

# Brokering Development:

Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains



## Summary of Ghana Case Study

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This is a summary of the Ghana Country Report, which was written by Daniel Bruce Sarpong and Henry Anim-Somuah, based on research carried out in 2014 in association with the Institute of Development Studies (IDS) as part of an IFAD-funded programme on the role of PPPs in agriculture.

It is one of the four IFAD project-supported Public-Private-Producer Partnerships analysed for the research report 'Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains'. The report synthesises the four case studies and discuss the findings on how PPPPs in agricultural value chains can be designed and implemented to achieve more sustained increases in income for smallholder farmers and broader rural development.

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# Executive summary

Developing country governments and donors are increasingly looking to public–private partnerships (PPPs) to deliver growth and positive development outcomes in agriculture. Capturing learning from the experience of one PPP in Ghana, the Northern Rural Growth Programme (NRGP), can provide important lessons for other programmes with PPP arrangements. In Ghana, these include the World Bank and USAID-funded Ghana Commercial Agriculture Project (GCAP) and the IFAD-funded Ghana Agricultural Sector Investment Programme (GASIP) (2015–2020).

The NRGP was designed to address the main challenges facing smallholder farmers in northern Ghana: limited access to inputs and services, low productivity and low prices. It also aimed to build organisational infrastructure to link smallholder farmers to end markets. The theory of change underlying the programme was that greater collaboration between the private and public sectors can help smallholder farmers access the inputs they need to improve productivity, help secure end-buyers, and get a better price for their produce. Increasing farmers' productivity (for consumption and for the market) should result in increased incomes, which should enhance household food security and reduce poverty.

Research carried out by the University of Ghana in partnership with the Institute of Development Studies (IDS), focused on the NRGP's value chain arrangements for maize, which is both a staple and a cash crop in the areas studied. It found that the PPP had positive impacts on development outcomes, specifically: improved household food security (a shorter hunger gap) as well as increased smallholder productivity and access to farm inputs, services and infrastructure. The available evidence suggests that most farmers now have surplus maize to sell, which has boosted household income and livelihoods. But the experience of the NRGP PPP in relation to the maize value chain highlighted some ongoing challenges and areas of learning, as follows.

**Sharing risks and benefits:** it is vital to identify and quantify the risks facing each partner/stakeholder in PPP arrangements so that mechanisms for sharing risks and benefits can be agreed. It is also vital to define what 'success' means for each of the partners involved.

**Pricing:** there need to be mechanisms to ensure transparent pricing of maize.

**Transparency:** there is a need to balance pragmatism and expediency with transparency, particularly around contractual arrangements.

**Gender equality:** there is a need for strong analysis of gender dynamics within a given value chain to identify how women producers can be empowered to benefit from the opportunities provided by PPPs.

**Monitoring and evaluation (M&E):** PPPs should give careful consideration to M&E systems during programme design stage, clearly identifying which partner(s) are responsible for M&E and how M&E activities are resourced and funded.

**Communication and buy-in:** the NRGP has tried to build trust between value chain actors with very different motivations and capacities – large companies, public sector bodies, rural banks, and smallholder farmers. Because PPPs depend on relationships built on trust, negotiation, and mutual benefit, there is a need for effective communication and honest brokering at various levels – particularly between programme staff, the facilitating organisation, and farmers' organisations (as well as local communities more broadly) to engage them and secure their buy-in.

# Introduction and overview

## Objectives of the case study

This report forms part of a series of case studies that seek to identify key success factors for public-private partnerships (PPPs) in rural development, based on learning from IFAD's experiences with PPPs in four countries (Ghana, Indonesia, Rwanda and Uganda). The aim of this series is to support policy and decision-makers in government, business, donor agencies and farmers' organisations to build more effective PPPs that bring about positive development outcomes sustainably and at scale.

The study identifies key elements of PPP design and implementation that lead to positive (or negative) development outcomes for smallholders and rural communities, by exploring four questions:

- What constraints was the PPP set up to overcome, and what was its theory of change?
- What were the key features of how the PPP was brokered, designed and implemented?
- What have been the development outcomes for smallholders and rural communities to date?
- How have these outcomes been influenced by the PPP brokering, design and implementation?

## Methodology

Data were collected through a mixture of semi-structured interviews, field visits and focus group discussions, and a review of secondary research and data, supplemented and validated through stakeholder meetings at the start and end of the project. Participants were purposively selected from the range of PPP stakeholders, including local market chain actors, smallholder farmers and other community members, and relevant experts. In Ghana, the research team carried out fieldwork in June and July 2014 in 8 of the 43 districts that participated in the PPP's value chain arrangements for maize. Interviews were conducted with members of the District Value Chain Committee, local aggregators and input dealers, tractor service providers, and leaders of farmers' organisations. Separate focus group discussions were held with men and women in each district.

The study also reviewed several reports and other documents related to the NRG, including IFAD's 2014 Supervision Report on the programme, and its 2007 President's report on the proposed loan and grant for the programme.

Study limitations include the narrow focus on just

one value chain (maize) within the NRG's range of partnerships. The focus on the maize value chain (as opposed to soya, for instance) also complicates the market/commercial orientation of smallholder farmers, because maize is both a staple and a cash crop in the northern regions.

