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USAID/GHANA
Initiative to End Hunger in Africa
Action Plan
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Acronyms

ABSP II	Agricultural Biotechnology Support Project II (EGAT/Cornell University)
ADRA	Adventist Development and Relief Agency
AFSI	Africa Food Security Initiative
AGOA	African Growth Opportunity Act
AgSSIP	Agriculture Sector Strategic Implementation Plan
AIDS	Acquired Immune Deficiency Syndrome
AID/W	Agency for International Development (Washington Headquarters)
AICHA	Agriculture Initiative to Cut Hunger in Africa (predecessor to IEHA)
AIRD	Associates for International Resources and Development
BNARI	Biotechnology and Nuclear Agricultural Research Institute
CBNRM	Community-Based Natural Resource Management
CBO	Community-Based Organizations
CDF	Comprehensive Development Framework (donor forum)
CEPA	Center for Economic and Policy Analysis
CIDA	Canadian International Development Assistance
CGIAR	Consultative Group for International Agricultural Research
CLUSA	Cooperative League of the USA
COCOBOD	Cocoa Marketing Board (in Ghana)
CRS	Catholic Relief Services
CSO	Civil Society Organization
CSP	Country Strategic Plan
DANIDA	Danish International Development Agency
DCA	Development Credit Authority
DfID	Department for International Development (British Aid Agency)
ECOWAS	Economic Community of West African States
EG	Economic Growth
EGAT	Bureau of Economic Growth, Agriculture, and Trade (USAID)
E/NRM	Environment/Natural Resource Management
EU	European Union (Assistance is administered by European Commission)
FFP	Food for Peace
FFS	Farmer Field Schools
FSN	Foreign Service National
FY	Fiscal Year
GAEC	Ghanaian Atomic Energy Commission
GDP	Gross Domestic Product
GOG	Government of the Republic of Ghana
GPRP/SIF	Ghana Poverty Reduction Project/Social Investment Fund
GPRS	Ghana Poverty Reduction Strategy (PRSP)
GTZ	German Technical Cooperation Agency
HI	Heifer International
HIPC	Heavily Indebted Poor Country
HIV	Human Immuno-Deficiency Virus
ICT	Information and Communications Technology
IEHA	Initiative to End Hunger in Africa (USAID)

IFDC	International Fertilizer Development Center
IFPRI	International Food Policy Research Institute
IITA	International Institute of Tropical Agriculture
ILO	International Labor Organization
IMF	International Monetary Fund
IWMI	International Water Management Institute
IR	Intermediate Result
ISSER	Institute of Statistics, Social and Economic Research (at University of Ghana)
MDA	Ministries, Departments, and Agencies (of the Government of Ghana)
MoCT	Ministry of Communications and Technology
MoES	Ministry of Environment and Science
MoFA	Ministry of Food and Agriculture
MLGRD	Ministry of Local Government and Rural Development
MPSD	Ministry of Private Sector Development
MSU	Michigan State University
MoTI&PSI	Ministry of Trade, Industry and Presidential Special Initiatives
MPP	Mission Performance Plan (Embassy-led Multi-USG Agency Plan)
NARS	National Agricultural Research Stations (in Ghana)
NDAP	National Decentralization Action Plan
NED	National Economic Dialogue
NGO	Non-Governmental Organization (usually a national-level PVO)
NEPAD	New Plan for Africa's Development (Implemented by OAU and ECOWAS)
NPA	Non-Project Assistance (USAID)
NRM	Natural Resource Management
PBS	Program for Biosafety Systems (EGAT/IFPRI)
PFID	Partnership for Food Industry Development
PIAIL	Presidential Initiative Against Illegal Logging
PMP	Performance Monitoring Plan
PPMED	Policy Planning, Monitoring and Evaluation Directorate of MoFA
PRSP	Poverty Reduction Strategy Paper
PVO	Private Voluntary Organization
SAKSS	Strategic Analytical and Knowledge Support System
SO	Strategic Objective
SRID	Statistics, Research and Information Directorate of MoFA
STCP	Sustainable Tree Crop Program
TAPS	Trade, Agriculture and Private Sector
TNS	TechnoServe
USPSC	U.S. Personal Service Contractor
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union
WARP	West Africa Regional Program (USAID)
WATH	West Africa Trade Hub (under WARP)
WB	World Bank
WTO	World Trade Organization

1. Introduction: The Initiative to End Hunger in Africa

The Initiative to End Hunger in Africa (IEHA) is a Presidential Signature Initiative, launched as a response to the World Food Summits of 1996 and 2002, and announced in October 2002. The objective of IEHA is **to rapidly and sustainably increase agricultural growth and rural incomes in sub-Saharan Africa**. Implemented under the auspices of USAID, the Initiative aims to improve the livelihoods and income-generating options of current and future generations of Africans by reducing the incidence of poverty, and hence of hunger, especially in rural areas. Designed to operate for fifteen years (2003-2017), the Initiative is managed the Africa Bureau in Washington, in collaboration with the Bureau of Economic Growth, Agriculture and Trade (EGAT), regional USAID Missions and selected bilateral Missions in the southern, eastern and western regions of Sub-Saharan Africa.

Key features of IEHA distinguish it from the general class of agriculture programs: IEHA takes a regionally coordinated approach through a limited number of USAID field Missions. The Africa Bureau of USAID has selected African countries with the greatest potential for significant gains in agricultural productivity, marketed surplus, and rural incomes—not necessarily the poorest countries characterized by the greatest incidence of hunger. The underlying assumption is that, by making strategic investments in these focus countries, the IEHA objectives of promoting regional spillovers and a regional growth dynamic will be most effectively pursued.

Four core principles define the IEHA approach to development and govern the way IEHA results are pursued. IEHA investments are expected to:

- Benefit smallholders and create a smallholder-based agricultural dynamic;
- Build regional dynamism, synergies and spillovers;
- Build alliances and a broad-based political and financial commitment among development partners, public and private, in Africa and internationally, to a core set of activities designed to eliminate hunger in Africa.
- Integrate the objectives of inter-sectoral initiatives and cross-cutting themes (e.g., HIV/AIDS, Gender)

IEHA investments are intended to fall under one or more of six thematic areas: science and technology, agriculture trade and market systems, community-based producer organizations, human and institutional capacity building, environmental management, and vulnerable groups/transition countries. Between these thematic areas, IEHA promotes a value added approach that addresses constraints along the supply chain and results in measurable increases in smallholder incomes. Furthermore, IEHA investments must build synergies with the development activities of host countries, the private sector and other donors. Finally, the Initiative has its own strategic framework and reporting system.

USAID/Ghana is pleased to propose this Action Plan setting forth a five-year strategy to participate in this Initiative. IEHA provides the Mission with an opportunity to integrate smallholders into the supply chain for agro-processing and exports, and to address the rural dimensions of the important reforms in the Mission's policy agenda. The Mission looks forward to working with IEHA partners to complement its Economic Growth program with the experience of other participants, and to contribute its unique experience and perspective to the laudable and daunting task of ending hunger in Africa.

2. The Challenge of Ending Hunger in Ghana

2.1 Overview: Macroeconomic and Political Context

Ghana has achieved some success in economic and social development over the past two decades. Real GDP increased at an annual average rate of 5% per annum over the period 1983-1992, yielding a growth rate of around 2.4% in per capita income, but has fallen to an average of 4.3% since 1992. The steady but moderate rate of economic growth over the past 15 years has contributed to a significant decline in poverty. According to Ghana Living Standards Surveys, overall poverty fell from 51.7% to 39.5% between 1991/92 and 1998/99, and extreme poverty from 36.5% to 26.8%. Most impressively, during the 1990s the absolute number of poor declined by more than a half million persons. Data on average caloric intake for 1983-1999 support the notion that there has been a relatively steady improvement in the standard of living over the period. Recent macro-economic trends are summarized in Annex B.

Ghana's economic reform program has made major strides to overcome the economic decline that reached its nadir in 1983. Over the following eight years, Ghana stabilized her economy. Structural adjustment programs supported by the World Bank and International Monetary Fund were successful in accelerating growth and reducing poverty. After 1991, Ghana's commitment to stabilization and structural reform weakened. This resulted in poor macroeconomic management characterized by an extended period of high and variable inflation and interest rates, intense depreciation of the cedi, dwindling foreign exchange reserves, and excessive public debt. In addition, deeper issues of inadequate transparency and inefficiency of some government regulatory and other institutional structures continued to constrain Ghana's ability to fulfill its development potential.

A peaceful transfer of power occurred in 2001, representing a milestone for democracy, as it was the first from one democratically elected regime to another since Ghana's Independence in 1957. The new government has made some hard decisions. It has raised the VAT and petroleum prices, raised taxes on fuel and priced public utility services at world prices. In spite of this, the political openness and greater perceived freedom of the new government has generated a good deal of optimism among many Ghanaians, who are now waiting for that promised increase in job opportunities to materialize. A 1996 World Bank Study¹ confirms that economic growth is effective in reducing poverty. The study documents a strong positive relationship between growth and poverty reduction: Economic growth benefited the poor in 87.5 percent of the cases in a sample of 95 growth spells, whereas economic decline disproportionately affected the poor in 71.4 percent of cases (five out of seven). The study shows that Ghana has one of the most equal income distributions in Africa: the average Gini coefficient from 1988 and 1992 was 35.19 and the ratio of the income share of the top income quintile to the bottom quintile is 5.97. Economic growth is more effective in reducing poverty in countries with more equal distribution of income.

In contrast to its neighbors, Ghana has demonstrated a commitment to democratic institution building, civilian control of the military, rule of law, and government accountability. To quote the U.S. Embassy's FY 2005 Mission Performance Plan (MPP) "We can nitpick around the edges, but in macro-political terms, Ghana is quantum leaps ahead of most other West African

¹ Deininger, Klaus and Squire, Lyn, "A New Data Set Measuring Income Inequality," IBRD/The World Bank, 1996, as quoted in The World Bank Economic Review, Volume 10, Number 3, September 1996, page 566 and 574.

countries.” In fact, Ghana is increasingly viewed as an attractive gateway to the region by development organizations and some cautious investors searching for a viable West African partner. Taking advantage of this interest and increasing it is an important cornerstone of USAID Ghana’s Country Strategic Plan (CSP) and its IEHA Action Plan.

2.2. Agriculture Sector Growth, Composition and Trade

Agriculture is of great importance to Ghana, generating 36% of overall GDP and employing over 60% of the active labor force, of which over 75% resides in rural areas. Over 35% of foreign exchange earnings derive from agriculture, including cocoa, timber, and non-traditional agricultural exports (NTAE). Between 1990 and 2000, IFPRI simulations² show that nontraditional exportable agricultural products (i.e., agricultural products other than cocoa, wood, staple food crops, livestock and fishery products) grew more rapidly than staple crops, with more than 7% average annual growth. Although such products accounted for only 17% of agricultural GDP in 2000, they produced about a quarter of the increase in agriculture GDP over the period. However, growth in agriculture was still mainly driven by the growth in staple food production, which accounts for more than 50% of agriculture GDP, growing at just over 4% over the same period. Within this component, growth in production has been impressive for cassava, yam and rice, all growing well in excess of the average agriculture sector growth rate. Livestock production, which is growing a bit faster than staple crops, is a small component of agriculture GDP, accounting for only 2.5%, and has limited growth potential. Fishery, mainly marine fishery, is an important sub-sector and accounted for almost 18% of agriculture GDP in 1990. However, growth has slowed since then due to inefficiency and poor surveillance of foreign fishing; the sector dropped to less than 16% of agriculture GDP by 2000. Cocoa growth also increased over this period, while wood production was stagnant. Cocoa accounted for 8.3% of agriculture GDP in 2000 and wood products for nearly 3%. Palm kernel production increased over the latter part of this period, but not as fast as the agricultural sector as a whole.

Ghana agriculture is primarily smallholder. About 90% of farm holdings are less than two hectares in size, although large farms and plantations exist for rubber, oil palm and coconut and to a lesser extent, rice, maize and pineapple. The main system of farming is traditional rain fed, with the hoe and cutlass being the main farming tools. Many small-scale farmers use a traditional bush fallow system and little commercial fertilizer or chemical inputs. Farmers typically intercrop grains, legumes, tubers, vegetables and plantains. There is little mechanized farming, but bullock farming is practiced in some places, especially in the North. Agricultural production varies with the amount and distribution of rainfall. However, even in the drier areas of the country farmers can attain good yields for most cereals with proper variety selection and cultural practices. Mono cropping is mostly associated with larger-scale commercial farms.

Of the ten major food crops, maize and cassava are the two most important, accounting for 46% of the 3.8 million hectares cultivated in these ten crops in 2002, as detailed in Table 1. Groundnuts are third with 10% (an area of 385,000 hectares). The area in sorghum, yams, cocoyam and plantain are relatively equal at around 300,000 hectares or about 8% each; millet and cowpeas cover around 200,000 hectares or 5% each. Rice covers the smallest area of the ten crops, about 123,000 hectares, but area under rice has been expanding at the fastest rate of all crops other than yams, 5.5% per year since 1994. Important quantities of maize and rice are

² Diao, Xinshen et al, Market Opportunities for African Agriculture: Demand-Side Constraints, International Food Policy Research Institute, Washington, DC, September 2003

grown in all regions, with sorghum, millet, groundnuts and cowpeas concentrated in the north and the roots and tubers concentrated in the southern third of the country.

Cocoa area in 2002 was around 1.2 million hectares and the area in oil palm was about a quarter of that. Cocoa is largely a small holder crop and smaller farmers account for an important part of oil palm production, perhaps as much as half, as well. Most smallholder production of these crops is intercropped.

Agricultural statistics record increases in food crop production in three important food crops: cassava, yams, and maize. The magnitudes of production increases indicate success in application of agronomic research during the 1990s. Average maize yields per hectare increased about 35% between the 1960s and the 1990s. Cassava yields increased by 44% due to the widespread introduction of Tropical Manioc Selection (TMS) varieties from the successful long-term IITA breeding program in Nigeria. Yam yields have more than doubled between the 1960s and the 1990s.³ Food security increases, as production of these staples continues to outstrip population growth. Overall agricultural growth has especially increased food security in the northern regions of the country. However, the IFPRI simulation model set forth in Section 3.2 below demonstrates that a strategy of strong growth in production of food staples will depress food prices and income for the poor, unless additional growth in non-agricultural income creates demand for food in the domestic market, or rapid growth in the livestock sector that creates demand for feed.

Table 1: Area Planted to Selected Food and Agro-Industrial Crops in 2002

Staple Food Crops		Percent of Area Planted to Staple Food Crops	Selected Agro-Industrial Crops		Percent of Area Planted to Agro-Industrial Crops
Crop	('000 Ha)		Crop	('000 Ha)	
Maize	940	25			
Cassava	794	21	Cocoa	1,195	39
Groundnuts	385	10	Oil Palm	304	10
Sorghum	337	9	Tomato	27	0.9
Yam	300	8	Seed Cotton	19	0.6
Cocoyam	282	7	Vegetable	14	0.5
Plantain	277	7	Pineapple	5	0.2
Millet	198	5	Tobacco	1	--
Cowpeas	180	5	Other	1,516	49
Rice	123	3			
Total	3,816	100 %	Total	3,081	100 %

Source: MOFA

³ IFPRI and Wilcock et al, Agricultural Sector Assessment, op. cit., questioned the quality and accuracy of agricultural statistics in Ghana.

In spite of these increases, the growth of production agriculture has been below the Vision 2020 target of 6% needed to achieve its goal of increasing per capita income to \$1,000 by that date (Note: a more recent GoG Vision document cites \$1000 as the goal for 2012, an entirely unrealistic goal). Higher economic growth has contributed to an increasing reliance on imports for some food products, such as fish and rice. In recent years, cheap rice from South and Southeast Asia has been imported in increasing quantities into Ghana, causing understandable concern about foreign exchange costs and resulting in GOG efforts to reduce those imports. Domestic rice is viewed as an inferior quality product and sells at a lower price. This has not stopped domestic producers from increasing rice production apace with imports.

Food crops that are sold are generally transported to market as head loads by women household members or by “middle women”, village level market intermediaries who may cover long distances to the next market level. Movement of commodities from the farm to local and/or collection markets is often constrained by poor tracks and roads. The same is true for movement of inputs. Unlike many countries in Africa, particularly coastal West African countries, women are also involved in large scale commercial movement of goods between national, regional and cross-border (or sub-regional) markets. From local collection markets, the produce moves up the marketing chain into regional and urban markets.

Livestock production is not a dynamic industry in most parts of the country, barely managing to keep up with population growth. Except for the north, the climate is not conducive to livestock. Thus Ghana continues to be a chronic importer of meat, importing live cattle and small ruminants from semi-arid Sahelian countries. The size of the national herd is small, with about 3,000,000 each of sheep and goats and 1.3 million head of cattle. Although there seems to be good potential for seasonal fattening operations, that industry is not as developed in Ghana as it is in Burkina Faso and Mali. Competition from cheap imports of poultry parts keeps the domestic poultry industry under pressure, but it nonetheless grew by 5.6% per year from 1991-2001, and made a sharp jump above trend during 2002. The small size of the domestic livestock industry makes feeding livestock a less potent option for utilizing cereals surpluses than it is in the countries to the north. This makes development of export markets a necessary precursor for the success of a major production expansion program for cereals.

Recorded trade statistics in Annex D-2 show that trade in food crops between Ghana and other ECOWAS states is roughly in balance at a very low level of under \$15 million per year. Knowledgeable sources indicate that these data are substantially underestimated.⁴ Ghana and neighboring countries tend to collect systematic import or export data only on what passes through major ports and the airport, not on overland trade. Thus, most of Ghana’s trade with neighboring countries is not recorded. The amount of this unrecorded trade through overland agricultural exports may be underestimated by at least \$30-40 million per year.

