

# Public-Private-Partnerships (PPPs) for Agribusiness Financing in Ghana”

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# Introduction

- the level of investment needed to drive the agricultural sector is huge
- public sector alone cannot provide the resources
- private sector's contribution to agricultural transformation becomes imperative.
- actual or perceived high risk of doing business in agriculture deters the private sector, hence the need for partnerships

# Government's support for PPPs

Government has supported PPPs in many areas:

- GOG with support from USAID and World Bank developed the Ghana Commercial Agriculture Project(GCAP), which has a principal objective of improving the investment climate for agribusiness and develop inclusive private-public partnerships and smallholder linkages aimed at increasing on-farm productivity and value addition in selected value chains.

# Government's support for PPPs .....

- The Cadbury Cocoa Partnership (now Kraft Foods) with Ghana Cocoa Board (a public institution), implementing partners (international NGOs), and cocoa-growing communities provides extension services in selected communities to enhance productivity and incomes of farmers. The project is being carried out in seven cocoa-growing districts of Ghana.

# Promotion of PPPs

Promotion of PPPs:

- opens up access to additional financial resources,
- also allows for sharing risks, while addressing other constraints in pursuit of sustainable and inclusive agricultural development.
- The Bank of Ghana, the Ministry of Agriculture and AGRA are currently working on a financing model to support selected crop value chains called the “**Ghana Incentive-Based Risk Sharing System for Agricultural Lending (GIRSAL).**”

# Ghana Incentive-Based Risk Sharing System for Agricultural Lending (GIRSAL).”

## Background

More specific challenges facing the financing of the agricultural sector include:

- **High cost of financial product and services** - High interest rates
- **Lack of trust of financial service providers** – e.g. Farmers distrust of insurance providers.
- **Lack of understanding of financial products** – e.g. Farmers requesting their insurance premiums to be refunded when the season has been good
- **Insufficient points where people can access financial resources**
- **Poor financial product design**– Mismatch in maturity period’s b/n length of time farmers wish to have loan and what the banks offer.
- **Long application process reduces demand**
- **Insufficient understanding or connection to customers and value chain actors**
- **Lack of technical knowledge**
- **Insufficient liquidity**

# What is GIRSAL?

- The **Ghana Incentive-Based Risk Sharing System for Agricultural Lending (GIRSAL)** is an Impact Investing Fund employing a holistic approach to **address challenges faced by agricultural value chain actors in accessing finance.**
- BOG & MOFA with support from AGRA have done some preparatory work, including stakeholders' meetings
- The private sector operators will be brought on board in due course

# The role of The Alliance for a Green Revolution in Africa (AGRA)

- **AGRA exists to fulfill the vision that Africa can feed itself and the world.** They invest in agriculture through **stronger partnerships** to reduce poverty and hunger in Africa.
- AGRA works across sub-Saharan Africa, and has assisted Nigeria with NIRSAL & Kenya with KIRSAL
- AGRA's role among others is to provide technical support.



# Framework of GIRSAL

1. Risk Sharing Fund- Fund will cover up to 75% of risk
2. Technical Assistance Fund - For Banks, Microfin.,VCs etc
3. Insurance – include index-based insurance etc.
4. Bank Incentive Mechanism
5. Bank Rating- based on efficiency in Agric financing, outreach etc.
6. Digital Financing & Non –financial Services

# Financing

- The three major stakeholders, namely BOG, MOFA & AGRA are currently working on the modalities for private sector participation

# Conclusion

- The implementation of GIRSAL has the potential to:
  - improve and increase local agricultural production to improve efforts towards food security
  - strengthen import substitution strategies and reduce foreign currency on imports &
  - increase Ghana's foreign exchange earnings to support the cedi in the medium to long term.
  - help increase the standard of living in the long run.