## Country context

With average agricultural growth of more than 5 per cent a year over the past 25 years (driven by cocoa), Ghana now ranks among the top five performers in the world. This growth has enabled it to achieve impressive reductions in poverty and malnutrition rates, and Ghana will soon become the first African country to achieve MDG 1 – halving poverty and hunger (Wiggins and Leturque 2011).

Yet in northern Ghana, farm incomes remain lower than the national average and poverty rates are higher. Most rural households depend on rain-fed subsistence agricultural production for their livelihoods (nationally, an estimated 90 per cent of farm holdings are less than 2 hectares) (African Development Fund and Government of Ghana 2007). Poor soil fertility, unreliable rainfall patterns and farmers' limited access to key inputs such as improved seed varieties, fertiliser and credit have hampered yields and kept productivity – and farmers' incomes – low. Communities face high levels of food insecurity (34 per cent, 15 per cent and 10 per cent in the Upper West, Upper East and Northern regions respectively), with the typical hunger gap ranging from four to seven months of the year (World Food Programme 2009).

The government's Northern Development Strategy (2010–2030) aims to reduce the region's poverty rate to one-fifth by 2030. It has attempted to boost food crop production for commercial markets in the northern regions as a way of reducing rural poverty and increasing food security through its Medium Term Agriculture Sector Investment Plan (METASIP) (2011–2015).

## Overview of the PPP

The government of Ghana has expressed its commitment to public-private partnerships as a way of overcoming some of the main challenges to agricultural growth in the rural north. These challenges include weak institutional capacities, operational inefficiencies and poor public service delivery; PPPs aim to utilise the experience and expertise of the private sector to strengthen market

linkages. The government defines a PPP as ‘a contractual arrangement between a public entity and a private sector party, with clear agreements on shared objectives for the provision of public infrastructure and services traditionally provided by the public sector’ (Republic of Ghana 2011).

One of the main PPP programmes is the Northern Rural Growth Programme (NRGP), a partnership between the government (Ministry of Food and Agriculture), the International Fund for Agricultural Development (IFAD) and the African Development Bank (AfDB), with a total budget of more than \$100 million. This eight-year programme (2009–2016) aims to reduce poverty and enhance food security by helping smallholder farmers in the rural north (where poverty levels are highest) to increase their incomes and develop more sustainable livelihoods. It does this by promoting inclusive and profitable commodity value chains, supporting producer organisations and linking them with the private sector, while creating other facilitating bodies (District Value Chain Committees). Its broad remit is to improve farmers’ access to credit, infrastructure, production inputs-outputs and marketing.

Although the NRGP works across different value chains, the research team focused on exploring the value chain for maize. They aimed to identify which elements of the PPP (in terms of its design and implementation) led to positive (or negative) development outcomes for smallholder farmers and rural communities in northern Ghana (Northern, Upper East and Upper West regions). They aimed to provide a robust understanding, grounded in evidence, of when and how PPPs bring about positive development outcomes sustainably and at scale.

### **Theory of change<sup>1</sup>**

The theory of change underlying the NRGP is that greater collaboration between the private and public sectors can help smallholder farmers access the inputs they need to improve productivity, help secure end-buyers, and get a better price for their produce. Increasing farmers’ productivity (for consumption and for the market) should result in increased incomes, which should enhance household food security and reduce poverty.

# Analysis

## Key elements of the PPP

### Design

The Northern Rural Growth Programme (NRGP) was designed to address the key challenges facing smallholder farmers in northern Ghana – mainly limited access to inputs and services, low productivity and low prices – as well as the lack of organisational infrastructure linking smallholder farmers to end markets.

During the preparation stages, there was no structured approach to identifying potential private sector partners and inviting them to participate. Based on existing relationships, senior NRGF staff approached companies – Nestlé Ghana Ltd and Akate Farms in the case of maize – to become involved in the partnership. It is thought that these companies agreed to participate in the PPP because of the level of trust and confidence they had in the NRGF staff.

The NRGF aimed to increase smallholder farmers' incomes and food security by securing end-buyers for their produce. Nestlé (as explained in the next subsection) buys maize indirectly from smallholder farmers' organisations (in a process that is not clearly defined). Akate Farms buys through a mediator or 'aggregator' – the Savanna Farmers Marketing Company (SFMC).<sup>2</sup> The respective roles of each partner are described in more detail in the next section.

In terms of the organisational infrastructure linking all actors in the value chain, the programme contracted a national NGO, the Association of Church-based Development NGOs (ACDEP), to fulfil a key brokering and facilitating role. ACDEP provides start-up training for farmers' organisations, and coordinates the work of the key implementing body, the District Value Chain Committee (see box).<sup>3</sup> The DVCC manages relationships between partners, facilitates negotiations between farmers' organisations and buyers (around price, quality, quantity, etc) and ensures smallholders' access to key inputs from dealers and service providers.

### A two-tier arrangement

The programme operates over two tiers, as follows.