Two of the four largest agricultural imports – fish and meat products – can be competitively produced in Ghana, and thus provide significant opportunities for efficient import substitution. There is also ample room for expanding production of cocoa, yams, cassava and citrus by way of reinforcing dissemination of disease resistant/higher yielding varieties and other inputs.

To a striking degree, GoG difficulties in macro-economic fiscal and monetary management have negatively affected the country’s investment climate, as have cumbersome administrative barriers

⁴ Some knowledgeable observers estimate that recorded intraregional trade in food crops is only about 15% of actual cross-border trade.

to business start-up and expansion, hampering the growth of higher-potential businesses in agriculture and sustainable natural resource exploitation. Sub-regional trade and growth in other sectors of the economy are affected as well. There is little domestic commercial credit available for agricultural investment. It is also difficult to obtain basic agricultural inputs such as agro-chemical and fertilizer mix. Marketing of agricultural inputs are dominated by a few large commercial firms, although there is no apparent barriers to entry for new firms. Under high inflation and exchange rate devaluation, as well as low and uneven demand, dealers understandably hesitate to hold significant stocks of imported agricultural inputs whose prices must be raised as the Cedi depreciates⁵. Thus, the latest and cleanest chemicals are usually unavailable.

Ghanaians have a higher real income, in terms of purchasing power parity, than their unadjusted per capita income in dollars might suggest. This is because food makes up around half of the average consumer expenditure budget in Ghana (over 60% for the poor) and a variety of cheap starchy staples are available in local markets. The relative well-being and reduction of poverty confirm the Mission's strategic assumption that investments in improving the competitiveness (and productivity) of Ghanaian agriculture is a sound approach to reducing poverty by driving down the price of food, so long as income, and thus demand, for food is increasing. This strategy benefits the urban poor and the rural poor who are net purchasers of food; it also benefits the rural poor who may have to produce and sell more food crops to maintain their income level, which they do when their productivity increases, or when they avoid suffering the sharp price declines at harvest time under "inventory credit" programs. To the extent that exports and agro-processing increase demand, the resulting increase in sales volume will compensate domestic food producers, including those rural poor who are net sellers of food and agricultural commodities, for the reduction in income that would occur with lower food prices. And they will also benefit from supplemental income derived from the greater diversity in income sources resulting from an expansion of off-farm employment opportunities.

2.3. Hunger and Poverty in Ghana

The poverty situation in Ghana is mixed. The Ghana Living Standards Survey found that the incidence of poverty fell 12 percentage points, from 52% of all Ghanaians to 40% between 1992 and 1999. However, about 27% of the Ghanaian population continues to live in extreme poverty. Poverty incidence is highest in the three Northern regions: with poverty affecting between 69% and 88% of people. Poverty increased in the two savannah regions of Upper East and Northern regions, Central Region and the area around Lake Volta. The Upper West region continues to be the second poorest region in the country, although poverty declined from 88.4% to 83.9% during the period. The survey found that Ghanaian households in the three northern regions have inadequate economic means to purchase food.

The Survey demonstrated that food crop farmers experience the highest incidence of poverty in Ghana, with approximately 60% of farm families living in extreme poverty in 1999. The immediate cause of poor purchasing power is income poverty. Poverty in Ghana is primarily caused by low remuneration and limited income-generating opportunities for rural households. *These factors are linked to poor agricultural marketing in the northern regions and limited access to financial capital.* The great majority of farmers, but especially smallholders, and

⁵ Wilcock, David, et al, *Assessment of the Agricultural Sector and Natural Resource Management Issues in Ghana*. Development Alternatives Inc. with Abt Associates Inc. and Fintrac, 2003.

micro-entrepreneurs have difficulty accessing credit, as do commercial farmers and traders. This results in low levels of capital for investment, both for farm activities and small enterprises such as food processing. Consequently, Ghanaian households, particularly in the north, face constraints in attempting to maximize their returns to labor and production, and face limited types of available income-generating activities.

Agricultural marketing in Ghana is characterized by high marketing margins resulting from high transport costs, limited marketing information, limited competition among traders owing to lack of access to credit, and high post-harvest losses. The Ghana Poverty Reduction Strategy (GPRS) notes that “food crop farmers have the highest incidence of poverty ... due to lack of access to markets, high cost of inputs and low levels of economic structure.” These factors negatively affect the prices farmers receive for staple and market crop production, and impact household income.

Like most countries, Ghana has inequalities in the distribution of education facilities, health services, clean water and infrastructure on the basis of quantity and quality. There are gender inequalities in access to health and education services. Studies show that women experience greater poverty and often have limited access to, and control of, assets. This includes directly productive assets such as land and credit, human capital assets such as education and health, and social capital assets such as participation at various levels of governance.⁶ Participatory assessments provide an insight into the effects of this poverty in Ghana. Twenty-five percent of Ghanaian children under the age of five are stunted. Rural food producers are among the most vulnerable, especially women farmers.

These situations need to be addressed: existing subsidies should be better targeted towards assisting the rural poor. The poor at the very bottom of the income distribution need social safety-net and government service assistance to allow them to participate more fully in economic growth opportunities. In addition, policy makers need to take more cognizance of the regional pattern of poverty in Ghana, since resources tend to be concentrated in Greater Accra Region and some other relatively privileged southern regions. This leaves starkly higher rates of poverty in the Central and three Northern regions and in selected districts elsewhere in the country.

2.4. Economic Constraints

Several factors constrain Ghana’s private sector from becoming the dynamic engine that is needed to accelerate agricultural growth, create jobs, especially in agro-processing and industries, and reduce poverty. Most of these also constrain non-traditional non-agricultural exports.

- **Macroeconomic management.** Although macroeconomic management has improved recently, it still had major weaknesses and is inadequate to support the growth rates that the government targeted in its Vision 2020. Macro-economic stability must be maintained through at least two more election cycles before it becomes credible to the formal private sector. High and volatile rates of inflation leading to high interest rates and high transaction risks and costs continue to restrain economic activity, regional trade and a willingness of the private sector to take risks. Government borrowing from the banking sector severely crowds out the private sector. The World Bank’s latest policy

⁶ The STCP Poverty Report prepared by IFPRI in 2002 documents changes in land rights that have improved women’s opportunities to grow cocoa in their own right.

and institutional assessment and the GPRS identify this as Ghana's most pressing problem.

- **Formal factor markets.** Formal markets for labor, land and capital are limited and do not work very well. Labor market rigidity has adversely affected allocation of labor to the formal sector, and the labor force is poorly educated. The rights to land are guided by traditional land tenure systems and titling is difficult, problems that especially affect areas where the demand for commercial-size plots is high. The banking system has been unable to make deposit and credit facilities widely available. Medium- to long-term credit is unavailable and financial services are close to non-existent in rural areas. The securities markets are nascent.
- **Natural resource management.** Degradation of land linked to inappropriate farming and hunting practices and deforestation linked to unsustainable harvesting of timber and uncontrolled burning are the two key issues. Inappropriate use of agro-chemicals and fertilizer and poor pest management constrain exports to overseas markets.
- **Infrastructure.** Energy, transportation, telecom and other infrastructure are inadequate for private sector demand; poor roads severely restrict sub-regional and export trade as well as the availability of agricultural inputs and the marketing of agricultural output. Energy and telecom regulation is weak and lacks a pro-competition orientation. Telecommunications within the West African sub-region are grossly inadequate and a deterrent to intraregional trade.
- **Red tape issues.** Excessive licensing and other regulatory requirements make establishing a business, or converting one from informal to formal status, a costly and time-consuming process. Only formal businesses can export legally. Labor laws favor workers and discourage hiring of permanent laborers and staff, although implementation of the new labor law passed in 2003 is expected to partially mitigate this constraint.
- **Trade regime.** On the whole, Ghana's trade policy is above average for West Africa. However, implementation is weak and case-by-case application of the trade regime discourages the growth of trade and weakens the supply response to trade opportunities. Private sector knowledge and capacity to access overseas markets and meet requirements for exporting to those markets is limited. Business associations, which could provide needed support services to Ghanaian exporters and producer associations, either do not exist or lack the capacity to serve their members effectively. The business development service sector is underdeveloped, serving producers and processors poorly. Modernization of the economy has been slow in part because investment in new technology has been low and the pool of skilled workers able to use modern techniques is insufficient to meet demand.
- **Demand-constrained agriculture.** The Ghana Living Standards Survey in 1999 found that food crop farmers experience the highest incidence of poverty owing to low remuneration (e.g., poor marketing) and limited income-generating opportunities. Staple agricultural crops do not face strong demand in normal times. A preliminary analysis carried out by the International Food Policy Research Institute (IFPRI) in the fall of 2003 demonstrates that growth of food staples will result in improved incomes for farmers only if there is additional growth in non-agricultural income. A strong growth in nontraditional agricultural exports produces strong growth initially, but slows down

owing to constraints in transportation, trade and other business services. The overall conclusion is that weak domestic demand is a key constraint to growth in agriculture.

2.5. The GOG Development Program

When the current government assumed power in 2000, it promised a private-sector led development approach heralded as the “Golden Age of Business”. The following year, the GOG chose to participate in the Heavily Indebted Poor Country (HIPC) initiative, which will allow Ghana to divert interest and debt payments due on pre-June 20, 1999, loans to creditor-approved poverty reduction programs. The GOG’s poverty alleviation program is documented in five key initiatives, with two new ones under development:

1. The Coordinated Programme for Economic and Social Development of Ghana (2003-2012), or *Vision 2012*, describes an unachievable goal of achieving a per capita income of \$1,000 by 2012 (that would imply a GDP growth rate of 13%!). The Government’s *Vision 2020* document expresses a goal of achieving middle income status by 2020, implying a GDP growth rate of just over 8% – more realistic but still very ambitious.
2. The 2003-2005 Ghana Poverty Reduction Strategy (GPRS), approved in May 2003 by the Boards of the World Bank and International Monetary Fund (IMF), has as its goal the achievement of sustainable, equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded populations within a decentralized democratic environment. Specifically, the GPRS aims to raise average real GDP growth to at least 4.9% during 2003-05; increase poverty related spending, financed in part through the HIPC Initiative; reduce inflation from 15.2% at the end of 2002 to a single digit in 2003 and beyond (now delayed until 2004); and rebuild gross official reserve holdings to three months of imports for goods and services by 2005. It is within this context that the USAID CSP was developed, confirming the relevance of progress made over the past two strategic plan periods.
3. The National Economic Dialogue (NED) is an annual public-private effort to build consensus on national priorities among the Ghanaian leadership and society. The NED process is recognized in the GPRS as an important vehicle for stakeholder input.
4. The Financial Sector Strategic Plan (FSSP) attempts to achieve a single framework for financial sector reforms to make it more private sector and investment friendly.
5. The Medium-Term Expenditure Framework (MTEF) is the budgetary framework that Ghana uses to produce its annual budget. It turns the planning into action.
6. Four new initiatives – the Private Sector Development Strategy, the National Trade Policy, and the sub-sector-specific Agribusiness and Agricultural Export Strategies – are currently under development. Implementation of these initiatives will improve the enabling environment for private sector growth to expand, as an important means to further reduce poverty.

The Ghana Poverty Reduction Strategy (GPRS 2003-2005) targets stabilizing the economy and laying the foundation for sustainable, accelerating, job-creating, agro-industrial growth as key ingredients for meeting its poverty reduction targets. In the agricultural sector, it seeks ‘the transformation of the rural environment from its subsistence orientation to a commercially attractive, viable, and dynamic sector,’ in short, the modernization of agriculture. To this end the

GPRS focuses on providing the enabling environment that will empower all Ghanaians to participate in wealth creation and to partake in the wealth created. “The need is to change the concept of agricultural activities as simply a way of life to that of a profitable commercial and industrial occupation. The necessary achievement of this objective requires a corresponding transformation in attitudes and conventional values.”

The GPRS cites the following as important elements in a growth-based poverty reduction strategy: prudent fiscal and monetary policies; private sector-led industrial production through application of science and technology; sound and sustainable management of the environment; promotion of commercial agriculture using environmentally friendly technologies; agro-based industrial expansion, export promotion based on diversification and competitive advantages; increased investments in social services; and accelerated decentralization as a key mechanism for policy implementation. Medium-term priorities (2003-2005) for projects and programs to be implemented span five thematic areas. Three of these relate to agriculture: 1) infrastructure development; 2) rural development based on modernized agriculture to ensure increased production and employment; and 3) a dynamic, energized private sector capable of serving as the engine of growth and poverty reduction.

The Ministry of Food and Agriculture (MoFA), the main governmental agency responsible for agriculture, has been guided by the GPRS to develop and implement programs to achieve middle-income status as envisaged in Vision 2020. MoFA developed the Food and Agricultural Sector Development Policy (FASDEP) and the Accelerated Agricultural Growth and Development Strategy (AAGDS) to identify strategic focus areas for resource investments that are consistent with the GPRS. And MoFA is in the process of developing sub-sector strategies for agribusiness and agricultural exports. The principal aim of agricultural sector policies is to ensure food security through increased agricultural production, to supply raw materials for industry, to enhance human resources and institutional capacity, to contribute to improving the balance of payments, and to fundamentally augment incomes of farmers. MoFA serves as the coordinating agency for many international donors in agriculture.

From the perspective of USAID/Ghana, the main challenge is to strengthen the capacity of Ghanaian private enterprise to compete in world markets by working in coordination with other donors and Ghanaian partners to tackle the constraints identified above. The Country Strategic Plan 2004-2010 (CSP) emphasizes exports because domestic markets appear to be too small at present to kick start rapid growth. Overseas markets are the primary targets because sub-regional markets are still poorly integrated. As WARP implements its action plan and sub-regional trade gets easier and much less costly, this could change.

2.6. Other Donor Programs

Agriculture set in the broader context of rural development is a priority of many of the donors in Ghana, including the World Bank, African Development Bank, Canada, Germany, Japan, DfID, France, FAO, IFAD and the European Union (EU). These donors, including USAID, coordinate their agriculture programs with the Ministry of Food and Agriculture (MoFA) through the Agriculture Sector Strategy for 2003-5, and the Agriculture Sector Working Group under the World Bank’s Comprehensive Development Framework. The FAO is the lead donor coordination entity for the agriculture sector. Most donors work to strengthen MoFA programs, including programs targeted at small-holder farms producing for the domestic market. Their assistance provides local infrastructure (e.g. small scale irrigation, feeder roads), rural financial markets, integrated development, road construction, and services such as crop research, agricultural extension, marketing capacity and organization of farmers groups.

Assistance to Ghana, in the form of grants and concessional loans from over 20 multilateral and bilateral donors, is now around \$650 million annually. The United States is the third largest bilateral donor. MoFA relies on international donors for the bulk of its project funding. Other donors in the agriculture sector, along with USAID Title II and Food for Progress programs, work primarily on domestic agricultural production and markets, with much of that work in the north. USAID's focus on private sector-driven agricultural exports fills a needed gap in donor assistance to agriculture. Specifically, the USAID SO 6 program under the new CSP complements the programs of other donors by: (i) facilitating dialogue and consensus among government, private sector and civil society organizations (e.g. policy research institutes and labor unions) on policy reforms, many of which are critical to agricultural growth and trade; and (ii) working directly with private sector exporters, processors, traders, brokerages and freight forwarders to expand downstream markets for small-holder producers, with particular effort on creating a dynamic agro-based processing industry capable of exploiting overseas markets. Under IEHA, USAID will increase its downstream focus to include the interface between small farm producer groups and market intermediaries.

International donors have agreed to a Multi-Donor Budget Support (MDBS) mechanism to support the GOG to implement the GPRS. The MDBS policy matrix organizes poverty reduction programs into three areas: (1) promoting growth, incomes and employment; (2) improving service delivery for human development; and (3) improving governance and public sector reform. Ghana's development partners under the MDBS include Canada, Denmark, European Union, Germany, Netherlands, Switzerland, United Kingdom and the World Bank. These donors coordinate their funding assistance for budget support based on a policy matrix with benchmarks, a limited number of which "trigger" disbursements of the budget support. Although unable to pool its budget support, USAID/Ghana participates in the development of the MDBS policy matrix, attends the multi-donor coordination meetings, and leads the multi-donor coordination group on the private sector. This coordination enables USAID to keep abreast of and influence the activities of other donors in these key areas. MDBS is new to Ghana, although it has been successfully undertaken in other African countries.

There has been an implicit division of development responsibilities among the major donors in Ghana: The World Bank, AfDB, DfID and JBIC have been historically involved in the development of transport infrastructure such as road networks, energy supply and ports, giving these organizations a 'comparative advantage' in the provision of these infrastructure. Similarly, the World Bank and ECOWAS, along with USAID's West Africa Trade Hub (WATH) and West Africa Regional Program (WARP), are involved in the promotion of regional economic integration. These activities have an enormous impact on the degree to which Ghana's private sector becomes competitive in world markets. The Mission's effort to foster coordination with donors greatly enhances the likelihood of success in creating an enabling environment for private sector-driven growth, and in reducing poverty through broad-based growth.

The World Bank-funded Agricultural Services Sub-sector Investment Program (AgSSIP) supports all public agricultural services programs managed by MoFA. A major tool of the MDBS, the AgSSIP is designed to reduce poverty and improve food security by providing essential MoFA services and securing an enabling environment for sustainable and equitable growth. AgSSIP is comprised of four components that echo IEHA focal themes: 1) institutional reform and strengthening of MOFA; 2) technology generation and diffusion (research and extension); 3) development and strengthening of farmer-based organizations; and 4) strengthening Agricultural Education and Training. With the integrative mechanism of the

MDBS in place, donor programs will more effectively incorporate and achieve broad based agricultural growth capable of reducing poverty and accelerating economic growth.

Table 2 summarizes the sector orientation of the largest donors in Ghana. Donor activity related to IEHA is summarized in Annex C.

