) and disaggregated by Accra Plains and SADA zone.

IV. Project Description

Component Name

Component 1: strengthening investment promotion infrastructure, facilitating secure access to land and project management.

Component 2: securing PPPs and small-holder linkages in the Accra Plans.

Component 3: securing PPPs and small-holder linkages in the SADA region.

V. Financing *(in USD Million)*

For Loans/Credits/Others	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	100.00

Total	100.00

VI. Implementation

The project will be implemented within existing public sector structures while adopting an appropriate private sector orientation. This reflects the fundamental approach of the project to leverage private investment, and the role of the public sector to facilitate such investments based on a robust business logic and the efficient deployment of necessary public goods. Implementation arrangements have been informed by the following principles: The project will (i) utilize existing institutional mandates and capacity – however limited – and will not create project-specific duplicates; (ii) put particular efforts into institutional coordination across MDAs through strong mutually beneficial partnerships between the responsible Ministry and other parts of Government; and (iii) ensure that project management incorporates private sector perspectives essential for the establishing of long-term PPPs.

Strategic oversight of the project will be provided by a project steering committee. This Committee will be chaired by the Minister of Agriculture and include Ministers of Finance and Economic Planning and Trade and Industry. It will also include the Chief Executives of the GIPC, the Lands Commission and SADA. In addition, the Director of the PID in MOFEP and the Chief Executive of GIDA will also be members. Private sector representation will also be important, including the Director of the Private Enterprise Foundation, and others to be confirmed. Linkages with other relevant bodies will be important, especially the oversight committees of the PSDS II and the CAADP implementation committee. The steering committee will be responsible for approving the semi-annual workplans and budgets.

The project will be implemented by a Project Implementation Unit (PIU) under the responsibility of the MoFA. The Project team will be include all necessary technical staff including financial management and procurement staff, adequate monitoring and evaluation capacity and project accountants etc. In addition, the PIU will be staffed with senior-level technical staff from the partner MDAs, on secondment from their 'home' institutions. Exceptionally, newly recruited staff will be recruited.

The project will coordinate closely with the SADA secretariat. It is anticipated that eventually, the project sub-office to be located in Tamale to manage activities in the Northern sector will 'migrate' to become the SADA agribusiness transformation team.

VII. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36	x	
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50	x	
Projects in Disputed Areas OP/BP 7.60		x

VIII. Contact point

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