- A partnership between the NRGF and Nestlé Ghana Ltd (the buyer). Nestlé buys maize from

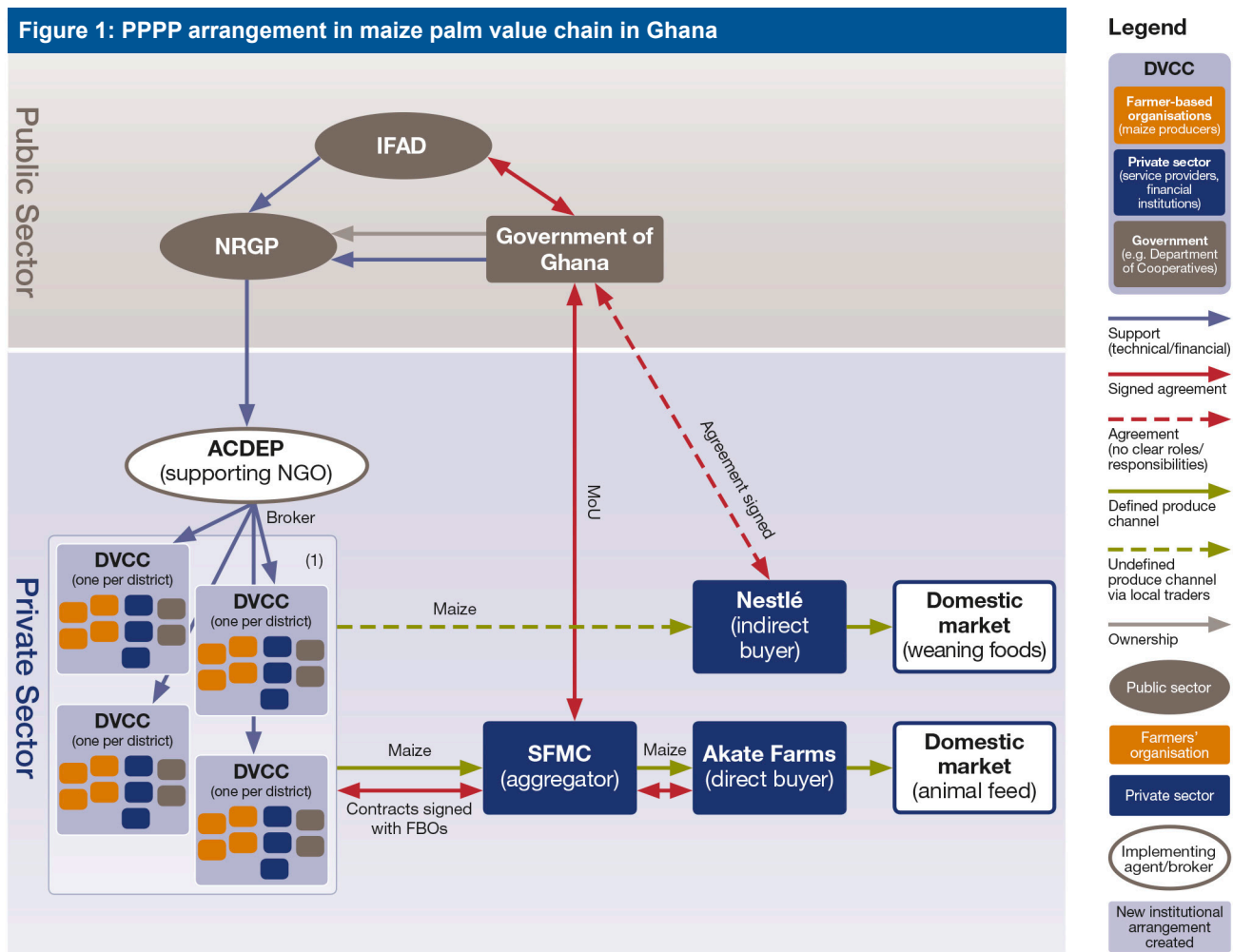
farmers' organisations participating in the PPP through an informal arrangement.<sup>4</sup>

- A formal arrangement between participating farmers' organisations and the SFMC. The NRGF has a formal Memorandum of Understanding with the SFMC to buy maize from participating farmers' organisations and 'aggregate' and deliver the maize to Akate Farms (which needs to source quality maize grains for its poultry production).

The SFMC is a key partner in the PPP. Its participation is important for the functioning of the cashless credit system (explained below) as it provides a guaranteed market for smallholders, and a single source of payback for the rural and community banks (RCBs) that provide credit.<sup>5</sup> It has extended its role to supporting farmers' organisations post-harvest by providing equipment such as weighing scales and tarpaulins to dry harvested grains.

At district level, the PPP is implemented through two bodies: the Ministry of Food and Agriculture (the District Development Unit (DDU)) and the Department of Cooperatives.<sup>6,7</sup> One of the main roles of the DDU is to provide extension agents (funded by Nestlé, which also provides training materials) to train smallholder farmers.<sup>8</sup> Training covers food safety, aflatoxin contamination,<sup>9</sup> and post-harvest storage practices. (For Nestlé, being able to source quality maize grains domestically that have low levels of aflatoxins is the main driver of its involvement in the programme. The arrangement also helps the company meet its corporate social responsibility targets.) The DDU also provides technical support to the District Value Chain Committee, in drawing up annual crop budgets and negotiating credit terms with rural banks.