Table 2: Sector Orientation of Donor Assistance to Ghana

DONOR	SECTORS
World Bank	Infrastructure, Structural Adjustment, Education, Health
International Monetary Fund	Structural Adjustment, Macro-economic Policy Dialogue
African Development Bank	Infrastructure, Agriculture, Livestock, Irrigation, Credit
European Commission (EC)	Budget support, Transportation Infrastructure, Social Sectors
UN Food and Agriculture Org.	Agriculture/Smallholder Food Production
Canada	Water, Decentralization
Denmark	Health, Energy, Water, Civil Society Advocacy
France	Urban Development, Rural Development
Germany	Decentralization, Urban Development
Japan	Education, Health, Agriculture, Infrastructure
United Kingdom	Public Administration, Health, Education, Agriculture, Rural Infrastructure
United States	Economic Growth: Trade, Agriculture and Private Sector; Health; Education; Democracy; Infrastructure (Gas Pipeline)

3. A Strategic Plan for IEHA in Ghana

3.1 USAID/Ghana Country Strategic Plan

In February 2002, USAID/Ghana began a broad process of stakeholder consultations, assessments and analysis, which led to the development of its seven-year Country Strategic Plan (CSP) for 2004-2010. For the Economic Growth Strategic Objective (SO), this included an evaluation of the Trade and Investment Reform Program (TIRP) project and an assessment of the Ghanaian agricultural and natural resources sector. The TIRP evaluation urged the Mission to provide institutional strengthening support to Ghanaian research institutions and Ghanaian nationals to implement its reform and policy analysis program, recommended continuation of the emphasis on macroeconomic policy and argued for a more focused approach on a specific goal, such as one or two very high potential non-traditional exports. The example it used was a \$1 billion horticulture industry. The agriculture assessment concluded that agriculture, broadly defined, should be the heart of USAID/Ghana's economic growth strategy.

During the USAID strategy formulation period, the GOG finalized its poverty reduction strategy (GPRS), and MoFA completed the Food and Agriculture Sector Development Policy (FASDEP). Both documents guided the Ghana Mission's selection of its development strategy. The Ghana CSP for 2004-2010 supports Ghana's ambitious poverty reduction strategy through strengthening governance systems, improving the delivery of health and education services, and promoting private sector growth with an emphasis on export led growth. Accordingly, USAID/Ghana's Program Goal is designed to support Ghana's poverty alleviation program as articulated in the GPRS, the Vision 2020 and the Vision 2012 documents. Annex B includes an update on macro-economic trends.

USAID/Ghana's Program Goal is "Equitable Economic Growth and Accelerated Poverty Reduction within a System of Sound Democratic Governance." Four Strategic Objectives and the Title II program will contribute to this goal:

- SO-5: *Strengthened Democratic and Decentralized Governance through Civic Involvement*
- SO 6: *Competitiveness of Ghanaian Private Sector in World Markets Increased*
- SO-7: *Health Status Improved*
- SO-8: *Improved "Quality of and Access to Basic Education*
- Title II: *Improved Food Security in Ghana*

The Private Sector Competitiveness Strategic Objective includes four Intermediate Results (IRs):

SO 6: *Competitiveness of Ghanaian Private Sector in World Markets Increased*

- IR 6.1: *Enabling Environment for Private Sector Competitiveness Improved.*
- IR 6.2: *Private Sector Capability to Compete in Selected Industries/Sectors Strengthened.*
- IR 6.3: *Construction and Maintenance of Economic Infrastructure Improved (World Bank, AFDB, EC, DfID, MCC).*
- IR 6.4: *Regional Integration and Policy Harmonization Enhanced (mainly WARP, World Bank and IMF, and with Mission SO 6 contributions within Ghana).*

The Mission's assessment of the contribution of its programs to IEHA concluded that SO 6 and Title II are the primary vehicles for implementing the IEHA Action Plan, with a strong contribution from SO-5 due to its emphasis on civic involvement of producer and other economic groups at the local level, and its work with Parliament on policy reform, budget oversight and civil society inputs. Other SOs will be integrated as appropriate, as set forth in the CSP.

Within the Economic Growth SO, the USAID strategy centers on three themes: competitiveness, modernization and integration of all levels of private sector activity into export-led (agricultural) growth. For the purposes of SO 6, agriculture is comprehensively defined as all production, marketing, processing and exporting of crops, livestock, forestry and fisheries, including the marketing of input-supply and support services.

Competitiveness is defined as "the ability of an economy to convert its human, capital and natural resources into goods and services at costs equal to or lower than the prices determined by world markets."⁷ Competitiveness correlates with total factor productivity. Competitiveness is based on the value of products and services, as determined by their uniqueness and quality, and the efficiency with which they are produced. Ultimately, competitiveness depends more on the efficiency with which firms compete within a given industry, than on which industries are potentially competitive. Competitive economies achieve high levels of well-being for their population by producing for domestic consumption and for export – when unsubsidized exports compete in world markets and unprotected import substitutes compete with imports. Exports provide foreign exchange that allows an economy to import more goods and services from the

⁷ "Ghana: Reaching the Next Level through Global Competitiveness: A Public/Private Partnership; Summary of Conference Proceedings," Chapel Hill, North Carolina, as published by Sigma One Corporation, June 1997.

rest of the world. The SO 6 focus on competitiveness thus embraces all Ghanaians as beneficiaries, both as producers and suppliers of goods and services, and as consumers.

Ghana shows promise of competitive integration in the global economy. It has reasonable geographic access to Europe and to regional markets; a low cost and English speaking labor force; a favorable agricultural resource endowment; political stability and democracy; and a demonstrated willingness over the past two decades to improve its macroeconomic policies, institutions and infrastructure. An indication of the success of Ghana's competitiveness is the growth of non-traditional exports during the past two USAID strategy periods, despite major external (world market financial crises) and internal (fiscal) shocks to Ghana's economy during the period. Yet the Ghanaian government's weak (albeit improved) macroeconomic management remains the greatest constraint. The best chance of overcoming this constraint is the apparent political will of the current Administration to avoid excessive budget overruns, which is bolstered by the concerted and coordinated support of the donor community under the GPRS and MDBS. A test of the Ghanaian political will is the national election scheduled for December 2004.

Modernization is defined as the best technology and sustainability practices. Modernization ranges from hi-tech innovations including improved varieties and practices from the scientific community, applications of biotechnology advances, modern commercial farming practices and linkages to smallholders, and scientific evidence of the viability of modern sustainable agricultural production techniques such as regenerative agriculture, some organic systems and other forms of ecologically and economically sustainable production. The SO 6 focus on Private Sector Competitiveness supports, under IR 2, the private sector's ability to compete based on proven modernization techniques that are cost-efficient and sustainable.

The third focus of the Private Sector Competitiveness SO is integration of all levels of private sector activity into export-led growth, and integration of all farmers, traders, processors and exporters into a demand-pull, export-led agricultural growth. The IEHA resources enable the Mission to enhance and reinforce activities to further integrate small farm families into the supply chain of agro-processing and export markets. Rural Ghanaians have already benefited from positive performance under past economic growth SOs, as their products have entered export markets as well as competitive local markets. Cashews, citrus, mangoes, palm oil, shea kernels, rice and soybeans produced by Title II-assisted farmers have entered domestic and export markets, and some products have received EUREP-GAP certification. Businesses assisted by TechnoServe increased their sales to over \$4.5 million (a 705% increase over the target) and purchased produce from 8,027 rural producers in 2003, an increase of 287%. ADRA-assisted farmers marketed 32% to 34% of their household production. Smallholders will benefit further as IEHA resources support further modernization of the agricultural practices of these Title II-assisted farmers, improved access to inputs and services at competitive prices, and their further integration into the supply chain, through the development of the rural private agriculture services sector. Increasingly, Ghana's small farmers are entering into the formal economy. While this occurred as a natural, organic "trickle down" process of private export expansion in the past, the IEHA enables the Mission to focus specifically on the rural private sector in the future.

The Mission's primary SO indicator is non-traditional exports (NTE), of which over 75% are non-traditional agricultural exports (NTAE) under the Mission's comprehensive definition of agriculture. The Mission has defined this indicator in a new way that enables it to measure precisely the impact of the results achieved. The definition represents an evolution over the previous methodology, which relied on Ghana Export Promotion Council statistics. Upon further analysis, GIPC figures were unverifiable and hence suspect. To correct this problem, the Mission assessed trade data produced by the Ministry of Trade, Industry and Presidential Special

Initiatives MoTI&PSI. These data use the four digit classification of the SIC. Since traditional exports (minerals, diamonds, cocoa beans and logging timber) are not supported by the SO 6 program, they are excluded from the indicator. This increases the accuracy of the measure and prevents the problems associated with including traditional exports (price volatility and excessive weight since in 2002 they were about four times as high as traditional exports). See Annex A.

USAID/Ghana's comparative advantage in the context of all donor assistance to the agriculture sector lies in its niche of support to private sector exports, processing and marketing firms, and to associated business associations; institutional development of macro-economic policy analysis, trade-related policy reform and policy and regulatory entities within the GoG; and public-private sector dialogue on policy analysis and advocacy across key policy issues. USAID has successfully implemented projects that have expanded NTEs (in selected sectors) from \$43.5 million in 1998 to approximately \$55 million in 2003.

3.2 The IEHA Challenge and Core Themes

While a growth rate of 4% to 5% may be respectable by African standards, an 8% average annual GDP growth rate is required to attain the current Government's goal of reducing poverty and becoming a middle-income country with an average annual per capita income of \$1,000 by 2020. Within this 8% growth rate, agriculture must grow at a minimum rate of 6% per annum. Per capita income for 2002 is estimated at \$370, and has declined since 2000 owing to the devaluation of the Ghanaian Cedi. These growth rates compare to a GDP growth rate of 4.3% during the 1990s, with the precise rate for agriculture not known owing to the weak capacity to collect reliable agricultural statistics.

IFPRI conducted a simulation analysis⁸ to assess agricultural growth options and their impact on poverty reduction, to guide the Mission in formulating its IEHA Action Plan. The analysis noted that the production of staple foods has contributed the most to growth in the sector, and that maintaining historical growth rates would cut the poverty ratio in half by 2020. The analysis assesses various scenarios for cutting poverty in half by 2015 in Ghana. It shows that a strategy of strong growth in non-traditional agricultural exports produces strong growth initially, but eventually slows down owing to other constraints such as transportation, trade, and other services. A strategy of strong growth in production of food staples suggests that if no additional growth in non-agricultural income creates demand for food in the domestic market, or rapid growth in the livestock sector that creates demand for feed, rapid growth in cereal and starchy crops will not be matched by a comparable rate of growth in agricultural income because of down-ward pressure on food crop prices. Developing the regional market in food staples can help to reverse the down-ward pressure on food crop prices. The quantitative measure of such gains from regional markets, however, is constrained by the fact that informal trade of food staples is not recorded in nation's statistics. The best results in the IFPRI simulation are obtained by reductions in the cost of transportation and trade and other services, which allow producers to realize the full benefit both of increased production of cereals and increased exports. Increase in effective domestic demand for staple agricultural commodities also depends on significant reduction in poverty in Ghana, as the additional demand for food generated by those who are currently undernourished will increase total consumer demand for food. Thus, the importance of developing the export potential of domestic staple crops within the region is suggested by the preliminary simulation. If Ghanaian producers are enabled to access new export markets for their agricultural commodity

⁸ Agricultural Growth Options and Poverty Reduction in Ghana – A Multi Market Model Analysis for 2003-2015,(Preliminary Results), IFPRI, November 3, 2003.

and processed products, the demand for Ghanaian agricultural output will be that much greater. The IFPRI simulation confirms that USAID attention is most effectively focused on efficient domestic, regional, and international export marketing, including addressing trade policies (IR 6.1), trade systems (IR 6.2) and transportation (IR 6.3) constraints, and expanding agro-processing activities and agricultural service provision.

The Ghana CSP for 2004-2010 reflects the Mission's conviction that attaining a high level of growth with limited resources is most likely to occur by focusing on non-traditional agricultural exports and the policy environment for the private sector. Interventions include support through IR 6.1.1 to addresses key policy constraints to private sector competitiveness by reforming policies and regulations in the following areas: (a) priority areas of macro-economic reform, because macroeconomic instability remains the major constraint to private sector investment and to development of trade, including exports of agricultural products; (b) trade policy because a more liberal trade policy enables Ghanaian producers to compete more efficiently in world markets and has a strong positive impact on Ghanaian agricultural production; (c) reforms to make factor markets (land, labor and finance) more efficient; and (d) reforms in telecommunications and energy regulation, customs and public sector debt management in so far as they are impeding trade. IR 6.1.2 will strengthen the institutional capacity of selected government Ministries, Departments and Agencies (MDAs), those charged with administering the policy and regulatory frameworks where IR 6.1.1 reforms are focused. IR 6.1.3 strengthens public/private sector dialogue by supporting private and civil society entities to conduct policy analysis and advocate for reforms, and by creating venues for enhanced policy dialogue among public, private and civil society actors.

The introduction of IEHA resources will allow the Mission to intensify its efforts to integrate rural sector issues into its policy and institutional strengthening agenda for the enabling environment, to integrate the small farmer into the supply chain for exports and agro-processing, and to expand its emphasis on private sector business service delivery into rural areas. The Mission plans to accomplish this by working with Title II grantees and the Sustainable Tree Crops Program, and investing in activities that constitute key constraints on the demand-side. Specifically, the addition of IEHA resources will allow the Mission to intensify reform efforts in trade, financial markets and macro policies, with special attention to the integration of the rural sector. In addition, IEHA resources will support: (e) agricultural sector policy analysis to address rural private sector agricultural growth, including an ecological/economic zone database to facilitate agricultural policy analysis and planning, improvements to the rural business enabling environment, legal and regulatory reforms in land tenure and land use, and trader/marketing policy; (f) legal and regulatory framework for biotechnology and other modern production technologies; (g) reinforcing of Title II and Food for Progress programs to impact on sustainable rural private sector development; (h) strengthening private sector provision (in rural areas) of modern inputs, modern production, storage and processing technology, and inventory credit, forward contracting and other forms of increased access to credit; (i) expanding sustainable production technologies, including organic products to Europe and small holder irrigation for horticulture; (j) support for private sector cocoa marketing through the Sustainable Tree Crops Program; (k) extension to rural areas of ICT services to improve agricultural market information systems and rural development in general; and (l) elimination of formal and informal constraints to the free flow of goods along domestic and cross-border transport routes in Ghana and the region. These activities are directed at improving the rules of the game so as to free the private sector to apply its significant resources most efficiently for producing sustainable, rural-based growth and integrate smallholders explicitly in its SO.

Sustainability is an overriding issue in utilizing IEHA resources to reduce rural poverty. Sustainability means that relationships between producers, input suppliers, market intermediaries, financial institutions, agro-processors, exporters and market information systems must survive the termination of credit guarantees, NGO support, and technical assistance. Strengthening private sector entities and developing economic incentives for them to continue dealing with each other is paramount, to achieve this sustainability. Ghana has developed its private sector and educational base to the point where many of these services can be nurtured into successful businesses in the private sector. This is the ultimate in sustainability and the challenge of this Action Plan.

In summary form, this Action Plan provides resources for the Mission to integrate important activities in support of the six core themes of IEHA, although the Action Plan places primary importance on trade (2), with secondary importance placed on technology (1), producer groups (3), and environmental management (6):

1. Advancing scientific and technological applications and support rural services that harness the power of new technology (biotechnology, information technology, and sustainable, regenerative agriculture) to increase competitiveness, raise productivity, support and expand agriculture-based enterprises and support sustainable land use management.
2. Strengthen agricultural trade and market systems through increased participation, competition and efficiency, for products in local, sub-regional and international markets.
3. Strengthen community-based producer organizations through integration into the supply chain, access to modern production technology and private input supply and other agricultural or marketing services, and creation of new opportunities that add value, raise incomes, deliver services and improve incomes for the rural majority.
4. Building the human and institutional capacity to shape and lead policy formulation and regulatory implementation, private agro-processing and exports, and public-private partnerships for research, conservation, and other activities.
5. Integrating vulnerable groups and localities into sustainable economic relationships and development processes.
6. Strengthening environmental management to address the key environmental issues confronting Ghana: deforestation and land degradation, by a) assessing and addressing forestry policy which looks good but is not enforced; b) fostering viable techniques for sustainable agricultural production and growth, and c) improving water management in an environmentally sustainable fashion.

3.3 The Vision for IEHA in Ghana

The ultimate goal of USAID/Ghana's Private Sector Competitiveness Strategic Objective (SO 6) is **poverty reduction**; from the economic perspective this means increasing employment opportunities and incomes for the poor; the only way to do this in a sustainable way is to create and strengthen the private sector to generate those jobs and higher incomes. SO-6 proposes to achieve this by increasing the competitiveness of Ghana's private sector in world markets. This is the fundamental development hypothesis for SO-6 under the new CSP. See Annex F for the section of the CSP SO 6.

As stated in the CSP, the SO makes no inherent distinction between domestic and export markets: as barriers to trade fall and exports increase, competition within domestic markets will become more intense. Nor does it make an inherent distinction between regional and overseas export markets: as barriers to trade among ECOWAS countries fall, more opportunities for regional trade will become profitable. The SO squarely confronts the challenge of helping Ghana's private sector meet the ultimate test of competitiveness, which is to vie with foreign competitors, whether in overseas, regional or domestic markets. Because Ghana faces limited growth potential in domestic markets and regional markets are still limited by poor transport links and numerous regulatory barriers, competing in overseas markets provides the greatest incentives for technological modernization, market exploitation, high profits, and a high economic growth rate. In sum, SO 6, including IEHA resources, will continue to focus on efficient export (and domestic) marketing, expanding agro-processing activities, and policy and regulatory reform, with increased emphasis on technology (ICT and biotechnology) transfer and agricultural service provision.

