



Investment opportunities for value chain development in Ghana: Entrepreneurship and Financing Innovations

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Outline of presentation

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- Small scale Rural Agro-processing- a case in Ghana
- Some key constraints/challenges
- Financing and Value Chain development
- Investment opportunities identified
- Conclusions and Policy implications

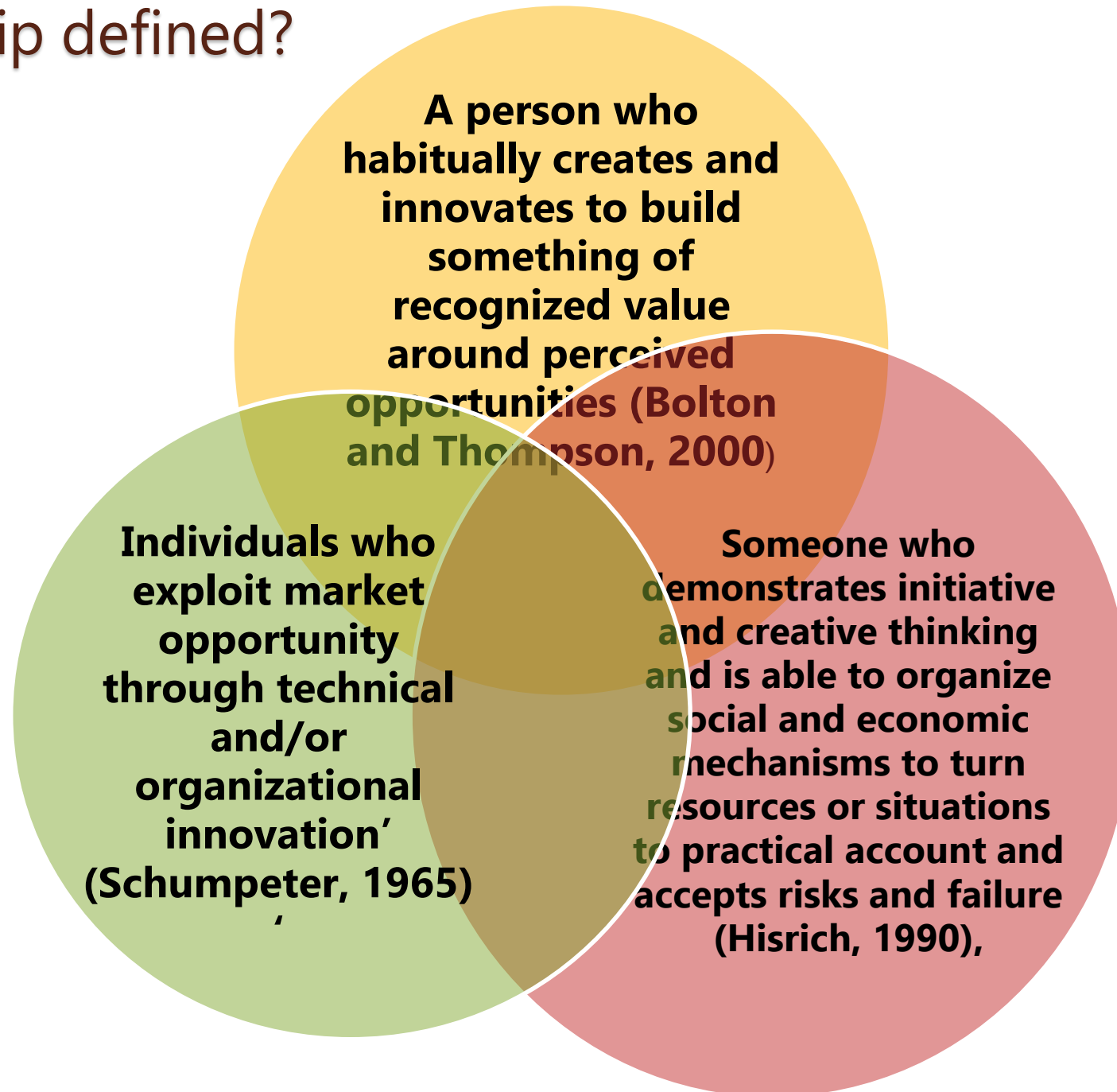
Introduction/Background

- Agric. sector's contribution to national growth is declining, yet it offers the greatest opportunity in terms of employment, poverty reduction and economic growth in Ghana
- While every aspect of production is necessary and deserves attention, marketing and processing remain crucial if production is to see the light of day
- While they are involved in every aspect of the value chain, marketing and processing alone has not less than (80%) women, majority of who are often counted among the poorest of the poor
- Expanding the sector is therefore critical and should be immediate, given that '**empowering a woman empowers a nation**' and some governments are doing their best to push women up

Introduction/Background

- To be successful in its industrialization drive, Ghana needs its primary industries including the food and agro-processing sector to be in that mix
- A well-developed food and agro-processing industry provides a good buffer against fluctuating local food prices, declining production, minimizes impact of volatile global prices on domestic markets, improve food security and poverty reduction among others
- In spite of this, the food processing sector, which accommodates women (80%) faces critical challenges including
 - Limited financing, poor markets (input & outputs) and lack of entrepreneurship drive as well as limited knowledge in post harvest management and inadequate extension deliveries to women in particular (because they are often regarded as poor entrepreneurs and not ready to take risk)
 - Other challenges include firms with inefficient production, low capacity facilities, poor technologies, inadequate skilled human resources, and *inadequate entrepreneurial skills*, among other things

Entrepreneurship defined?