There is also a formal arrangement between the NRGF and ACDEP, which plays a key facilitation role for all value chain actors at district level. ACDEP helps farmers' organisations access productive inputs (eg, being represented at input dealers' forums, where they can benefit from special deals). In terms of marketing smallholders' produce, ACDEP (through the DVCC) helps participating farmers' organisations negotiate prices with aggregators (which in this case is formally the SFMC) at the beginning of the harvest. It also provides training to new and existing farmers' organisations on group formation and dynamics, and provides simplified draft contracts for farmers' organisations to sign.



### Implementation

Ghana's PPP has numerous implementing agencies, including the NRG, the Ministry of Food and Agriculture, ACDEP, and all local actors in the maize value chain, comprising service providers, financial institutions, and farmers' organisations – all of whom are represented on the District Value Chain Committee (DVCC). This community-level body (akin to a chamber of commerce) is key, as it is dedicated to ensuring farmers' access to inputs, finance, markets and technical assistance.

In the first tier of the programme, each year Nestlé agrees to buy a specified quantity of maize from NRG farmers' organisations as long as their produce meets certain quality and price requirements. However, Nestlé does this purchasing indirectly, through buying agents, so there is no traceability. Nestlé also provides training for extension workers from the Ministry of Food and Agriculture, on grain quality assurance and post-harvest management. This helps ensure that the maize the company buys meets its required standards.

Within the second tier, the aggregator (SFMC) purchases maize from smallholder farmers' organisations (through negotiations facilitated by the DVCC) and supplies that maize to Akate Farms for its poultry feed. SFMC purchases are fully traceable. This arrangement enables participating farmers' organisations to access the 'cashless credit' system that operates through participating RCBs, input dealers and service providers (see box). These loans are disbursed to service providers who provide key inputs and services to participating farmers' organisations. Where SFMC is the aggregator, all the farmers' organisations receive payment for their maize from the bank. For SFMC, this represents a considerable level of resource commitment and risk; however, participating farmers' organisations and banks have a high degree of resource commitment and face a high level of risk (as there is just a single source of payback).



### The District Value Chain Committee (DVCC)

Facilitated by the NGO partner, ACDEP, the DVCC is a forum for all local actors in the value chain and was designed to ensure that smallholder farmers can secure access to credit and other inputs, and markets (end-buyers). All value chain actors are represented on the DVCC: farmers' organisations (including women producers), input dealers, tractor service providers, local aggregators/buyers/off-takers, the Ministry of Food and Agriculture (District Development Unit), Department of Cooperatives and participating banks from the RCB network.

The DVCC's Executive Committee has nine elected members who perform their duties on a voluntary basis, and four non-voting members representing the Ministry, the District Development Unit, the Department of Cooperatives, and the RCB network. The Executive Committee manages all DVCC activities, producing annual crop enterprise budgets, reviewing all production loans and endorsing loan applications, and selecting input dealers and tractor service providers under the cashless credit scheme. The DVCC is also the forum for price negotiations with aggregators.

### Brokering

IFAD has provided vital technical assistance to ensure that the NRGF is on track regarding the objectives defined during programme design. In some cases, it facilitates contacts with potential private sector partners. It is engaged in policy dialogue with the relevant government entities and other development partners.

The NRGF has tried to build trust between value chain actors with very different motivations and capacities – large companies, public sector bodies, rural banks, and smallholder farmers. Previously, companies like Nestlé and Akate Farms would not have purchased maize from smallholder farmers (due to fears over product quality, with no guarantees that farmers would not sell outside the arrangement either to avoid repaying production loans or get better prices). Now, the NRGF's brokering role has given these companies greater confidence in sourcing quality maize from smallholder organisations.

### The NRGF's cashless credit system

The programme uses a financing model that overcomes the problem of smallholder farmers' limited access to inputs and services. Local rural and community banks (RCBs), owned and governed by rural communities, are at the heart of this model.

The District Value Chain Committee screens farmers' organisations that want to participate in the programme and, with technical advice from the Ministry of Food and Agriculture, develops annual crop budgets on an acreage basis that form the basis for production loans. The DVCC also determines prices of inputs and services, enabling it to specify how much credit each smallholder farmer can access.

On receiving an application for credit from a farmers' organisation, each bank conducts its own due diligence using the Know Your Client (KYC) mechanism developed by NRGF. If the applicant meets the bank's requirements, the loan is approved. While the application for the loan is made by the farmers' organisation, its individual members receive the credit in the form of services and inputs from named service providers or input dealers. When these inputs or services have been provided, the farmers' organisation issues a voucher to the service provider or input dealer, who presents this to the bank for payment. The loans are then repaid when farmers' organisations sell their produce either directly, through the SFMC as aggregator, or in some cases by the farmers' organisation itself if it has sold produce on spot markets.

In the first tier of the PPP arrangement, NRGF programme staff broker the relationship between the Ministry of Food and Agriculture and Nestlé, and also broker a purchase arrangement between Akate Farms and the SFMC. In the second tier, ACDEP is the main broker of supply agreements between the SFMC and farmers' organisations. It reviews contracts to maintain fairness, and ensures that farmers' organisations understand the terms. ACDEP also plays an honest broker role in facilitating the cashless credit arrangement.