As applied to IEHA investments, the SO 6 development hypothesis provides the cornerstone for integrating smallholders into the supply chain of modern agricultural production. The keys to increasing smallholder incomes are the same as for keeping food prices as competitively low as possible, both for the poor and for export competitiveness, and for promoting both national and regional food security. This includes a) access to viable and sustainable modern production technologies; b) a steady, reliable and affordable supply of agricultural services and inputs, and c) linkages to output markets and processing activities that keep marketing and storage costs to a minimum, while providing a vent for surplus production. Another key is that reliability and sustainability can most efficiently be assured if the private sector is the engine driving these activities, so that freely competitive markets and profit maximizing behavior combine to transfer producer surplus and marketing rents to consumers. To stay ahead of the curve, producers must constantly innovate, thereby retaining some of the benefits of increasing productivity. What is needed to start this process is a stable macro-economic environment, a market relatively free of subsidies so that all firms are on an even footing, credibility on the part of the main actors in the private sector that the GOG will sustain macro stability and free markets, and a private sector that is dynamic and is rewarded for taking risk. These conditions are increasingly being met in contemporary Ghana.

In addition to integrating smallholders into the supply chain, USAID's vision of IEHA in Ghana is to reduce rural poverty by building on the Mission's accumulated experience in export policy reform, macro-economic stabilization, and private sector-led export promotion to the rural sector. This involves improving linkages to markets moving down the supply chain to smallholder production systems, and supporting productive activities with regional applicability that offer significant potential for spillover effects. The strategy is to accomplish this by forging links between the private sector and national research and support institutions, and adding support in modern technology, processing, market integration and sustainable rural private sector service provision for Title II grantees. Pilot activities could include the evolution of inventory credit programs to forward sales contracts and efforts to expand existing but incipient programs to create competitive aquaculture and grasscutter production, as well as other possibilities that may be identified by the IFPRI analysis and others. As lessons are learned and (if) the viability of the various approaches to each of the three pilot activities noted above is established, USAID will work with other donors to integrate these activities into their own and other donor programs and projects.

3.4 Integration of IEHA Principles with USAID/Ghana's SO 6

USAID/Ghana's export-led economic growth strategy focuses on increasing the competitiveness of the Ghanaian private sector in world markets; IEHA resources will be used to strengthen the linkages between export-driven economic growth and agricultural production from the demand side, the hypothesis being that Ghanaian agriculture is primarily demand-constrained. When supplemented with IEHA resources, SO 6 will strengthen these linkages directly, by supporting the Title II program, and indirectly by funding analyses to inform other donor programs in agriculture. This IEHA Action Plan clarifies these linkages and explains how the IEHA investment program converges with the CSP and the six core themes of IEHA investments under the program (see Section 4.4 for a detailed discussion of how specific investment ideas for IEHA resources converge with the CSP competitiveness program and the core themes for IEHA investments).

The IEHA Annex to the USAID/Ghana CSP (Annex H in the CSP, provided as Annex G to this Action Plan) outlined the Mission's initial thinking on how IHEA funding would complement the Mission's strategy, emphasizing an export led investment strategy supplemented by import substitution targeted to competitive sectors of the domestic agricultural market. The IEHA Annex to the CSP also focused on creating a favorable business environment that can attract sustained investment into agro-processing and the export sector, thereby increasing the competitiveness of firms in those activities. The Title II program contains the main components of the Mission's existing strategy for supporting smallholder agricultural production and marketing. SO 6 support to trade associations and agricultural input traders, and Title II support to producer groups and traders, help to link producers with market intermediaries and service providers. This assistance includes many types of crops and activities, and includes small and large farmers, intermediaries and processors. SO 5, *Strengthened Democratic and Decentralized Governance through Civic Involvement*, works with civil society organizations (CSO) including farmer groups and service providers at the level of local governments. About 70% of rural CSOs are economic in nature, providing an important element of synergy for these groups to improve rural production and services.

USAID/Ghana's IEHA Action Plan places its principal focus on the enabling environment for rural producers, and on marketing and post-harvest processing as a means of increasing effective demand for the production of small holders and other agricultural producers. This demand-pull strategy provides effective market demand to stimulate more agricultural production. Recent economic trends confirm that export-driven growth has resulted in increased production as the demand has been expressed down the supply chain. Despite this encouraging trend, markets continue to be lacking for many of Ghana's agricultural products. The IHEA component will focus on the integration of smallholders into the supply chain for processed and exported agricultural products.

The IEHA Draft Results Framework is set forth in Annex A, along with a chart outlining the key relationships to support the IEHA Development Hypothesis. Table 3 sets forth the integration of IEHA activities within USAID/Ghana SO 6. The convergence of the resulting USAID/Ghana SO with the IEHA draft Results Framework is remarkably complete. The IEHA SO, which is supported by three IRs, is summarized below. The reader is referred to Section 3.1 for a summary of Results Framework for USAID's SO 6, or Annex A for the revised Framework integrating IEHA activities.

IEHA SO: *Increased Rural Income*

IR 1: *Enhanced Agricultural Productivity*

IR 2: *Improved Policy Environment for Agricultural Production and Trade*

IR 3: *Increased Agricultural Trade*

The first IEHA IR corresponds to the second USAID/Ghana SO 6 IR, with the difference that USAID/G focuses on private sector competitiveness to achieve agricultural growth through a demand-pull strategy, while the IEHA focuses on agricultural productivity. The second IEHA IR corresponds to the first USAID/Ghana SO 6 IR: both IRs capture the policy environment as well as enhanced institutional capacity for policy formulation and implementation, with the important difference that USAID's IR is more comprehensive in terms of encompassing the macro-economic policy and institutional framework within which the agricultural sector operates. The third IEHA IR for agricultural trade is subsumed in USAID/Ghana's overall SO statement, and is supported by both IRs under USAID/Ghana's SO 6. The addition of two additional IRs in USAID/G's SO 6 formulation cover other donor support for Improved Infrastructure (IR 6.3), for which USAID/Ghana will participate at the strategic planning level, and Regional Integration and Policy Harmonization (IR 6.4) to promote regional trade and policy/regulatory work, reflecting USAID/Ghana's commitment to the spill-over and trade dimensions of the IEHA.

3.5. Adjustments to SO 6 Results Framework for IEHA Integration

To incorporate the IHEA investment strategy into the CSP Results Framework, USAID/Ghana will combine sub-IR 6.2.1 and 6.2.2 to tightly focus the impact of enterprise/business association/producer group capacity building on trade creation. The Mission will add a new sub-IR 6.2.2, *Integration of Smallholder Agriculture into the Supply Chain of Agro-Processing and Export Markets*, to encompass the IEHA strategy and investments relating to smallholder agriculture. The Results Framework will raise regional integration to a higher prominence, including the addition of a sub-IR under IR 6.4 that encompasses the SO 6 contribution (within Ghana) to sub-regional harmonization. IR 6.3 will remain primarily the domain of other donors, with indicators to be tracked by the Ghana Mission. The revised Results Framework, as compared to the CSP version, has minor changes in wording and additional indicators for some IRs and sub-IRs. All changes are indicated in italics, and the deletions are struck out. Apart from the addition of the IR relating to the integration of smallholders into the supply chain, the strategy remains the same. Indicators will be modified or added to incorporate the common indicators being drafted by IFPRI and yet to be approved by AFR/SD.

To reflect the integration of smallholder agriculture inspired by the addition of IEHA funding, the Mission has added a second indicator to IR 6.2, *Private Sector Capability to Compete in Selected Industries/Sectors Strengthened*. The indicator, *value and volume of targeted smallholder producer group sales of commodities and inputs*, tracks the progress achieved in getting producer groups more involved in the marketing chain. A similar, more targeted indicator under 6.2.2, *value and volume of targeted smallholder producer group access to credit, including inventory credit and forward contracts delivery*, reflects the importance placed on mechanisms that increase smallholder access to finance, as means to "collateralize" the Mission's demand-led smallholder development strategy. Developing the capacity of smallholder producer groups to access credit increases producer prices and incomes, reduces seasonal variation in consumer prices, increases inputs, extension and other services available at the village level, increases Ghanaian and sub-regional food security, and links Ghana's smallholder producers with national and sub-regional markets for input, products and agro-processing. These activities support the private sector development strategy of MoFA's Food and Agriculture Sector Development Policy (FASDEP), Ghana's strategy to implement the GPRS in the agriculture sector.

The amended CSP Results Framework corresponds to the main themes of the IHEA draft Results Framework. The new IR 6.2.2, *Integration of Small Holder Agriculture into the Supply Chain of Agro-processing and Export Markets*, supports IEHA Draft IR 1: *Enhanced Smallholder Productivity* and Draft IR 3: *Enhanced Market Infrastructure and Capacity*. Draft IEHA IR 2.1 reflects the CSP SO 6 emphasis on macro and trade policy. Draft IEHA IR 1 covers the Mission's work on dissemination of biotechnology and ICT. Draft IEHA IR 1.2 corresponds to linkages of private sector producers and processors with research providers on a cost share basis. The draft IEHA IR 3 covers the integration of small farmers into the supply chain for regional and export markets, which will be supported through an array of activities covered under draft IEHA IR 3.1 for market infrastructure, private sector services and trade sector development activities. The Ghana CSP IR 6.2 indicator, *Value and volume of smallholder producer group sales*, could serve as an IEHA Draft IR 3 indicator, as inventory credit, forward contracting, market information systems and other marketing improvements throughout West Africa.

The IEHA Draft Strategic Objective (*Increased Rural Income*) is supported both through increased production and the greater share of the market price realized by producers as they capture part of the seasonal price differential and additional income from storage. They also capture some of the proceeds of agro-processing, grading, packaging and other quality enhancements to their production. Title II grantees are already seeing less seasonal price variation in cereals when a sufficient number of producers participate in inventory credit in a given locality. Most of the CSP IR 6.2.2 indicators directly support the IHEA Draft IR 3.

3.6. Crosscutting Themes

The Ghana IEHA Action Plan directly addresses and contributes to many of the cross-cutting themes in the Mission's CSP, namely: 1) alignment with the Ghana Poverty Reduction Strategy (GPRS); 2) support for local governance through strengthening of civil society and private sector service providers in rural areas; 3) gender mainstreaming; 4) inclusion of disenfranchised groups; 5) integration of Food for Peace Title II programs; and 6) linkages with other SOs, especially democracy/governance. It also addresses and contributes to crosscutting issues in the MoFA Strategic Plan, namely: 1) the development of farmer-based organizations to serve as a vehicle for extending services to smallholder farmers in production and other agri-businesses; 2) creation of land banks to facilitate access to agricultural land; 3) measures to control bush fires; and 4) gender mainstreaming.

The IEHA Action Plan is squarely based on the GPRS and addresses four of its six key points:

- Obtaining the active involvement of the private sector as the main engine of growth and partner in nation building (Private Sector Competitiveness).
- Ensuring sound economic management for accelerated growth (Enabling Environment for Private Sector Competitiveness Improved); and
- Increased production and promotion of sustainable livelihoods (Private Sector Competitiveness, integration of smallholder agriculture into supply chain of agro-processing and export markets increased);
- Provision of special support for the vulnerable and excluded, including women (Food For Peace Program and IEHA funds to integrate smallholder agriculture into the supply chain of agro-processing and export markets increased)

Poor Ghanaian farmers and traders will benefit from IEHA activities through integration of Title II programs, increased sales by smallholders for exports and agro-processing, and the evolution of rural private sector support services, as well as the enhanced policy framework for the sector as a whole, and for the rural sector's special needs. Activities at the field level will be organized in a manner that engages local authorities and local community and producer groups as appropriate, and will enhance their capacities. Gender will be addressed in the policy arena, such as land policy, as well as at appropriate levels in the implementation of support to enterprises, business associations and producer groups, and will be monitored as an integral component of the PMP.

Title II. Title II programs in the agriculture sector will be reinforced and integrated into the IEHA Action Plan (AP). These programs represent solid and increasingly result-achieving on-the-ground experience in terms of assisting farmers to produce for the local and agro-processing commercial market, to improve and target their production, to secure better market prices by grading their produce, and even to export to Europe. Full integration into the IEHA AP will reinforce these program components, as well as provide new contacts and possibilities for the SO 6 program to strengthen private sector extension, input supply and credit services for small farmers. Title II assistance programs provide essential links to the small farmer, and IEHA will strengthen these links to include traders, and to expand innovative activities such as inventory credit, and introduce trader-provided credit for inputs and forward contracts. Inventory credit has been pioneered by TechnoServe under Title II, and has recently been replicated by other Title II grantees.

Democracy/Governance SO. Three components of the Democracy/Governance (DG) SO are of particular relevance to the IEHA Action Plan: 1) Strengthening Parliament to carry out its budget oversight functions and to play an informed and constructive role in the formulation of policies and legislation to support the GPRS and the Vision 2020; 2) the Local Government and Civil Society activities; and 3) participation in the multi-donor Ghana Research and Advocacy Program (G-RAP). The DG team and the Economic Growth (EG) team will cooperate on economic policy and enabling environment improvements through these three DG (SO 5) activities. This cooperation will strengthen the Parliament's capacity to understand and debate policy options by channeling the results of macroeconomic, structural and sector-specific policy analyses carried out by SO 6 implementing partners to key Committees of Parliament, primarily through the Parliamentary Research Center that was created by the DG Team during the prior strategy period. The DG team may set up other mechanisms in Parliament through which the EG team will provide private sector and contractor analytical input for short training courses or briefings to committees on key macro, trade and sector economic issues, pending the availability of additional funding. In addition, policies developed by the EG component will be vetted in Parliament. Committee hearings will be conducted on these proposed policies and widespread civil society participation therein will be encouraged. EG will also work on policy issues at the national government level to enable and facilitate local collection of tax revenues, while DG partners work with selected districts collecting these revenues.

The Local Government and Civil Society activities foster the active engagement of local government to open dialogue and partnership with civil society. This DG activity intersects with IEHA concerns in several key areas. One is the effort to increase local revenue collection and service provision, where the DG team engages local governments on the services they provide, and with civil society in negotiating reasonable tax rates that they can afford to pay. Some localities have increased revenue beyond targets, attesting to the feasibility of this approach. Furthermore, since approximately 70% of civil society groups are community business organizations engaged in agri-business or production, a coincidence of EG and DG team interests exists in supporting them. The DG program will build organizational, technical, and advocacy

capacity within business, environment, and agricultural producer groups. The DG team will help feed concerns at the community and district level up to apex business associations and research organizations and think tanks with whom the EG team works. The EG SO will support the apex groups to advocate for policy change at the national level while the DG SO works with community-based organizations to lobby for reforms at the local level, and with District Assemblies to implement those reforms. The two SOs also share the goal of advocacy to create a more favorable rural business environment. The DG SO will also enhance the business skills of these groups to better provide agri-business services for the benefit of smallholders, traders and other SO 6 beneficiaries, and to enable them to be profitable and competitive.

The EG and DG teams will also coordinate the latter's direct participation in and support to the G-RAP. G-RAP will provide core grants to selected policy research and advocacy institutes, associations and other organizations, based on an assessment of their capacity to manage funds, conduct credible research and carry out effective advocacy initiatives. The DG team will actively participate in the selection of entities to receive such core funding. The EG team also plans to contract (or sub-contract under the SO 6 policy contract) for specific research and advocacy work with selected economic policy research and advocacy entities, such as the land policy study with ISSER, and may also provide core funding to a limited number of such entities. In the case where SO 6 does provide core funding to a policy or advocacy group, it will take care to complement rather than replicate the grants provided under G-RAP.

HIV/AIDS. HIV/AIDS prevalence in Ghana is presently lower than neighboring countries, at 3.4% in the general population. About 400,000 Ghanaians are infected, of whom 100,000 need treatment and up to 30,000 may die in the year 2003. Prevalence has remained fairly constant in recent years, and it is too early to tell if the epidemic is at a plateau. Much of the infected population (the most at-risk groups) resides in urban areas throughout the country, although miners and some rural areas in the Eastern, Western and Volta regions are affected. If not contained, HIV/AIDS could have a devastating impact on economic growth and the well-being of the Ghanaian people. For businesses that employ many workers, the number of workdays lost to illness for HIV/AIDS ranges from one to twelve months per worker year. Healthy persons may lose workdays to care for ill relatives and to attend funerals. If high rates of infection occur, some businesses may find it hard to survive, as trained and competent employees become infected.⁹ One gold mining company, Ashanti Golds, has about 350 identified people living with HIV/AIDS (including families of employees) of whom about 60 may die in 2003.

The most vulnerable group within the proposed IEHA investments is traders, who belong to one of the most at-risk group of traditional HIV/AIDS victims, those who travel on business. Traders include majority women, although some trade is carried out by men, such as the salt/onion trade to and from Niger. Traders will figure prominently in HIV/AIDS prevention and appropriate treatment campaigns. The Health SO has developed appropriate responses to these groups, as well as a corporate response to HIV/AIDS that presently includes 30 private companies. The EG SO will work closely with the Health SO to monitor HIV/AIDS issues in areas of intervention, to leverage assistance from existing programs or additional resources to address the problems that may arise, and to encourage employers to implement work place programs that build awareness and counsel, refer and/or provide treatment to their staff. Further HIV/AIDS activities are likely to focus on traders and on continuation of workplace-based programs, and will be funded by the Health SO, as appropriate.

⁹ USAID/Ghana HIV/AIDS Strategic Plan (2004-2010), July 2003, p 5-8.

Gender: Under the IEHA strategy, USAID will continue to assist women’s business associations and women entrepreneurs to market their products. Many of the Title II grantees work with women farmers, including female-headed households. The majority of traders in traders’ associations are women. Women are also prominent in the garment and handicraft export sectors where SO 6 is likely to continue working. Further, USAID will integrate the interests of women into analyses and assessments in the policy reform agenda, and its implementation for important issues such as access to land, credit and market information. USAID will monitor the participation of women in the civil society organizations involved in program implementation, as well as the agendas of these organizations. Finally, a number of indicators disaggregate by gender, such as the employment indicators. In sum, USAID will assure that its activities demonstrate gender awareness, and monitor gender-specific results as appropriate.