Entrepreneurship dynamics and innovations in Ghana

- While entrepreneurship development is largely perceived as a way to empower entrepreneurs, especially women, its importance as a tool for poverty reduction through the creation of employment, increased productivity, sustainable income and food security cannot be discounted
- In the 3 decades or so, the trend of businesses is changing with;
 - Privatization and deregulation of business environment increasing
 - Numbers of small businesses, especially in agric. sector growing
 - Agricultural & Business environment reforms
 - Interest in value chain businesses and analysis increasing
 - Focus on women businesses, mainly in marketing and processing of agricultural produce and products growing

Small scale agro-processing – a case in Ghana I




The small scale agro food processing enterprises identified were mainly micro and a few medium, with most of them owned by a family with staff mainly under paid or given tokens

Such family-owned businesses mostly use locally grown foods crops such as fruits, tubers and vegetables, nuts, fish among others and businesses are usually not competitive

Processing methods are mainly traditional such as pounding, drying and grating, e.g. converting cassava tubers into gari or Konkonte, extracting oil from palm nuts, smoking or salting fish for conservation (prolong shelf life)

Small scale agro-processing – a case in Ghana II



Activities are laborious with little machines (and sometimes simple ones) employed therefore bringing in limited value addition in the final product

Location of business provides comparative advantage in accessing raw materials (local) which may be cheaper to imported raw ones

Fruit and fruit juice processing which is more profitable by virtue of the fact that it seems to be the focus of most large scale enterprises in Ghana, was completely absent in the community, making it difficult for the smallholders to link up

Networking between small and large businesses and among small businesses, even with in the same locality is weak

Some key factors constraining small agro processing value chain development

- In Ghana, most small businesses, struggle to either access funding to start or expand business; entrepreneurial skill is absent and sources of finance still remain traditional with no innovation introduced
- The difficulties with small firms are attributed to several factors including;
 - Smallness of businesses which does not suggests possibility of scale economies
 - Agricultural based businesses considered risky by Banks due to overdependence on rain
 - Fear of Credit worthiness of businesses based on history of heavy default rates
 - Informal nature of businesses (financial institutions reluctance deal with non-registered enterprises)
- Large market opportunities, which could provide financing exist, but markets are yet to developed or up scaled .e.g.
 - Traders come from big cities of Accra, Kumasi and Takoradi- but quality of Rice needs improvement
 - international markets exist few kilometres away but yet to be discovered/created

Capital structure: Sources and conditions of smallholder financing

- While the sources of agriculture finance has relative remain the same, conditions of access to funds has and is changing but still limited to a few.
- Conditions of access have included; high collateralization, high interest rates, bias against certain category of farms and social actors, including women exist
- Some sources of finance to agriculture operators include;
 - Social capital = Founder (owners equity), Friends, and Family = 3F
 - Private Capital and funds (Money lenders and other business people)=business angels
 - Loans from formal institutions such as Banks and Micro Finance Institutions (absent here)
 - Government (Project/Programme) and Non Government Supports (declined)
 - Cooperative Associations/ Agricultural Value Chain Financing (new and infantile)

Innovative thinking : financing enterprise/Business by stages of operations

Four (4) stages of Business financing;

Seed stage:

R&D –technical and economic feasibility, market potential assessment

Start up stage:

Initial market research, market research activities and establishment of formal business (through registration of business and accessing networks, etc)

Early growth stage:

Small scale commercialization, development of structures for scaling up and deciding to partner with others

Expansion stage:

Substantial growth of scale and market impact of business

Investment opportunities in rice value chain in Ghana

Investment
opportunities
identified in
the case
study

- Opportunities related to pre production and production
- Opportunities related to market access, marketing and distribution
- Opportunities related to processing and packaging
- Opportunities related to financing and innovation

Conclusion and implications for policy

Small-scale food processing activities represent a potential source of livelihood for many poor people, especially women in rural Ghana, yet its linkages with R&D, markets, finance and other institutions is weak

Yet, meaningful initiatives to encourage private sector investment in innovation and entrepreneurship are lacking and hence modern practices of agriculture have only boosted production, and not reflected in expanding the marketing and food processing sector which accommodates majority of poor women

Weakness in post-harvest handling has not only negatively affected food security but food safety, prices and job creation, as well as incomes, poverty and economic growth

Deliberate efforts by Government should be taken to strengthen small scale entrepreneurship in the country