The NRGF acts as a facilitating partner in all these relationships by engaging the private sector partners and contracting the intermediary agencies. It provides a valuable link between the private sector and smallholder farmers, with committed programme

staff skilled in finance, value chain development, gender, monitoring and evaluation, and engineering. NRGP provides resources to the intermediate implementing agencies (ACDEP and the Ministry's DDUs) to support farmers to form FBOs at the community level. It also supports the key work of the DVCC.

Within the DVCC, ACDEP is a strong broker and is closely involved in facilitating relationships between the SFMC and individual farmers' organisations. Although in some cases these relationships are governed by written contracts, they are not legally enforceable; therefore the role of ACDEP as a broker and arbitrator when conflicts arise is key.

### Development outcomes

This section is in no way intended to be an evaluation of the NRGP and its outcomes. It is, in any case, difficult to attribute specific development outcomes to the NRGP, partly because other government/NGO agricultural programmes may also have made a contribution, and partly because of the relatively short period of time during which the programme's full organisational infrastructure has been in place. Instead, here, we analyse the extent to which the PPP was a successful instrument for delivering the development outcomes envisaged in the theory of change, based on project documents, focus group discussions and interviews with a range of value chain actors.

Participants' comments reveal some very positive development outcomes at household level, reflecting increased productivity and income, and improved food security:

*'Poverty is there but the community will never go hungry again. We have access to fertiliser, tractor services, good seeds now compared to previously, when we used a cutlass and hoe and no modern inputs. We have a dam and did not know how to use it. Now people do dry season farming and there is food throughout the year.'*

Comments made during men's focus group discussion, Upper West region

*'See how well clothed I am... I have money from my maize farm.'*

(Focus group discussions with women from two communities, Upper West region)

Yet other interviewees highlighted some of the major challenges facing the programme:

*'This year (2013/14) FBO [farmers' organisations] repayments are poor. Bank believes some actors did not do their work. M/E [monitoring and evaluation] was bad, which could have helped solve some of the problem. "Savanna" failed to perform their part of the contract as they failed to take "produce" from farmers to repay.'*

(Participating Rural and Community Bank, Upper West region)

The NRGP public-private partnership seems to be linked to some important improvements in smallholder farmers' crop production and market access:

- It has improved smallholder farmers' access to credit, training and other key inputs, which has enabled them to improve productivity. Farmers have been able to enhance their crop yields, improve grain quality and secure access to previously inaccessible markets.
- Smallholders can now get a better price for their produce on local spot markets, reflecting the higher quality of their output.
- Quality standards have improved, with Nestlé reporting a near zero rejection rate for the 700 metric tons of maize it has purchased from farmers in northern Ghana.

The programme is also linked to increased farm incomes, food security, and reported household wellbeing:

- Most smallholder farmers have increased their gross incomes, though there is considerable variation in net incomes across districts, reflecting the different input costs and prices farmers can get on local markets at different times of the year. In some communities (e.g. Yendi district), high production costs and costs of credit have left farmers with little increase in net returns.
- Participants in focus group discussions (male and female) in the Northern, Upper East and Upper West regions all reported a reduction in the number of months in which there is a hunger gap.
- Smallholder farmers in the Upper East and Upper West regions who previously cultivated

millet and sorghum have seen a substantial increase in their net incomes due to their participation in the PPP as they have begun to cultivate maize. Many farmers now have enough food for household consumption all year round with surpluses to sell, which means they can meet important household expenses such as school fees, health insurance premiums, and contributions to traditional ceremonies.

To what extent can these observed development outcomes be attributed in part to the PPP?

- The NRGP has enabled smallholder farmers to produce more and better quality maize as a result of improved access to inputs. Whether or not farmers were already growing maize, they have begun to believe that farming livelihoods can go beyond subsistence production and that they can develop their businesses with confidence in their ability to access key inputs, which were previously unavailable to them.
- The organisational infrastructure created by the programme – through ACDEP's support for new and existing farmers' organisations, and the District Value Chain Committee bringing together all actors in the local maize value chain – has established vital linkages for smallholder farmers and given them secure output markets, while the cashless credit system has given them access to key inputs and services.
- Giving smallholder farmers more voice: the programme (and particularly ACDEP, in its role as honest broker) has given smallholder farmers a voice through the DVCC, which is promoting greater transparency in setting prices for inputs and outputs, especially improved inputs and tractor services. It also provides a channel for local arbitration of conflicts.

Table 1 (page 10) describes changes observed by the research team in relation to the baseline for a range of outcomes, noting how those changes can be attributed to the PPP.