4. The IEHA Investment Plan

4.1. Strategic Rationale

USAID has historically been an important donor in the nation's agricultural sector. The Mission's agricultural programs have evolved from a focus on increased food production and food security to one of market-driven growth. The emphasis has been on non-traditional exports while at the same time working with some of the more vulnerable communities under the PL-480 program. The evolving changes in program emphasis have been in response to both changes in needs and changes in possibilities. USAID/Ghana, through the Private Sector Competitiveness SO 6, made a strategic choice to focus on poverty reduction through export-led private sector growth, with a sub-focus on overseas exports of agricultural and agro-processed products and the modernization of Ghanaian agriculture. Availability of IHEA resources allows the SO 6 strategy to strengthen these strategic foci as they relate to rural areas, to place more emphasis on domestic marketing channels and regional trade, and to integrate smallholder production into the same growth oriented, export market and agro-processing supply chains.

The IEHA Action Plan includes support aimed at strengthening the enabling environment, elements for gathering better information for policy analysis and policy reform and for guiding investment priorities and activities in the agricultural sector, and specific activities to support private sector capabilities to compete in the rural sector. Potential investment priorities arising from improved data and policy analysis include strengthening farmer groups for purposes of providing inputs, managing extension services and marketing output of all types of crops that can meet export quality standards, or that can compete with imports without protection. With IEHA funding, SO 6 will expand its export-led private sector growth model to include additional agricultural exports, such as cocoa, and cereals and pulses with potential for sub-regional export, all of which have smallholder production potential. To accomplish this, IEHA investments will strengthen input suppliers, market intermediaries, agro-processors and exporters of agricultural products and facilitate linkages between all such groups, including producer groups, so that initiatives begun under the CSP and IEHA become sustainable before USAID assistance terminates. The Mission will also intensify its work in wood products, linked to its policy work in the forestry sector.

The investments proposed for IEHA funding reflect the rationale for the CSP submission for SO 6, with a focus on deepening and broadening the impact of SO activities on rural income. USAID’s comparative advantage in the agriculture sector lies in its niche of support to private

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sector export processing and marketing; institutional development of macro-economic policy analysis, trade-related policy reform, and policy and regulatory entities within the GoG; and public-private sector dialogue on policy analysis and advocacy across key policy issues. Other donors work primarily on agricultural production through MoFA programs, primarily with smallholders. Few donors work on modernization of the agricultural sector through commercial farming and exports, a strategy which has already created effective demand for smallholders through out-grower schemes and emerging marketing channels through exporters as well as Title II grantees. Few donors focus on the policy, institutional and enabling environment issues, or on the marketing chain for agricultural production, factors that constrain agricultural production and limit the impact of programs already in place. Moreover, few donors address other constraints to agricultural production and producer incomes in Ghana, such as low effective demand, macroeconomic instability, poor marketing infrastructure, administrative and other impediments to sub-regional trade, poorly developed rural financial markets, limited processing technology and poorly organized producer groups.

IEHA resources will support the integration of small farm families into the supply chain of agro-processing and export marketing through the deepening and expansion of SO 6 activities in the regions with the greatest incidence of rural poverty (Northern Region and Central Region). The IEHA expanded program of SO 6 will target agricultural enterprises that involve and/or serve smallholder farmers, medium sized farms, and strengthen linkages between large farms and exporters and small-holders. The IEHA AP leaves assistance with actual production activities largely to other donors and Title II grantees, which are already active in these areas. Title II cooperating sponsors would continue be the primary vehicle for providing direct support to small scale farmers, with SO 6 contractors and grantees reinforcing the Title II cooperating sponsors by providing technical assistance and training needed to bring about the structural changes the IEHA Action Plan is seeking to effectuate.

The IEHA strategy is thus based on a demand-pull approach, in lieu of a production-push approach. The Mission expects that the anticipated IFPRI analysis of Ghana's most attractive agricultural investment opportunities will confirm that effective demand is the more important constraint on agricultural growth in Ghana. The IFPRI analysis will provide comprehensive data on Ghana's agricultural profile, which will be shared with the MoFA and other donors. The anticipated outcome is that IFPRI's collaborative data collection and analysis, carried out with GoG and donor inputs, will serve as a vehicle for organizing, confirming and redirecting donor activities in the agriculture sector. This approach maximizes leverage on other donor funding in the agriculture sector. Given the relatively small amount of IHEA resources available to the Ghana Mission, IEHA resources are unlikely to add significantly to growth in any but the most promising production activities. This, indeed, is a key element of USAID/Ghana's IEHA strategy: to use IFPRI analytical capacity to help orchestrate multi-donor efforts to increase the growth rate of Ghanaian agriculture!

4.2. Proposed Investments

The IEHA Action Plan guidance identifies two types of investments: best-bet and illustrative. Each type of investment is defined below. Each investment reflects the IEHA results framework and principles; contributes to the IEHA SO of *Increased Rural Income*, and its related IRs; and applies to one or more of IEHA core thematic areas listed in Section 3.2 above. Each proposed investment is briefly described and justified in terms of the following criteria, namely: 1) reinforcing the Mission's overall strategy of export-led, market driven, private sector growth; and 2) providing direct benefits for smallholder producers. The investments focus on providing

private sector actors with the kinds of support other donors provide to government services, to reinforce private sector capacity which offers a better chance of impact, long-term success and sustainability. See Annex A for the SO 6 and IEHA Results Frameworks.

Table 3 summarizes the Mission's IEHA investment plan, setting funding allocations for FY 2004 and FY 2005. The plan is based on a total IEHA allocation of \$15,000,000 over five years.

Best Bet Investments. In IEHA terminology, "best-bet" investments are those that have a demonstrated record of success at achieving the IEHA strategic objective of stimulating rapid and sustainable rural income growth. These include a) Investments already underway (funded by USAID for one or more years) that can be extended, topped up, and/or broadened in scope (geographically, number of beneficiaries, introduced into other grantee programs), or b) Investments that can be started up quickly in FY 2004 that are low-cost, have proven impact, or proven ease of implementation. This includes biotechnology, which is being done elsewhere and is an important part of the IEHA mandate. While the Mission is embarking on a new strategy period, many activities will continue under new contract mechanisms, and are thus considered as building on on-going investments. Implicit in this economic growth criteria is that the investments are likely to create a smallholder-based agricultural dynamic; contribute to regional dynamism, synergies and spillovers; build alliances and a broad-based political and financial commitment among development partners; and take advantage of cross-sector synergies.

Best Bet 1: Policy/Regulatory/Legal Framework and Institutional Strengthening

IEHA resources provide the means for the Mission to intensify the level of effort in the core areas of the CSP policy and regulatory reform and institutional strengthening agenda. These include the CSP macro and trade policy and institutional reform agenda, and to supplement that core agenda with work in five additional policy areas that impact significantly on small farm production in Ghana. The core policy, regulatory and institutional reforms with the greatest impact on agriculture include: monetary and tax policy reform as key features in maintaining macroeconomic stability; financial sector expansion and deepening to increase the availability of credit and other financial resources for agricultural and other rural development; further trade policy liberalization to expand opportunities for agriculture-related trade; and regulatory reform of the gas, electricity and telecommunications sectors to expand the level and improve the quality of service provision. This investment will build political and financial commitment of development partners through the MDDBS process; contribute to regional dynamism through WARP and possibly other regional activities; and will take advantage of cross-sector synergies with the DG portfolio, which is working with Parliament on budget oversight, policy reform and increased civil society engagement.

The five additional policy and regulatory areas suitable for IEHA were identified in the Mission's Agriculture, Environment and Natural Resource Assessment, the final evaluation of the TIRP, the CSP, and by consultants provided through IEHA support contracts. While in some cases work has been initiated, these policy areas require additional resources beyond the Mission's means (without IEHA) to maximize their impact on rural agriculture and rural incomes. The availability of agricultural data and the capacity to analyze it for policy setting purposes is lacking in MoFA and other agriculture-related public and private sector institutions as well as within the donor community. Red tape pertaining to small business registration and a multitude of business operations is also a major constraint to unleashing the private sector's productive and business capacities in rural Ghana. Improving access to land for commercial as well as small farm production constitutes another constraint that must be addressed if rural incomes are to increase,

as much land lies idle under the current confusion of modern and customary legal systems. Trader and marketing policy and regulatory constraints impede local and regional trade, result in significant damage and loss of produce from poor storage or lack of transport availability on a timely basis, increase costs through illegal fees extorted at police checkpoints, and prevent market efficiency owing to the power of market mamas and limited liquidity among the majority of traders. Finally, addressing forestry policy and enforcement is necessary to prevent further unsustainable harvesting of Ghana's tropical forest resources, to assure the supply for wood products, and to foster a system of exploitation which is sustainable, just and hopefully provides more opportunity for value-added in Ghana, so that this source of exports can expand over the long term.

Each of these policy areas reinforces the Mission's overall strategy of export-led, market driven, private sector growth with particular impact on rural growth and income for smallholder producers. Efficiency within the Ghanaian economy is also likely to spur regional trade and competition. Addressing trader and marketing policy and regulatory issues has the potential for positive effects on Ghana's exports and on regional trade in general.

Best Bet 1.1: Strengthening Macro, Trade & Sector Policy Reforms

USAID will continue its work in macro policy and trade reforms, relying largely on SO 6 funding but supplemented with IEHA resources. This work has begun with the Ministry of Food and Agriculture (MoFA) on the development of an Agri-business Strategy and an Agricultural Export Strategy. The work has involved the Ministry of Trade, Industry and Presidential Special Initiatives (MoTI&PSI) for many years on trade policy issues, a recent success being the formulation of a Trade Policy Framework paper that will guide development of a full-fledged National Trade Policy for Ghana over the next few months. The MoFA will be brought into this process during the phase of policy development. To strengthen the institutional capacity of the MoFA for improved planning and integration of small farmers throughout the country, SO 6 plans to allocate IEHA funds to strengthen the Ministry's policy analysis and planning capacity, especially its capacity to collect and analyze data on Ghana's ecological and economic zones.

The initial vehicle to accomplish this latter objective is the Strategic Analysis and Knowledge Support System (SAKSS) that IFPRI will conduct during the first year of IEHA funding. This simulation of the Ghana economy will be developed in collaboration with, and using the data of, the Statistics, Research and Information Directorate (SRID) of MoFA, the Ghana Statistical Service, the Ministry of Finance and Economic Planning, the remote sensing center at the University of Ghana in Legon, and Ghanaian research institutions, as appropriate. The data and the model will assist MoFA and the Mission to set goals, define priorities for agricultural investment choices, monitor and evaluate impact, and refine targets and priorities as new information and analyses become available. The study will also help the Mission to identify institutional strengthening priorities for implementation under IR6.1.2. IFPRI initiated this activity in April 2003, and is awaiting approval of Ghana as an IEHA designee to continue the activity.

Best Bet 1.2: Strengthening Agricultural Policy Analysis and Planning

Building on this initial analytical work, the Mission will fund an extensive data collection and analysis effort with IFPRI to develop a nation-wide ecological and economic zone data base, in conjunction with, and for the use of, the Ghanaian institutions listed above. This will follow the model data collection and analysis that IFPRI conducted for the Uganda Mission over the past three years. This data collection and analysis effort will be closely coordinated with GTZ and

CIDA, donor organizations that have already indicated an interest in co-funding the IFPRI activity, as well as DfID and the World Bank.

Best Bet 1.3: Reducing Administrative Barriers for Rural Business Development

Private sector provision of key agricultural production and marketing services is essential to the integration of small holders into the supply chain for competitive exports. Many aspects of the enabling environment for private sector exporters were identified during the course of program implementation for the prior strategy period. While these were identified for larger export and agro-processing enterprises, the reality is that the rural sector and small farmers are equally affected by these constraints, since they are in the supply chain for agro-processing and export businesses. Of equal or greater importance is the need to assess special policy, regulatory and administrative constraints for private sector service provision in rural areas. Starting with the simple – yet in actual practice, not so simple – process of registering a business, this component will undertake special analyses and institutional strengthening activities to improve the business climate and reduce administrative barriers for smaller rural-based enterprises, so that sustainable service delivery through the private sector in rural areas and secondary towns can be achieved under IR 6.2.

Best Bet 1.4: Improving Access to Land

Access to land, whether on the basis of secure usage or ownership rights, is a major problem for prospective foreign or domestic investors in the agriculture sector. Constraints to secure land rights limit the productive use of land among rural Ghanaians, as customary law is applied alongside modern law, discouraging investment in land which often belongs to multiple descendants according to traditional law and which, in some regions of the country, must be passed on to nephews rather than sons. Thus, large tracts of Ghana's arable land remain vacant and unexploited while investor access to land for agricultural exploitation is limited. To compound the problem, land use and land ownership systems vary in different regions of Ghana, where the different tribal groups have different land ownership rules. Since 90% of agricultural holdings are farmed by smallholders, providing clear land titles or lease agreements would secure smallholder access to land as well as credit, and increase incentives to improve agricultural production. The World Bank has initiated a 15 year Land Administration Project, to be implemented in three five-year segments. The project will deal with the “nuts and bolts” of land administration, such as land registration and titling.

USAID plans to use IEHA resources to promote a national debate on land policy. Only through such a national dialogue can a society-wide consensus on needed reforms be achieved. The government is showing political will to address the many issues involved, and the study will provide complementary inputs to the World Bank Land Administration Project. USAID has been negotiating a proposal from the Institute for Statistical, Social and Economic Research (ISSER) of the University of Ghana at Legon, to conduct research on six aspects of land policy. IEHA funding will enable USAID to proceed with the proposal. ISSER will coordinate the studies, engaging social scientists from departments within the University, and will organize regional workshops and seminars with broad representation at the national level and in the ten regions of the country. The policy research and dialogue will extend over a three-year period.

Best Bet 1.5: Agricultural Trader and Marketing Policy

Marketing in Ghana is a competitive business for the ubiquitous small trader, with low – and sometimes no – returns. Small traders are buffeted by a number of factors: the financial power

and exclusionary business practices of the “Market Mamas;” the difficulty of accessing timely information on the availability and cost of produce in distant markets, and of accessing transport services owing to the market power of transport unions, which results in high levels of spoilage; the lack of storage and packing facilities; and the frequent police road checks which require bribes to clear. Traders who undertake regional trade also experience customs hassles and police road blocks in neighboring countries. The marketing system is key to generating a demand-pull dynamic for unleashing agricultural production at the small farm level. It is also a sub-sector with many poor participants, including those dispossessed of their rural base who seek to make a living in the informal urban trading sector.

The agricultural marketing system in Ghana involves a series of steps and services to move products from the point of production to the point of consumption. There are six levels of agricultural markets in Ghana, including primary markets, rural assembly and rural secondary markets, urban wholesale, and urban retail markets. The main problems center around inadequate infrastructure for transport, packaging and processing; post harvest/marketing losses resulting from improper handling and packaging; lack of grading and standardization; price fluctuations and a lack of mechanisms to determine fair prices; lack of market information and intelligence on availability and prices; lack of credit; and inadequate marketing services. These problems must be addressed in a holistic, multi-disciplinary and multi-level manner, with a systematic and coordinated approach to identify and analyze constraints in the production, marketing, export and local consumption sectors.

Agricultural products trade organizations exist in Ghana, and have proposed the establishment of a National Traders’ Network and an Agricultural Marketing Information System. Using IEHA funds, the Mission is able to add this policy reform agenda to those that will be addressed by the contractor that implements the enabling environment IR 6.1. For further discussion, see IR 6.2 regarding rural sector services and ICT, and IR 4.1 regarding a regional Marketing Information System under WARP auspices.

Best Bet 1.6: Forestry Policy

The lack of an effective forestry and environmental protection agenda for enforcement is depleting resources that Ghana’s poorest population segments rely on for basic needs and that Ghana’s wood products and handicraft industries rely on for raw material inputs. It also threatens to destroy permanently the rich natural heritage of eco-tourism sites. Past policies have led to the conversion of forested land to agriculture and other uses. Combined with illegal logging, Ghana loses over 22,000 hectares of forests annually, turning healthy environments into wastelands, and resulting in the loss of bio-diversity, forest incomes and tourist revenues. At the heart of this tragedy is poor and even contradictory policies and weak enforcement. Coordination of management between the wildlife and forestry departments has been exacerbated by contradictory policies and programs pursued in each department. This is one of the key natural resource management issues identified in the Agriculture, Environment and Natural Resource Assessment: deforestation, land degradation linked to inappropriate farming practices, and unsustainable harvesting of agricultural crops.

After the Rio de Janeiro Earth Summit in 1992, the Ministry of Forestry and Wildlife promulgated a new forestry policy in 1995, based on the principle that environmental conservation and economic development are inescapably linked in a complex system of cause and effect. Furthermore, the policy acknowledges that proper use of forest resources can lead to sustained development, enriched lives of local communities and increased incomes. The Ministry outlined 19 strategies to achieve sustainable forestry management, but implementation has been

weak and illegal logging continues. The ban on log exports imposed in 1995 has resulted in a boon to illegal log exporters, as the ban enforces a low local price for the benefit of the domestic wood-processing industry. Illegal exporters thus reap great profits at international prices, encouraging further illegal exploitation. In 1999, log production was almost four times the legal harvest limit. The World Bank reports that Ghana has only seven years of commercially exploitable forest reserves left. Both the government and the industry are interested in forest certification, which would confirm that raw timber or processed products have been harvested from sustainably managed forests. International demand for timber is increasingly linked to certification. Certification as a condition for issuing export licenses would significantly contribute to solving the problem.