Table 1: Summary of development outcomes achieved by Ghana's Northern Rural Growth Programme public-private partnership			
Development outcomes	Baseline	Observation	Evidence and attribution to PPP
<b>Food security:</b> Access to food all year round (without needing to borrow money or food to meet basic consumption needs)	Prior to the PPP arrangement, households did not have enough food to meet basic consumption needs all year round	Households of participating smallholders can meet basic consumption needs all year round. Hunger period has declined, both in duration and severity	Most farmers now have enough produce for consumption and a surplus to sell, especially those who have shifted to maize production
<b>Assets:</b> Household income (measured in terms of access to or ownership of key assets such as electricity, forms of transportation, communication devices or types of cooking fuel)		Some participating farmers have bought motorbikes, mobile phones and are investing in livestock	When farmers sell to SFMC they receive a lump sum, whereas they can only sell in small quantities on spot markets, and cannot invest that money
<b>Wellbeing:</b> Perceptions of wellbeing among farmers and other community members	Farmers consumed unwholesome grains. Most smallholder farmers could not pay school fees or health insurance premiums	Farmers report consuming good-quality maize, being able to pay school fees on time, and pay health insurance premiums	Farmers can now sort their grains using skills learned at the Nestlé-sponsored training sessions
<b>Empowerment:</b> Voice and influence in decision-making processes (e.g. policy processes, market negotiations) by farmers and communities	Prices for inputs and outputs were set without farmers' participation	Farmers now have greater participation in price negotiations through their representation on the DVCC	Prices are negotiated by the DVCC for inputs as well as outputs
<b>Gender empowerment:</b> Involvement, by women who participate in crop production, in farm decision-making	Farmers' organisations include some women as members	Women are participants in the process, but most women were not members of the farmers' organisations	
<b>Access to services and infrastructure</b>	Farmers had limited access to credit, inputs and tractor services. Storage facilities were problematic for most farmers and aggregators	Smallholder farmers have greater access to training, credit, inputs and services. Access to storage is still problematic but there are plans to address this under the PPP arrangements	Nestlé sponsored training on post-harvest practices and food safety. ACDEP provided training on group formation and marketing produce. Farmers have improved access to inputs, credits and services under the cashless credit system.
<b>Farm productivity:</b> (e.g. crop yields per hectare or per season)	Maize productivity was between 0.75 to 1.24 MT per hectare	Productivity has more than doubled on average but remains low compared to achievable yields	Maize productivity is between 1.5 to 3.2 MT per hectare
<b>Income stability</b>	Income was neither predictable nor stable	Incomes are still not predictable or stable	Prices are not determined until late in the season and crop yields can vary from season to season. Also, the SFMC has not been consistent in buying smallholders' produce. In the 2012-13 season, it did not buy maize, but in 2013/14, it did
<b>Risk management:</b> Farmers' exposure to risk (considering also how this is affected by risk-sharing within the PPP or risk management measures like weather index insurance)	Farmers bear all the risks involved in production	No change in risk-bearing, but exposure to risk has increased due to greater use of inputs acquired through credit	Farmers are required to pay back loans in full even if crops fail, and even if the aggregator does not buy their produce.

## Linking the PPP and development outcomes

In addition to the points noted in the table, other elements of how the PPP was designed and implemented seem to have played an important role in achieving the development outcomes reported.

- The enabling partnership between IFAD and the government of Ghana allowed the implementation of a series of PPP arrangements under the NRGPs to provide resources for facilitation, technical assistance, public goods and, to a limited extent, support for investment in capital assets to enhance productivity of enterprises along the value chains.
- The programme took a flexible and pragmatic approach to identifying suitable private sector partners in the early stages. In order to get activities and structures up and running and avoid getting bogged down in bureaucracy, loose agreements were made.
- Using ACDEP as an honest broker and facilitator seems to have avoided the programme being derailed when arrangements were not adhered to as planned.
- Setting up the organisational infrastructure at district level to establish and formalise linkages in the local value chain seems to have been an innovative development that retains considerable potential.
- The cashless credit system, although still problematic in some important respects, seems to have been another key mechanism in enabling smallholder farmers' to achieve the PPP's intended development outcomes.

The programme also seems to be having some interesting knock-on effects. As smallholder farmers begin to demonstrate they can reliably produce quality outputs, it is possible that the programme can attract other businesses to create larger end-markets for producers (for example, two companies, Premium Foods and Yedent, now have agents in northern regions looking to source quality grain from reliable suppliers).

Increased production of maize has also increased farm household incomes by creating additional employment opportunities among the local community (for instance, providing more opportunities for casual labour by men and women on tasks such as land stumping, weeding, processing, spray gangs, and bullock ploughs). Farmers also report that they are more confident in deciding to intensify or diversify crop production when they know they can access input-output markets.

## Challenges

The maize PPPs, involving as they do a wide range of partners with varying capacities and motivations – not least different levels of investment and risk – face a range of challenges.

Pricing in the maize value chain is one of the biggest areas of contention. Even though smallholder farmers may verbally agree or even sign a written contract with the aggregator, the contract does not specify the price at which the aggregator takes the maize. The price farmers receive for their maize is not determined at the point when they are making crop production decisions and discussing contracts; it is determined later in the season, at a post-harvest forum, when supply far outstrips demand, thus bringing prices down.

There have been instances where contracts between aggregators and farmers that were supposed to be signed never materialised, leaving the marketing of produce to market forces, which puts smallholder farmers at a big disadvantage. When prices on the open market are higher, farmers would want the formal aggregator to buy at the open market price instead of the verbally agreed, non-binding price, and vice versa. Even when agreements between aggregator and farmers' organisations have been signed, both parties have reneged on their obligations depending on the divergence between the prevailing open market price and the agreed price.

Although conflicts have arisen over pricing (based on what the SFMC has agreed with smallholder farmers and higher prices offered by itinerant traders at local markets), they have usually been resolved amicably with ACDEP's intervention.

## Sharing risks and benefits

It is clear that across the programme's two tiers, the partnerships entail very different levels of resource commitment and risk. The biggest risks are around production and price, but this risk is largely shared by just two partners – the farmers' organisations and the RCB providing the loans – arguably the most vulnerable partners in the PPP arrangements. The other, private sector partners (Nestlé and Akate Farms) commit fewer resources and face a lower level of risk.

While under the PPP arrangements, partners share a common goal of enhancing the performance of the maize value chain, there is no shared definition of programme success. Each partner, given its role, has a different definition. For example, the NRGPs define success as the number of farmers' organisations that have access to end-buyers and

credit, while Nestlé defines success as sufficient quantities of low aflatoxin maize delivered to its factory (measured by the rejection rate). The SFMC is successful if it meets the demand and quality requirements of the end-buyer. For most farmers, success is defined by higher net returns and their ability to repay their production loans.

This latter point has become a major issue. In a good season, loan repayment rates have been impressive (with most RCBs recovering almost 100 per cent of loans made under the cashless credit scheme). However, given the unreliability of rainfall, in a bad season, some smallholders have not been able to pay back the loans. Recent default rates among farmers' organisations make RCBs reluctant to continue providing those loans. Recovery of loans for the 2013/14 season has been slow, causing one leading rural bank to decide not to offer agricultural loans through the programme for the 2014/2015 cropping year. This has even affected farmers' organisations which are not part of the PPP and have repaid all their previous loans in full.

In the event of actual market prices rising above the price agreed earlier in the season between the farmers' organisations and the SFMC, the rural banks are also exposed to risk, since in these instances, most smallholders have tended to divert their produce to more profitable local markets and not sell through the aggregator. Thus the banks do not receive their payment from SFMC, exposing them to high default rates.

Input dealers and those providing tractor services to farmers' organisations have benefited from the programme (particularly the cashless credit system), reporting increased turnover and cashflow. Some even offer preferential prices to farmers' organisations participating in the programme and prioritise them for preparing land for planting. Now, the input dealers participating in the NRGP are guaranteed to receive payment for their inputs or services to the farmers' organisations involved. This means they face a lower level of risk than they did before the programme started.

**Resourcing the District Value Chain Committee**  
Although the DVCC plays a central role in the PPP arrangements, facilitating implementation and the relationships at local level on which the programme is based, it does not directly control any resources. For example, it does not control the supply and availability of fertiliser, or provision of tractor services to participating farmers' organisations, which can compromise production and delay implementation decisions under the cashless credit system.

Problems have also arisen because the DVCC and its activities are not funded. However, it is IFAD-Ghana's contention that the DVCCs need to be self-sustaining and self-financing, deriving their powers from within the farmers' organisations they represent (akin to a chamber of commerce).

#### **Maintaining relationships built on trust and transparency**

Price uncertainty is a major concern and a major source of conflict within the PPP, as are 'produce diversions' (not just smallholder farmers selling to buyers other than the SFMC but also the SFMC buying from farmers' organisations outside of the arrangement through the NRGP), which have caused considerable distrust, aside from the problems caused for rural banks.

# Capturing learning from the PPP

The design of the government's new Ghana Agricultural Sector Investment Programme (GASIP), another programme with PPP arrangements also funded by IFAD, is largely based on the experience of the NRG. It aims to scale up the focus on district-level value chain committees as the key instrument linking various actors in local value chains.

GASIP aims to build on the NRG's achievements by:

- identifying new PPP opportunities and new solutions for smallholders' access to finance
- providing long-term support to farmers' organisations and value chain committees
- developing a robust M&E system that can follow individual clients (i.e. individual members of farmers' organisations) and create knowledge and learning within the programme
- using the programme's experiences to inform evidence-based policy dialogue.

But GASIP and other PPPs should learn from some of the gaps in programme design and implementation that are evident in the NRG, some of which threaten its sustainability. There are six main areas of learning from the NRG's experience.

**1. Risk-sharing:** Mechanisms to agree risk-sharing are paramount. It is vital to identify and quantify the risks facing each partner/stakeholder in the arrangements so that mechanisms for risk-sharing can be discussed and agreed. In the NRG, high exposure to risk on the part of farmers and rural banks has threatened programme sustainability. Pricing is another major problem. While accepting that prices on competitive markets are variable, there is a need to help farmers remain competitive when prices are low. The cashless credit system, while innovative, is not sustainable in the current context due to limitations by the Bank of Ghana on the percentage of RCBs' loan portfolio that can be unsecured. To help meet growing demand for loans from smallholder farmers,

this bottleneck has to be addressed. Policy reviews need to reflect the growing demand for unsecured agricultural loans, and use risk-sharing mechanisms such as government guarantees.