The U.S. Presidential Initiative Against Illegal Logging (PIAIL) provides an added incentive for USAID to pursue improved rationality and enforcement of a forest policy. The forestry policy component would help to protect and expand rural incomes. Support for reform of Ghana's forestry sector will be sought from PIAIL. The activity would be carried out through the institutional contractor for IR6.1 of SO 6.

Best Bet 2: Biotechnology and Biosafety

The Mission's strategic approach to biotechnology is a parallel, time-phased approach that will first establish a Biosafety Legal and Regulatory Framework, and then support the preparation of an inventory, awareness and outreach program, and initiation of field trials of biotechnology-enhanced crops in collaboration with private enterprise. Promoting awareness of the benefits of biotechnology and support for product dissemination to appropriate users will be included. The Mission will coordinate closely with EGAT, the Africa Bureau, WARP, regional research institutes such as IITA, and other bilateral Missions throughout Africa and the world, to take advantage of research and developments that are applicable in Ghana. This strategic approach maximizes the benefits that the Mission can reap from private sector applied research as well as research work currently being carried out in the sub-region by USAID, IITA and other sources. Biotechnology products cannot, at present, be exported to Europe; therefore, the Mission intends to pave the way for biotechnology applications directed at staple crops which are important in the domestic and ECOWAS markets, agro-processing of horticulture and other crops destined for local, regional and non-European overseas markets, and other crops important to food security and farmer income in Ghana.

The Ghanaian government is pro-active in the field of biotechnology. The lead entity at this scientific stage is the Ministry of Environment and Science (MoES). The MoES coordinates with the Biotechnology and Nuclear Agricultural Research Institute (BNARI), a unit within the Ghanaian Atomic Energy Commission (GAEC). The Government recently signed a Protocol in collaboration with the lead UN Agency, the International Atomic Energy Commission. The MoES and BNARI have established a biotechnology group to prepare guidelines and a regulatory framework for promulgating biotechnology applications. The MoES hosted a seminar in November 2003 to engage appropriate entities, including the MoFA and the private sector in biotechnology. USAID assistance through IEHA will be coordinated to help speed up progress in initiating biotechnology in Ghana.

USAID assistance through IEHA will be focused on aiding the preparation and implementation of the regulatory framework that will create the appropriate environment for implementing biotechnology in Ghana. The first step to establish the groundwork for biotechnology utilization in Ghana will be to build on the Protocol and framework that the MoES and BNARI have initiated, and to finalize the establishment of a Biotechnology and Biosafety Legal and

Regulatory Framework, with assistance from EGAT and the Program for Biosafety Systems (PBS). This could take two to three years, although it may take less time owing to the activities already undertaken by the MoES and the BNARI.

A key policy issue relating to biotechnology is intellectual property rights. The Legal and Regulatory Framework will include policies to protect and manage patent innovations from public institutions like the Ghanaian National Agricultural Research Stations (NARS), sub-regional scientific partners such as the International Institute of Tropical Agriculture (IITA) and Consultative Group for International Agricultural Research (CGIAR) entities. This framework is a critical aspect for creating the business environment necessary for private sector success. The primary objective of the Framework is to benefit the companies that want to use Biotechnology in Ghana; it is critical that they be comfortable with the environment and be assured that their investments are protected by good laws. The Framework can also help to ensure continuous communication among scientists, policy makers and stakeholders are important in developing an effective and sound biotechnology policy framework.

Beginning in the second year, as the legal and regulatory framework is being approved, the Mission will seek assistance from the Agricultural Biotechnology Support Project II (ABSP II) to develop an inventory, and awareness and outreach activities for the application and use of biotechnology in Ghana. ABSP II activities may support research to develop specific genetically enhanced crops in collaboration with private enterprise or Ghanaian research entities.

The implementation of this biotechnology program will provide for support to Ghanaian policy makers and scientists to become knowledgeable about the benefits as well as safety implications of biotechnology. Ghanaian scientists and selected private enterprise representatives will attend regional meetings and workshops on biotechnology research and application. They will be able to develop linkages with institutions that have advanced technologies to solve local problems requiring the use of modern crop biotechnology. The biotechnology transfer will be driven by the needs of the private sector and of smallholder farmers to maximize income and poverty reduction, the key to ending hunger in Ghana. Private sector applications will require cost sharing by private entrepreneurs who expect to benefit from the application. With respect to staple food crops, the Mission will particularly seek out opportunities for bio-fortification of these crops to achieve better nutritional profiles; fortifying cassava with higher Vitamin A, iron and zinc levels is a case in point. The Gates Foundation recently made a grant to the CGIAR to support research in bio-fortification.

Public perception of modern biotechnology is now an important factor influencing the direction of innovation in the commercialization of biotechnology in Africa. The need for a balanced science-based public awareness on the benefits of biotechnology is rendered more urgent by the European attitude to biotechnology. Public confidence is widely influenced by scientific opinion emanating from institutions responsible for risk assessment and management, and by information coming from industry, governments, scientists, public interest groups and the media. Sub-regional stakeholders will be brought into awareness programs and debates on the impact of genetically modified products.

Not all of the best bet investments offer immediate payoff. The Mission subscribes to IHEA's initiative to be forward looking and to prepare the way for biotechnology applications in Ghana. Modernization of Ghanaian agriculture is essential for Ghana to maintain a competitive edge in world markets, and in local markets as well. As barriers to increasing exports are overcome, both sub-regionally and outside the sub-region, production technology could become the limiting factor on agricultural growth and poverty alleviation in Ghana. Investing in biotechnology is an

integral part of the Mission's preparation for this medium- to long-term eventuality. At present, however, it is the Mission's assessment that marketing of surplus production is a main limiting factor. This will be further tested through the IFPRI analysis.

For implementation purposes, the Mission plans to transfer field support funds to EGAT to buy in to the Program for Biosafety Systems (PBS) and the Agricultural Biotechnology Support Project II (ABSP II). The PBS program, implemented through IFPRI, will be allocated up to \$750,000 over three years to prepare and implement a Legal and Regulatory Framework for Biotechnology and Bio-safety in Ghana. The ABSP II program, implemented by Cornell University, will be allocated \$750,000 for a comprehensive set of activities, beginning with an inventory of potential applications in Ghana. This inventory will assess the potential relevance to Ghana of biotechnology activities in USAID-funded programs in Mali, Nigeria, Uganda and other countries, activities already initiated by the private sector on cotton in Burkina Faso, research by IITA and others on cassava and other crops, and research from East and Southern Africa and other parts of the world that may be relevant to Ghana. Based on this inventory, ABSP II will assist the Mission to prepare and implement an awareness, communications, and outreach strategy for Biotechnology Application in Ghana. The awareness and outreach activities will specifically identify crops for commercial production linking down the supply chain to small farm production, as appropriate. Finally, ABSP II will initiate field trials and adaptive research on the most promising potential crops, to be determined in collaboration with the Mission, taking into account the potential for regional spillover effects. Since biotechnology products are not likely to be exported to Europe, at least in the near future, the Strategy will focus biotech investments on cotton for use in the domestic or sub-regional textile industry, horticulture crops for agro-processing or local/regional consumption, locally-consumed or sub-regionally traded food crops such as maize and cassava, and such other applications as may be identified. Special attention will be focused on agricultural research on a few key non-traditional agricultural exports at the heart of the core SO 6 program (target NTAEs will be determined in negotiations between USAID and the institutional contractor to be selected in September 2004).

Best Bet 3: Private Sector Rural Service Provision to Modernize Smallholder Agriculture and Improve Rural Competitiveness

Agricultural sector and financial sector analyses confirm that few services are available to boost small farm production and access to markets. IEHA resources will support the integration of small farm families into the supply chain of agro-processing and export marketing through the deepening and expansion of SO 6 activities in regions characterized by greater rural poverty. Linking farmer into the supply chain will be expanded to include competitive import substitution as well as exports. Among the private sector services will be additional focus on the types of linkages which have proven to be successful under the previous EG SO in Ghana. These will be expanded to include additional export crops, such as cocoa, intensified production of wood products linked to policy work in the forestry sector, and support for dynamic components of the domestic market for agricultural products. Private sector services will be expanded to provide agricultural inputs and other modern techniques including sustainable and regenerative agriculture, and other services described below under Private Rural Service Provision.

3.1: Reinforce Title II and Food for Progress Programs. The Mission currently has three Title II programs in agriculture that focus on smallholder farmers in the North where Ghana's three poorest regions are located. One Title II grantee has a Food for Progress program in the Northern, Western and Ashanti Regions, and was recently awarded a Farmer to Farmer program. These and other food aid activities will further enhance, and be reinforced by, IEHA-funded activities. The main objective of IEHA activities will be to reinforce modern production technology. While some

modern production is based on high technology, including chemicals and biotechnology, other modern techniques involve sustainable and regenerative techniques, which are being successfully applied around the world. See Annex E.

The availability of IEHA resources enables the Mission to deepen and broaden its program, expanding its competitiveness and export-driven economic growth SO into rural areas, to the mutual benefit of both programs. Title II grantees have worked with smallholder farmers, and have confirmed the key assumption of the Mission's EG strategy, that promoting competitiveness in the export sector improves competitiveness throughout the economy, reaching down to the poorest farmers.¹⁰ Title II activities provide a range of services to increase small farm income through input provision, credit, linkages to marketing agencies, grain storage facilities and post harvest loss techniques, inventory credit, agro-processing, agro-forestry, feeder road rehabilitation, micro-enterprise and business development, and adoption of natural resource management practices. Farmers benefiting from Title II programs have assisted the marketing of a variety of crops including palm oil, shea nuts, cashews, soybeans, maize, rice, citrus and mangoes, to agro-processors and exporters including Blue Skies, an exporter that purchased mangoes for the European market. In addition to contributing to national and export markets, Title II programs have helped to diversify local markets and food availability by assisting hundreds of small-scale millers and food processors to transform maize, cassava, guinea corn and millet into flour, and cassava into dough.

Much of the activity at the farmer level in the Title II program, and in other donor programs, centers around developing or strengthening farmer producer groups so that they can become effective tools for farmers in obtaining inputs and credit; dealing with market intermediaries, agro-processors and government services; and marketing output. This IEHA activity will reinforce and expand those efforts by providing access to business services, strengthening capacity to become self-sustaining businesses that provide services to more farmers, facilitating access to additional markets, modernizing production technology, facilitating broader access to credit through rural financial markets, and expanding private sector agri-business and marketing services in rural regions where Title II grantees and other donors work. With IEHA resources, the Private Sector Competitiveness SO will improve coordination, exchange of information, access to cutting edge technology for modernization, and enhance the overall technical quality and sustainability of rural agricultural and business development. In addition, IEHA may finance tools, small equipment, and limited technical assistance for communities constructing farm to market roads under the Title II program, should the recent reduction in the proportion of Title II resources being monetized create problems for effective implementation of the food-for-work road feeder program.

In order to facilitate development of sustainable producer group structures for providing inputs, sharing technology, managing extension services, and marketing output, the Action Plan plans to work with WARP to prepare a study of producer groups in the Futa D'jallon of Guinea, in the CLUSA assisted area of southern Mali, in areas being assisted by the Title II program in Ghana, and elsewhere in the sub-region where such groups have proven effective at organizing farmers into providing themselves with these services. This study will incorporate results from a similar study focusing on tree crop farmers financed by the STCP. The results of these studies will inform the producer group organization efforts of the Title II agricultural production program and similar work at the producer level in the fruit and vegetable sub-sectors. Ideally such a study would be financed and driven by WARP.

¹⁰ See Title II Program, USAID/Ghana Annual Report for 2003, forthcoming in March 2004.

3.2 Modern Supply Chains – Supermarkets and Tourism. The dynamic elements of the domestic market include the emerging phenomenon of supermarkets, which will generate a demand for quality, quantity and timely delivery of attractively packaged products similar to those demanded by overseas export markets. IEHA funding is planned to support this natural extension of the Mission’s existing export-led model, specifically by encouraging private firms to organize producers for selected agricultural products destined for domestic supermarkets, in areas where import substitution can occur, and where Ghana can achieve globally competitive production, marketing and processing costs. In these cases, SO 6 contractors and/or sub-grantees may provide technical assistance and training to commercial farmers, or agricultural enterprises working with small and medium holders that target production for domestic supermarkets. Title II cooperating sponsors would be a prime vehicle for providing direct support to small scale farmers, with SO 6 contractors and grantees working with Title II cooperating sponsors in providing technical assistance and training to the small scale farmers. Some of these initiatives may occur from Tourism-led activities.

3.3 Agricultural Input Traders, functioning as Extension Agents. The private sector suppliers of agricultural inputs – seeds, fertilizer and agro-chemicals – need training in maintaining quality control and help with developing and supporting their own private extension services. This program will build on the experience of the International Center for Soil Fertility and Agricultural Development (IFDC) and EnterpriseWorks activities, to train entrepreneurs and to work with private sector service providers. IEHA technical support to private rural entrepreneurs and CSO groups will channel state-of-the-art expertise into the establishment of private rural services across a range of areas: input supply; modern production technology including biotechnology and other forms of improved varieties; storage and processing technology; inventory credit and improved access to other forms of credit; and modern sustainable farming practices including regenerative agriculture, agro-forestry and NRM. Title II grantees understand the rural sector and have established contacts and the trust of the farmers. They will prove to be a valuable asset in identifying and multiplying the most effective approaches to farmer service provision, and encouraging groups to develop into effective private sector, self-sustaining business entities. These efforts will improve input supply, output marketing, production innovation and training, storage and grading, and local financing.

3.4 Cocoa Marketing Services. This activity includes working with the regional Sustainable Tree Crop Program (STCP) that is focused on establishing and/or strengthening the capacity of private sector organizations and producer groups to provide extension, disease, quality control and marketing services. The purpose of SO 6 support to the cocoa component is to demonstrate that greater private sector marketing responsibilities need not sacrifice the high quality of Ghana cocoa on world markets. This focus will be integrated with the STCP effort to improve extension, disease and quality control, and with its forward contracting activity for producer groups to work with COCOBOD, the cocoa marketing board. The objective is to strengthen private sector marketing of cocoa beans while maintaining the high quality standards purchasers of Ghanaian cocoa have come to expect.

The STCP Farmer Field Schools (FFS) provide a hands-on training program for cocoa farmers, and have proved immensely popular, with long waiting lists for participation. IEHA will support farmer extension agents trained to use the FFS methodology and curriculum to start their own demand driven community based extension programs, for cocoa farmers not covered under the FFS program. The FFS training programs are continually reviewed and upgraded using trainee feedback and information supplied through STCP linkages with research and industry. IEHA

support to the STCP activity will identify and support ways of institutionalizing these training and research linkages so that they may continue after STCP termination.

The results to be achieved under this best bet, and indeed under IR 6.2 which it supports, is the establishment of sustainable supply chain linkages to smallholders, and a viable and sustainable private sector in rural areas. These would be capable of providing a range of services to support agricultural storage, processing, marketing, transport and credit across a range of needs.

Best Bet 4: Modern and Sustainable Production Technologies

These activities involve building on prior experience of USAID/Ghana's economic growth programs focused on a limited number of agricultural products. The contractor for IR6.2 will be responsible for providing support for modern production technologies (mainly for agricultural export products), ranging from improved seeds and seedling varieties, to inputs, pest management and soil management using sustainable and regenerative techniques, which are being successfully applied throughout the world. Modern, larger-scale commercial farming and agro-processing operations with strong linkages to smallholders will be supported. The Mission will build on past experience in this sector. See Annex E for further detail.

4.1 Organic Products Exported to Europe. The organic market is an important and growing niche market in Europe and North America. The European market for organic vegetables and fruit is growing at a faster rate than the traditional market. Royal Ahold, a USAID partner under the current strategy that exports to Europe, has expressed concerns that the demand for organic and/or fair trade products may outstrip supply in 2005-2010. Activities under the current strategy have supported the export of organic products to Europe. TechnoServe has worked with clients such as Athena Foods to certify their 322 suppliers of organic citrus and pineapple, and is currently working with the Citrus Growers and Marketing Association. Within the Partnership for Food Industry Development (PFID), a new Papaya and Mango Association has formed, where organic production may be an option. In early 2004, TechnoServe plans to lead a "Certification 101 Workshop" within the PFID partnership. AMEX and TechnoServe have been collaborating on developing middle managers through an internship program. These new professionals are taking agriculture production to new levels, and will likely be the managers who move Ghana more fully into organics. TechnoServe has two trained Ghanaians certifiers on its staff, to advise businesses on the steps involved in becoming certified. They will continue to work with private sector certifying agencies to certify Ghanaian producers. See Annex B for further detail.

Opportunities for "organic" exist in other sectors, such as cashew, shea and palm oil. One SO 6 client, Lartey & Associates, is among the largest world producers of organic mangos. One partner is European Union funded and is involved in Fair Trade and organic. Some of the Partners for Food Industry Development clients are almost organic, due to low and poor supply of inputs. One group producing mangos and papaya for the organic market is currently struggling with an infestation in their nursery. Volta River Farms is one of the leading firms in organic bananas, but has suffered a reduced production capacity last year when a windstorm destroyed many of their plants. They are recovering, but slowly. Both would benefit from IEHA-supported assistance in organic production techniques.

Sustainable and regenerative agricultural production techniques have been demonstrably productive and cost effective in Senegal. Regenerative techniques rely on a combination of compost and cover crops to fix nitrogen in the soil, mineral supplements (in raw form, if possible, such as rock phosphate), and crop rotation to maximize natural replacement of soil nutrients while minimizing pest damage. Yields are significantly higher, and worn-out soils can be brought

back into production or even re-claimed. Healthy soil produces healthy plants that naturally resist pests more effectively. Integrated pest management techniques can reinforce soil and plant health. In addition, water retention improves, as soils absorb up to five times more water, and wind/water erosion decline dramatically. Since organic soils absorb rainfall readily, there is less need for irrigation. Organic and regenerative farming is a natural for Ghana, since inputs are replaced by labor-intensive techniques, usually off-season, that resource poor farmers can afford. Developing this market fits into the NTAE promotion strategy of the CSP and the integration of smallholder agriculture into the supply chain of export markets.