- 2. Governance mechanisms:** Early in the programme's design, the unstructured approach to identifying and inviting private sector partners to be involved – while undoubtedly pragmatic and arguably very successful – may have contributed to problems around transparency, clarity of roles and responsibilities, and replicability. It is difficult to clearly understand the key interests of each stakeholder in the partnership. In particular, there needs to be a mechanism to ensure transparent pricing of maize. Any PPP arrangement should ensure that mechanisms, including MoUs and contractual arrangements where relevant, are in place, transparent, and create incentives for partners to comply. This will require the programme to effectively manage relationships among key partners and to better understand each partner's interest in the arrangements, as well as how they define success.
- 3. Clear mandates and sufficient resourcing for implementing/facilitating bodies:** Though the DVCC is a key mechanism within the programme, it lacks authority, a budget, and decision-making power. This means it cannot source inputs directly or control the timing of when key inputs are delivered to farmers, which can undermine development outcomes and programme sustainability. Committee members are not always clear about the committee's decision-making power and mandate. Other PPPs should give careful consideration to mandates, powers and resourcing of key organisational infrastructure implementing or facilitating programme activities.
- 4. Promoting gender equality:** While the NRG emphasises gender, within the maize value chain most women producers were not members of farmers' organisations. During focus group discussions, women complained that their husbands did not involve them in the organisations' activities through the PPP. There is a need for better analysis of gender dynamics within the value chain and how women can be empowered to benefit from the opportunities provided by public-private partnerships.

- 5. Strengthening M&E:** M&E processes that could have helped resolve some of the problems around farmers' organisations making (or not making) loan repayments through the agreed system were weak. PPPs should give careful consideration to M&E systems during the programme design stage, including who is responsible for M&E and how M&E activities are resourced and funded.
- 6. Communication and buy-in:** There is a need for better communication at various levels of the PPP – but particularly between programme staff, the facilitating organisation (ACDEP) and farmers' organisations (and local communities more broadly) to engage them and secure their buy-in. The role and status of smallholder farmers in the NRGP PPP is unclear. Farmers' organisations are private sector actors, and are represented in the DVCC. Yet there is a perception among other value chain actors (and even among some smallholder farmers themselves) that they are 'recipients' rather than active partners. This may contribute to some reported attitudes about farmers perceiving the cashless credit as a government/NGO handout that does not need to be repaid). Involvement with farmers and intermediary organisations (whether for-profit or not-for-profit) during the programme planning and design phase would strengthen communication.

Overall, the experience of the NRGP suggests that there is much scope for PPPs to strengthen the capacity and expertise of the public sector when it comes to the business aspects of value chain development, supporting them to link farmers to input dealers and service providers, as well as credit and markets. The NRGP is therefore a mechanism not only to provide support to smallholder farmers to enable them to increase their productivity and incomes, but also to build capacity within the public sector to support rural development.



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# Endnotes

<sup>1</sup> The theory of change described here was articulated by the NRGPs Project Coordinator during the research team's interview with programme staff in Tamale.

<sup>2</sup> Savanna Farmers Marketing Company is a registered private limited company with five staff. It was established in 2005 by ICCO (the Netherlands-based interchurch organization for development cooperation) and ACDEP, a network of church-based NGOs in Ghana. These two organisations are the main stakeholders in SFMC, and are holding shares in trust for farmers, as it is envisaged that the company will become farmer owned in the future.

<sup>3</sup> ACDEP was formed in 1977 as a network of 40 church-based NGOs with a secretariat in Tamale. It has expertise in development issues and has played a facilitating role in several development projects in agriculture, natural resource management, economic empowerment of women, and provision of rural infrastructure.

<sup>4</sup> There is reported to be a written arrangement (Memorandum of Understanding) governing this relationship, although a copy was not made available to the research team.

<sup>5</sup> RCBs are the largest providers of formal financial services in rural areas and represent about half of the total banking outlets in Ghana. They are relatively small in terms of capital assets and are tightly regulated by the Bank of Ghana. They are fully owned and governed by local communities, and are professionally managed and staffed. The Apex Bank was created in 2001, primarily as a service provider to RCBs to improve their quality and scope of services and products.

<sup>6</sup> The Department of Cooperatives sits within the Ministry of Employment and Labour Relations. Its mandate is to register, audit and inspect, liquidate, and promote the sustainable development of cooperatives by educating cooperative members on good cooperative principles and practices.

<sup>7</sup> Recent government decentralisation means that the DDUs now come under District Assemblies, not the Ministry.

<sup>8</sup> The training is carried out in collaboration with the International Institute of Tropical Agriculture (IITA) and the Crop Science Department, University of Ghana.

<sup>9</sup> Nestlé needs to source grains with low levels of aflatoxins (a naturally occurring carcinogenic byproduct of common fungi, particularly found on maize and groundnuts), which pose a significant public health risk in developing countries. The company says it bought about 700 metric tons of maize from farmers in Ghana with a near zero factory rejection rate at the current 4 ppm tolerant level. The company is working towards a threshold of 0.2 ppm aflatoxins contamination.

# Brokering Development:

Enabling Factors for Public-Private-Producer  
Partnerships in Agricultural Value Chains

## Summary of Ghana Case Study



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