4.2 Smallholder Irrigation for Horticulture and Other Crops. USAID currently supports a small scale irrigation program aimed at increasing farmers' income, through private sector production of treadle pumps for irrigation (mainly small-scale horticulture producers). To date, 15 pump manufacturers have been trained, and farmers have purchased 450 pumps after 200 farm demonstrations were conducted. These farmers are supplying the export market (mostly chilli peppers), and reported increased incomes averaging \$420, with the sales curve steeply rising.

Building on this program and expanding it to include new exporters of horticulture for the off-season market in Europe, IEHA funding will be allocated to expand USAID's small scale irrigation program to include 1-2 horsepower, gasoline-driven pumps, rope and washer pumps to raise water from deeper wells (either motorized or hand operated), sprinkler and drip irrigation systems, impoundments of small creeks, and training local business to drill low cost tube wells. This activity would support horticulture and other crop production for export during the dry season, when horticulture is favored by cool weather, and plant diseases are less rampant. To facilitate expansion of this activity the Mission will finance a pilot effort to support research and market development efforts for Ghanaian companies supplying treadmill, small motor and other low cost pumping technologies to farmers producing fruits and vegetables for export. Some such pumps are already in use in Ghana, and others are being tested by NGOs. Once these tests confirm the economic viability of a particular low cost technology, this activity will identify suitable private sector businessmen willing and able to disseminate and support such technologies on a for-profit basis, and provide them with technical assistance and business organizational and management skills.

Best Bet 5: Information Communication Technology -- Based Agricultural Market Information and Research Dissemination Systems

5.1 Coordination with WARP's Regional Market Information System. SO 6 intends to use IEHA funds to develop some aspects of the market information system and infrastructure support for Ghanaian traders. While initial support may be provided to strengthen trader associations, major action will await the award of the WARP regional program in trade, and the results of the WARP survey of Ghanaian sub-regional trade in cereals, pulses and horticulture between Ghana and its immediate neighbors. This study will quantify the extent to which various legal and illegal administrative practices relating to the sub-regional movement of agricultural commodities negatively impacts agricultural growth in Ghana. One trade association in Ghana has already carried out such a study on onions, at the request of MoFA.

The Agricultural Marketing Information System will report on prices, transportation, storage, markets, credit and finance, information on points for buying and selling, standardization and grading. A number of agencies collect market information in Ghana, including the MoFA, the Ghana Food Distribution Company, the Ghana Statistical Service and the Bank of Ghana. The Directorate of Agricultural Extension Services has established eleven Agricultural Information Centers, of which six operate with information on the internet. The MoFA Statistics Research

and Information Directorate (SRID) has initiated a pilot project on electronic commerce for non-traditional exports, which operates in two districts. The IEHA activity will integrate these activities, and build them into a coherent system.

Evidence indicates that significant potential exists for farm level processing of reject cocoa beans and waste cocoa pods into soap and local cosmetic products, economic activities that benefit women almost exclusively. The Request for Proposals will request an early assessment of this potential and the programmatic activities needed to exploit it.

Given the relatively small amount of IEHA funds that are expected to be available, the important contribution of this component will be to support development, on a pilot basis, of replicable models that will spread spontaneously as their benefits become apparent to non-participating farmers, processors and exporters. This activity will seek ways to organize extension through producer groups in other areas of the country as well. The availability of unemployed graduates from Ghanaian agricultural schools working as taxi drivers in Accra, coupled with the ability of producer groups to negotiate work times and a much lower salary than government agents are paid, provides a situation similar to Mali where producer group financing of extension is beginning to occur. Alternatively, it may be cheaper for producer groups to pay a supplement to existing MoFA extension agents to get the services they need. This is what Heifer International does in the Grasscutter program. Either way, by providing cash payments to extension agents, producer groups will gain leverage over their activities and be able to hold them accountable by threatening to replace them if their performance is poor.

The ability of Ghana to play a larger role in the West African economy depends heavily on what WARP does regionally, in terms of reducing regulatory and rent-seeking impediments to sub-regional trade. With IEHA funds, SO 6 will coordinate with WARP to reduce impediments to trade. This will require guidance from WARP on key intervention strategies, including coordinated regional political action in support of the Ghana Mission's actions to reduce disruptions to the movement of goods throughout the country and across borders. The Mission is developing a Global Development Alliance program with Citizen International to reform Ghana's money transfer system for clearing payments and receipts of foreign exchange, and will work with WARP to promote reform of these systems on sub-region-wide basis. There is also a need for an internet-based regional technology exchange, especially as it pertains to appropriate agricultural mechanization and processing technology. Too many projects are individually trying to develop technologies for which solutions were found years ago in other parts of the sub-region, Sub-Saharan Africa and the rest of the world. Finally, WARP needs to be at the center of the biotechnology revolution in West Africa so as to support those technologies having the widest regional application and having the greatest impact on both the urban and rural poor.

5.2 Information and Communication Technology (ICT) for Marketing and Production.

What the IEHA investment program definitely will do with, as a means for promoting both export and internal trade and to complement the sub-regional work of WARP, is to expand the use of ICT by agricultural input suppliers, producers, output marketers, cross border traders and overseas exporters. The program will include the development of rural market information systems useful to these rural clients. One model that seems promising is for an internet-based system for distribution of information to the 12-15 secondary towns (other than Accra, Kumasi and Takoradi) which can then be accessed by individual farmers or farmer groups by cell phone. This will make the information available to producers with fewer financial resources. One cell phone per village could be enough if a program is properly designed and internet-service is available in those 12-15 secondary towns. In addition to the internet-cum mobile phone model, greater and more effective use will be made of the growing number of regional FM radio stations

for providing agricultural market information. This activity will be linked with the WARP funded activity for developing a region-wide market information system.

Once the ICT system is in place, other appropriate information can be made available on a cost-effective basis. This information can include modern production technology, rural development, organic and regenerative agriculture, advocacy, group mobilization, and social issues. A listing of websites providing relevant information can supplement and broaden the useful application of the ICT system, resources permitting. These can be useful for radio stations to improve their broadcasting. Building on the experience of the Mali Special Objective in the IT sector, the coordination and sharing of programming among radio stations will be encouraged.

5.3 Dissemination of Agricultural Research.

Investments to be Determined: With help from IFPRI and Ghanaian partner research institutions, USAID will examine other opportunities for IEHA resources to contribute to increasing rural income. These options will be factored into future IEHA investments after appropriate discussions with the GoG. The IFPRI analysis will identify opportunities for which the private sector has the potential for exports and import substitution on a competitive basis. In the face of low effective demand, producing for export and developing import substitution activities provide the best opportunities for increasing rural income and employment. Import substitution offers immediate potential for reducing poverty among the poorer segments of Ghana's population. Rice and fish are the two largest – and growing – agricultural imports, and Ghana can produce both. Particularly for fish, Ghana's resource endowment is enormous, and is scarcely being tapped for local demand or for international comparative advantage. Cotton production, which stands to benefit from biotechnology improvements in neighboring Burkina Faso, offers both import substitution and export potential under Africa Growth Opportunity Act (AGOA) trade preferences to the U.S. market.

4.3 Mapping IEHA Investments to IEHA Thematic Areas

The allocation of IEHA funding among IEHA thematic areas is well distributed, as evidenced by the following discussion, which is summarized in Table 4 below. The actual allocation of IEHA resources across thematic areas would be difficult to pinpoint, since the program is fully integrated to take all thematic areas into account.

Science and technology figure prominently in the following investments: Best Bet 2 for Biotechnology; Best Bets 3, 4 and 5 which emphasize modernizing Ghanaian agriculture and focus on ICT; potentially for an illustrative investment in Aquaculture; and probably other investments to be identified based on the IFPRI assessment.

Strengthening agricultural trade and market systems is the key focus of Ghana's IEHA strategy, and is addressed through Best Bet Investments 1, 3, 4 and 5.

Strengthening producer organizations also figures prominently in Ghana's IEHA strategy, since rural production is largely based on producer organizations, through Title II programs and civil society groups, and through the integration of smallholders into the supply-chain for agro-processing and exports. The work on the policy and regulatory environment is to enhance the operations of and services for these groups.

Human and institutional capacity is built into all Best Bet investments, since policy and regulatory reform efforts will be complemented with capacity building activities and followed up by institutional strengthening activities for the specific MDAs charged with developing and implementing the subject reforms, as necessary. All program activities place a high priority on sustainability, the human and institutional capacity to carry on after the program is fully implemented. Not all institutions may achieve full sustainability within the seven year CSP strategy period (and the five year initial strategy period for IEHA), but that is the intention of the Mission's implementation approach.

Vulnerable groups will be affected by trade-related and other policy work since the impact of these policies and regulations usually works its way down to the rural sector where the majority of the poor reside. Most investments also potentially affect the vulnerable groups, to the extent they succeed in integrating smallholders into modern supply chains.

Finally, sustainable environmental management will be strengthened through the policy framework, especially for land access and forestry; through Biotechnology as fewer pesticides may be required; through modernized agricultural techniques, as these will reflect a judicious blend of chemical approaches with organic and soil regeneration techniques; eco-tourism and agro-tourism; and the increasingly stringent sanitary, phyto-sanitary standards of importing countries and private sector food retailers. The ICT component will also promote sustainable farming and agricultural techniques. If carried out, aquaculture complements sustainable farming techniques through the use of fish waters for irrigation (to cleanse and dilute the fish water that is replete with micro-nutrients for the soil), the rotation of certain types of fish ponds into horticulture gardens and other techniques.

4.4. Mapping IEHA Investments to IEHA and SO 6 Results Frameworks

Table 5 details how the proposed USAID/Ghana IEHA Investment Plan relates to the draft Results Framework for IEHA and the revised Results Framework for USAID/Ghana's SO 6. It is organized according to the three Intermediate Results (IRs) of the draft IEHA Results Framework. As a result, the order of the SO 6 IRs and sub-IRs is mixed up to fit the draft IEHA Results Framework. Although each element of the IEHA Action Plan – Best Bet and Illustrative Investments – is grouped with one of the three IEHA Intermediate Results, numerous cases of spill-over exist. For example, many of the proposed investments linked to IEHA IR1: Enhanced Agricultural Productivity also will contribute to IEHA IR3: Increased Agricultural Trade. These include Best Bet 5: modern production technologies for sustainable development, which will mainly focus on agricultural export and processed products as well as the export potential of grasscutter meat to the Ghanaian diaspora.

Table 4: USAID/Ghana Proposed Investments by IEHA Themes

Proposed Investment	Initiative to End Hunger in Africa Thematic Area					
	Science and Technology	Agricultural Trade and Market Systems	Strengthening Producer Organizations	Human and Institutional Capacity	Vulnerable Groups	Sustainable Environmental Management
Policy/Regulatory/Legal Framework and Institutional Strength'g	S	S	S	P	S	S
Biotechnology and Biosafety Framework and Application	P	N	N	P	S	P
Reinforce Title II to Modernize Ghanaian Agriculture	S	S	P	P	P	S
Private Sector Rural Service Provision	S	S	S	P	P	S
Modern Production Technologies for Sustainable Development	P	S	P	S	S	S
WARP Market Info. Sys., Trade and Market Devel. and Policy/Regulatory Reform	S	P	S	P	S	N
Information and Communication Tech. for Rural Marketing/Prod.	P	P	S		N	S
Forward Contract Mechanisms for Grains and Legumes	N	P	P	P	P	S
Grasscutter Domestication and Production	S	S	S	P	P	P
Private Sector Led Aquaculture	S	P	S	P	S	P
Agro-Tourism and Eco-Tourism	N	N	N	P	S	P

Codes: Blank = No Impact

Dark Grey=Primary Impact

Grey=Secondary Impact

4.5. Analytical Plan for Refined Investment Selection¹¹

The Mission has developed the investment plan based on an assessment of best investments available in light of the IEHA investment criteria. The criteria of competitiveness, modernization of agriculture and maximum contribution to growth, while integrating small farmers into the

¹¹ See “SAKSS Support for IEHA Action Plans,” Draft Memo for USAID/IEHA, by Michael Johnson, International Food Policy Research Institute.

supply chain, are set forth in Section 3 above. This assessment was conducted with the assistance of Abt Associates.

In addition, the Mission has initiated collaboration with IFPRI in further work to refine this Action Plan. IFPRI will be engaged to undertake a rigorous analytical process for selecting future investments for USAID and other donor activities intended to further stimulate broad-based smallholder income growth in Ghana. The IFPRI-led analysis will expand on the SAKSS methodology to include a detailed ecological and economic zone analysis, and will include the following:

- The delineation of “development domains”¹² throughout Ghana to categorize regions based on agro-ecological potential, access to markets, extent of poverty and population density.
- A collaborative process with counterparts and other donors for identifying priority commodities within these development domains for intervention in the early years of IEHA Action Plan implementation, based on rigorous economic analysis of potential for productivity gains, market opportunities and spillover effects. This effort will rank-order constraints and pinpoint the best intervention points¹³ within commodity chains.
- In collaboration with other donors and the GoG, USAID will develop a list of further in-depth commodity subsector studies that need to be undertaken to examine and rank-order constraints, and identify the intervention points within commodity chains.
- The IFPRI-led analysis will also identify crosscutting industries and support services (both private service providers and public institutions) that require strengthening or policies that require modification to stimulate investment and trade or raise agricultural sector productivity.

Based on this collaborative analysis, USAID will refine future investment targets and priorities, if necessary, through the SAKSS investment selection process. This analysis can help to adjust or refine existing investment priorities, and to introduce new activities into existing or new contracts. Mid-course changes in the mix of investments would be based on this process.

The Mission will also carefully monitor and evaluate the impact of ongoing IEHA investments, providing a status report on progress to date, next steps with a timeline, roles, responsibilities and budgets for those involved. IFPRI will help the Mission draft this section.

¹² A development domain is a geographically focused point of intervention. In the IEHA context, it typically means a group of small farmers (or rural households) producing a particular commodity or mix of commodities in a particular agro-ecological zone. Development domains can be mapped using GIS software. GIS provides an important set of visual tools used to highlight certain dimensions of SAKSS analytical findings.

¹³ Intervention points can be in the following areas: agricultural production technology, post-harvest handling practices and technology, commodity storage (including cold storage) and transformation (processing, packaging), commodity export promotion activities, cross-cutting or sub-sector-specific policy constraints, regulatory standards and issues (including SPS, HACCP, ISO, GAP/GMP, etc.).

Table 5: Proposed USAID/Ghana IEHA Investment Plan as it Relates to the Results Frameworks for IEHA and USAID/Ghana SO 6

<p>IEHA SO: Increased Rural Income</p>	<p>USAID/Ghana SO: Competitiveness of Ghanaian Private Sector in World Markets Increased *</p>
<p>Intermediate Result 1:</p> <p>Enhanced Agricultural Productivity</p> <p>IR 1.1: Expanded Development and Dissemination of New Technology</p> <p>IR 2.1 Enhanced Institutional Capacity for Technology Development and Dissemination</p>	<p>Intermediate Result 6.2:</p> <p>Private Sector Capability to Compete Strengthened</p> <p>Best Bet Investment 2.2: Biotechnology/Biosafety inventory, awareness strategy, research and field-testing (ABSP II)</p> <p>Best Bet Investment 3: Reinforce Title II and Food for Progress efforts to modernize Ghanaian agriculture and improve competitiveness;</p> <p>Best Bet Investment 3: Private Sector Rural Service Provision Linkage to supply chain; inputs; marketing, storage and processing technology; inventory credit; other access to credit.</p> <p>Best Bet Investment 4: Modern production technologies for sustainable development (of exports):</p> <ul style="list-style-type: none"> -- Organic Products Exported to Europe -- Smallholder Irrigation for Horticulture
<p>Intermediate Result 2:</p> <p>Improved Policy Environment for Agriculture and Trade</p> <p>IR 2.1: Enhanced Institutional capacity for Agricultural Production and Trade Policy Formulation and Implementation</p>	<p>Intermediate Result 6.1:</p> <p>Enabling Environment for Private Sector Improved</p> <p>Best Bet Investment 1: Legal and Regulatory Policy Framework and Institutional Strengthening</p> <ul style="list-style-type: none"> -- Intensify CSP macro and trade policy reform efforts -- Improve MoFa capacity for analysis of agricultural data to orient GoG and donor agricultural programs (IFPRI) -- Enabling environment for rural businesses/business registration -- Land policy study to inform national dialogue (ISSER) -- Reform of domestic/cross-border trade & marketing policy -- Reform of forestry policy, regulations and enforcement <p>Best Bet Investment 2.1: Biotechnology/Biosafety Legal/regulatory framework (PBS)</p>
<p>Intermediate Result 3:</p> <p>Increased Agricultural Trade</p> <p>IR 3.1: Enhanced Agriculture Market Infrastructure, Institutions and Trade Capacity</p>	<p>Intermediate Result 6.2:</p> <p>Improved rural ICT services for marketing and production</p> <p>Intermediate Result 5.4: Regional Integration and Policy</p> <p>Best Bet 5: ICT-Based Market Information System and Market Infrastructure Support, in coordination with WARP (regional trade, Market Information System and policy/regulatory reform)</p>

The Ghana Mission will earmark first year IEHA funds for this analysis and for the implementation of those investments identified before the end of the first fiscal year of IEHA support. Investments are expected to satisfy the criteria outlined in section 3.1 in addition to having undergone the rigorous selection process outlined above.

4.6. Partnership Plan

Coordination of donor activities in agriculture is done by MoFA and FAO. Other donors are, in general, more integrated into the structure of the MoFA as they work primarily with the public sector, in contrast to USAID, which is the lead partner for the private sector. Most donors also structure their assistance to agriculture around the Agriculture Sector Strategic Implementation Plan (AgSSIP), a World Bank project for supporting public agricultural services programs managed by MoFA for implementing the FASDEP. The MoFA extension service and donors consulted in the preparation of the IEHA Action Plan have expressed interest in one or more of the investment ideas proposed for the Plan. Other donor support will likely be provided to support promising approaches that offer to strengthen their own assistance programs, rather than in terms of funding assistance for IEHA activities. In Ghana, USAID can promote support for IEHA objectives through collaboration in the spirit of the AgSSIP and FASDEP. Multiple donors can and do buy into complementary and synergistic components of the FASDEP activities. The Mission plans to share studies and analyses, progress on policy reform as well as issues, and results of program achievements and future planning through this mechanism, to help keep both the MoFA and the donors focused on the key issues related to poverty reduction in Ghana. The framework is in place, and it is to the Mission's advantage to use it.

A similar framework is in place for policy reform linked to budget support. The Mission will participate in the Multi-Donor Budget Support (MDBS) mechanism to leverage donor budget support for achievement of the key policy reforms in its agenda, as well as to exploit synergies between IEHA investments and donor and private sector development programs. In addition, it will seek Ghana partner institutions to participate in the design, implementation and evaluation of its IEHA investment program. The Mission will specify in its Requests for Proposals (RFPs) that implementing organizations must seek alliances with appropriate Ghanaian and international institutions and private sector actors to implement their work plans. These could include, among others, the Institute of Economic Affairs (IEA) for organizing fora for debating policy, regulatory and biotechnology issues; the Center for Policy Analysis (CEPA) for trade and agricultural policy analysis; the Institute of Statistical, Social and Economic Research (ISSER) for conducting land policy and other studies complementing IFPRI work; the Policy Planning and Monitoring Directorate (PPMED) of MoFA and the Agricultural Economics Department at the University of Ghana at Legon, also for partnering with IFPRI for conducting analyses of alternative options for increasing agricultural growth in Ghana; the Statistics, Research and Information directorate of MoFA for the market information system; the Federation of Ghanaian Exporters (FAGE) for support to export-oriented agribusinesses and organic farming; and, Heifer International for implementing a grasscutter development program.

For export promotion the Mission will continue to work with the Federation of Associations of Ghanaian Exporters to provide direct assistance to member associations and indirectly to producers and producer organizations, the West African Trade Hub to improve market system flows, and with WARP to improve market information and to support efforts to reduce administrative barriers to sub-regional trade. WARP's presence in Accra provides an excellent opportunity for the Ghana Mission to work closely with WARP to maximize the synergy between the country and the regional IEHA Action Plans.

TABLE 6: USAID/Ghana IEHA Implementation and Partner Plan

Type of Investment	Description	Implementation Vehicle	Partners in Ghana	Other Donor Partners (Co-Investors)
Best Bet Investment 1	Legal/Regulatory Framework and Institutional Strengthening for trade , rural businesses, Agric. Policy/Planning, Land Access, Trade/Marketing and Forestry	SO Contractor; Grant to IFPRI (SAKSS); Grant to ISSER for Land Access	ISSER, MoFA/ SRID, MoFA/Unit on Land Policy, Statistical Institute	WARP/WATH, World Bank, IMF, FAO, MDDBS donors, WB Land Administration.
Best Bet Investment 2	Biotechnology and Biosafety Legal and Regulatory Framework, and inventory development, field trials and supporting biotechnology applications	PBS, ABSP II, SO Contractor, as required	MoES, BNARI, GAEC, MoFA, KNUST (Kumasi Law Faculty) Council Scientific & Indus'l Research	IAEA, UNEP, CGIAR, IITA, USAID/Mali, Nigeria, Uganda
Best Bet Investment 3	Reinforce Title II and Food for Progress to modernize Ghanaian agriculture and improve competitiveness	Title II programs of TNS, ADRA and OICI; and SO Contractor	CRS, TNS, ADRA, OICI, CLUSA (DG partner) and others TBD.	NGOs and CSOs in rural areas; Peace Corps; Donors in rural development
Best Bet Investment 4	Private Sector Rural Service: Linkage to supply chain; input supply; extension; marketing, storage and processing; and credit	Title II programs of TNS, ADRA and OICI; other partners TBD; SO Contractor	MPSD, MoFA, IFDC, STCP, COCOBOD, Enterprise Works, ADRA, TNS, OICI, private busi., sub-Grantees	IFAD, CIDA, France, NGOs, CSOs; Peace Corps; Other donors in rural development
Best Bet Investment 5	Modern Production Technologies for sustainable development: Organic exports and Irrigation	SO Contractor, TNS, ADRA, OICI Enterprise Works	EnterpriseWorks; TNS, ADRA, OICI Rodale Institute	GTZ, FAO, IWMI
Best Bet Investment 6	Information and Communication Technology, Market Information System, Market Development and Trade System	SO Contractor, Radio Stations, GAPTO, WARP activities	MoCT, MoFA, MoTI, Entrepreneurs, Statistical Institute GDA if possible	ECOWAS, CILSS, Mali IT Program
Illustrative Investment 2	Forward Contracting Mechanisms for Grains and Legumes	SO Contractor	Title II grantees; Private Traders	AFD, WB, Donors working with producer groups
Illustrative Investment 3	Grasscutter Domestication and Production (to expand meat supply)	SO Contractor, Sub-Grants	MOFA, Winrock, Heifer Intl, GHCT, Univ of Ghana	MoFA, GTZ in Ghana and Benin, World Bank
Illustrative Investment 4	Private Sector Led Aquaculture	SO Contractor, Consultants, World Vision Ghana	Resource Development Consultancy and lead private entrepreneurs	Donors TBD active in promoting aquaculture in Africa, PVOs

In selecting partners USAID will establish with the partner(s) an agreed upon vision for the activity supported by the partner(s), and will then jointly develop an agenda for achieving that vision, with each partner's responsibilities and expected results clearly articulated. The Mission will also work with other donors (especially DfID and Danida) to strengthen the Ministry of Private Sector Development (MPSD), a fledgling yet potentially important ministry for generating sustainable private sector development. The Mission will also incorporate stakeholders into the planning process. This will be done through meetings with producer groups and market intermediaries by the Title II implementing partners and by partners implementing projects with which the Mission wishes to ally itself, such as the STCP.

The alliances with development partners and stakeholders are summarized in Table 4 below. The Mission will develop an updated stakeholder consultative and partnership plan as further details of the program evolve with the implementation of the SO 6 Institutional Contractor(s) and the completion of the IFPRI Analytical Plan for Investment Selection.

5. The Five Year IEHA Implementation Plan

The Mission anticipates IEHA funding of \$15,000,000 over five years for the implementation of Ghana's IEHA program. The financing plan for the next two years is set forth in Table 4, Section 4.2 above. Procurement actions are set forth below. The plan will be updated as results from the IFPRI Analytical Plan for Investment Selection, also known as SAKSS, are factored into the IEHA program, and as implementation of the SO 6 Institutional Contract comes on stream. A Request for Proposals is in preparation and will be released in February/March 2004, subject to approval of the IEHA Action Plan, and awarded in the third quarter of FY 2004.

5.1. Five-Year Procurement Plan

5.1.1. FY 2004 Activities

The main implementation mechanism for the IEHA Action Plan is the Institutional Contract mechanism that will be the vehicle for implementing SO 6. The Mission's RFP is designed to solicit one contract for the implementation of the entire SO. Within this solicitation, the Mission reserves the option of awarding separate contracts for IRs 6.1 and 6.2, if the technical review of the proposals indicates that stronger skills would be available through a separation of these portions of the implementation contract. The contract will be signed for the full five-year implementation period of the IEHA program. IEHA activities will thus be seamlessly integrated into the implementation of the broader components of the Private Sector Competitiveness SO, to the benefit of both components.

Four exceptions to working through the SO Contract are currently planned for the implementation of the IEHA Action Plan. All four will be initiated in FY 2004: 1) the Biotechnology component through EGAT Leader with Associate cooperative assistance mechanisms, 2) a grant to ISSER at the University of Ghana, to trigger a national dialogue/debate on policy reform to facilitate access to land for productive purposes, 3) a grant to IFPRI to conduct a detailed ecological and economic zone analysis of the entire Ghanaian agricultural landscape, and possibly, 4) a grant to a Ghanaian trader organization which will also form part of the WARP regional trade network. A fifth exception is also possible – sub-grants to Title II Cooperating Sponsors – although the majority of SO 6 support to Title II will be provided by the SO contractor, in the form of technical assistance and training.

The Biotechnology and Biosafety components will be implemented through Mission transfer of field support funds to EGAT to buy in to the Program for Biosafety Systems (PBS) and the Agricultural Biotechnology Support Project II (ABSP II). The PBS program, implemented through IFPRI, will be allocated up to \$750,000 over three years to prepare and implement a Legal and Regulatory Framework for Biotechnology and Biosafety in Ghana. The ABSP II program, implemented by Cornell University, will receive up to \$750,000 to assist the Mission to carry out an inventory of applications in Ghana and to prepare a Strategy for Biotechnology Application in Ghana.

Direct USAID grants to ISSER and IFPRI will allow timely startup of these activities. The Mission's decision to pursue this option was determined by two rationales, 1) to initiate implementation start-up more expeditiously, prior to the award on an institutional contract; and 2) to provide direct Mission oversight for activities in which the Mission has a high degree of interest and a significant stake. The latter rationale is the main factor explaining the Mission decision to work directly with IFPRI on data collection and analysis of ecological and economic zones in Ghana to assist in orienting USAID and other donor activities. This research will be conducted in close coordination with MoFA and other research partners. Similarly, the grant to ISSER will provide research on land policy and reform of land use and titling, and will use the results of that research to foster a nation-wide dialogue and debate on key reform issues.

A grant to the Ghana Agricultural Products Traders Organization (GAPTO) may be made to initiate work in this key component of IEHA activity which will feed into the ICT component and support the WARP regional effort in marketing information systems.

USAID retains the option of making additional direct grants to appropriate Ghanaian and U.S. NGOs, research institutes and business associations (such as Title II Cooperating Sponsors). The purpose of the grants would be to provide selected equipment and services. Most such support will be channeled through sub-grants made by the Institutional Contractor.

5.1.2. Approach to Procurement FY 2005 - 2009

The Mission's approach to procurement is described in Section 5.1.1 above. By FY 2005, all procurement instruments will be in place for the full implementation of the IEHA Action Plan, with the exception of the buy-in to APBS II. USAID/Ghana will transfer IEHA funds to EGAT for this procurement.

Funding has been reserved for costs associated with IFPRI investments in analyses, and additional funds have been set aside to support the best of the resulting investment opportunities identified through the analysis. Funds for building consensus and partnerships around the IEHA investment plan are integrated into each component; this responsibility will figure prominently in the Institutional Contract.

5.2. Five Year Financing Plan

The financing plan for FY 2004 and 2005 is set forth in Table 4 in Section 4.2 above (page 32), based on a five-year IEHA allocation of \$15,000,000. The FY 2006-08 allocations of \$3,000,000 per year will be programmed primarily through the Institutional Contract for the integrated SO 6, as set forth in the revised Results Framework in Section 3.5 above. Investments in subsequent years will be determined as progress is made in implementing SO 6 and IEHA activities.

5.3. Monitoring and Evaluation

All proposed interventions under IEHA will be included in the Mission's Performance Monitoring Plan (PMP) for SO 6. Monitoring and Evaluation for IEHA will be integrated with that for the SO as a whole. Under the oversight of the Office of the Private Sector Competitiveness SO, within USAID/Ghana, the Institutional Contract awarded for the implementation of the SO will be monitored. The Contractor shall establish baseline data and will track and report on indicators for the purposes of preparing Annual Reports and such other reports as may be required under IEHA.

A second tier of M/E, based on the final Africa-wide IEHA PMP being developed by IFPRI under the SAKSS framework, is not yet operational. The Mission will collaborate with IFPRI to complete this analytical agenda and finalize their M/E plan. Appropriate sections will be integrated into the Mission's PMP.

Since the IEHA envisions a high degree of planning, monitoring and evaluation, in coordination with USAID Missions and other development partners, the Mission's PMP will be revised, and/or a special IEHA PMP will be developed. This will assure that IEHA's transparent and analytically based investment agenda will be appropriately monitored and will demonstrate rapid and sustainable increase in agricultural growth and rural incomes in Ghana and the sub-region. IEHA is supporting the development of an IFPRI-led Strategic Analytical and Knowledge Support System (SAKSS)¹⁴ to coordinate this process at the country, sub-regional and Initiative-wide level. SAKSS will facilitate information and knowledge exchange among IEHA partners with a stake in agricultural development in each of the three regions of Africa. It also contributes to a standardized analytical framework for monitoring and evaluating agriculture-related investments and for learning how future investments can be made more effective. Included is the evaluation of the ability of potential investments to contribute towards the agricultural development goals for IEHA, halving poverty and hunger by 2015, taking into account the planned investments by governments and other donors. Finally, as an international public good, SAKSS includes the creation of regional, priority-setting networks, which include strategic partners such as sub-regional research organizations, the international agricultural research centers of the Consultative Group on International Agricultural Research (CGIAR), and commodity networks, to inform the design of regional agricultural strategies, policies and programs.¹⁵

5.4. Managing IEHA: Roles and Responsibilities

IEHA Coordination within USAID/Ghana and USAID/IEHA Washington

IEHA will represent a major expansion in the size of USAID/Ghana's Private Sector Competitiveness Economic Growth Program. Under the new CSP, the SO Team is organized into a policy/regulatory reform unit and an enterprise/business association support unit. The office is managed by a U.S. Direct Hire Officer, with two U.S. Personal Service Contract

¹⁴ *Strategic Analysis and Knowledge Support System (SAKSS)*, *op. cit.* May 2003.

¹⁵ IEHA Action Plan Development Support, Drafted by Abt Associates, October, 2003, p 2-3.

technical officers and six Foreign Service National staff (including three technical officers, one financial officer and two administrative support staff).

With IEHA funding, one additional position will be established. A USDA PASA position will be recruited, with IEHA/AFR funding for the salary and Mission funding for travel and in-country costs. The incumbent of this position will serve as the Deputy SO 6 Team Leader and CTO for the Institutional Contract, and will play a major role in managing Ghana's IEHA Program. The incumbent will work under the supervision of the SO 6 Team Leader. Given that overall management of the IEHA program resides with the Africa Bureau in AID/W, and that regional management authority resides with the West African Regional Program located in Accra, Ghana, the incumbent will also coordinate, through the SO 6 Team Leader, with appropriate entities within the AFR Bureau, EGAT, and WARP.

IEHA Coordination Between WARP and USAID/Ghana

The West Africa Regional Program (WARP) designs and implements activities that address region-wide issues, in close collaboration with USAID Missions and non-presence countries. As a regional entity, WARP's principal partners are public and private sector regional institutions, including ECOWAS and West African Monetary and Economic Union (WAEMU), as well as two regional business associations. WARP also focuses on relevant programs of the New Partnership for African Development (NEPAD), which are mandated by the Organization of African Unity and implemented by ECOWAS in the West Africa region.

WARP has four Strategic Objectives (SOs):

- 1) SO 4: Regional Economic Integration (13% of budget)
- 2) SO 5: Health (68% of budget)
- 3) SO 6: Food Security and NRM (18% of budget)
- 4) SO 7: Conflict Prevention (1% of budget)

The WARP SOs that are key to implementing the USAID/Ghana IEHA Action Plan are SO 4 and SO 6.

The Regional Economic Integration program (SO 4) has four intermediate results:

- IR4.1: Intra regional barriers to trade reduced;
- IR4.2: Improved dialogue and coordination on trade policies among West African countries;
- IR4.3: Improved harmonization of regional monetary and fiscal policies in West African Countries; and
- IR4.4: Improved regional institutional capacity to provide a sustainable and competitively priced supply of energy.

Each of these IRs is of interest to IEHA. USAID/Ghana will coordinate its policy work on trade, monetary, and fiscal policies and on energy regulatory issues, with the WARP SO 4 team. The last IR is also relevant to IR 6.3 in USAID's SO 6 Results Framework, an IR that is acknowledged to be beyond the management control of USAID's SO 6.

WARP's SO 6 focuses on:

- IR6.1: Food Security monitoring and disaster mitigation systems to prevent famine;

- IR6.2: Strengthen regional organizations and coordinate donor dialogue;
- IR6.3: Promoting technologies, practices and policies to increase rural incomes; and
- IR6.4: Cross border habitat conservation in Mali and Burkina Faso.

USAID/Ghana has interest mainly in the second and third IRs: IR6.2 will promote sub-regional trade organizations and IR6.3 will promote biotechnology and other agricultural services, both of which can be integrated into the IEHA components of USAID's Private Sector Competitiveness SO. IR6.1 and IR6.4 focus on issues and organizations which are relevant primarily in the Sahel regions of West Africa, although some policy and donor dialogue may be pertinent in Ghana.

Currently, there are two WARP activities which are initial stages of implementation, and are of keen interest to USAID. Initial collaboration and coordination between USAID/Ghana and the WARP program will evolve primarily around these two areas. First, in the area of West African economic integration, the West Africa Trade Hub will collaborate with bilateral missions on issues related to increased trade opportunities offered by the Africa Growth Opportunities Act (AGOA), the World Trade Organization (WTO) and the regional trade agreements (WAEMU and ECOWAS). This work will address policy areas to reduce trade barriers, customs reform and harmonization, and trade capacity building.

USAID/Ghana and WARP collaboration will also focus on the WARP program to Strengthen Networks of Regional Market Information Systems and Traders' Organizations in West Africa including the development of a regional Market Information System. Eventually, USAID/Ghana looks forward to coordination on biotechnology and other relevant agricultural research efforts, as well as policy dialogue with regional entities such as CILSS and ECOWAS, and the New Partnership for Africa's Development (NEPAD), which is being carried out under the auspices of ECOWAS.