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AgCLIR GHANA

Commercial Legal and Institutional Reform
in Ghana's Agriculture Sector



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EXECUTIVE SUMMARY

This executive summary of the Ghana AgCLR Report addresses the conditions and opportunities for doing business in Ghana's agriculture sector. Through close examination of the relevant laws, institutions, and social dynamics, it aims to inform assistance decisions by the United States Agency for International Development (USAID) and other donors in the area of agricultural development in Ghana, as well as to provide insight and guidance about the sector to government officials, private sector representatives, and others. Specific recommendations are included at the end of each chapter and compiled in full in an appendix to this report. A list of priority recommendations is also set forth at the end of this summary.

AGRICULTURE IN GHANA: A KNOWLEDGE-BASED ACTIVITY

One key fact sets the stage for considering Ghana's journey out of poverty and into middle-class status. That is, in this West African nation of 23 million people (including a labor force of more than 9 million), at least 55% of the working population derives its living from the agriculture sector, most often as small farmers. There is a second and related key fact: Of the country's gross domestic product (GDP)—\$14.6 billion in 2007—more than 35% comes from agriculture.¹

Cocoa, of course, is the agricultural commodity at the heart of Ghana's economy, accounting for around two-thirds of the total value of Ghana's agricultural exports and at least one-third of *all* Ghanaian exports. "Ghana is Cocoa and Cocoa is Ghana" is the motto pronounced by Ghana's powerful and ably run Cocoa Board, which oversees the production, control of quality, and purchase of all cocoa grown by more than 1.5 million farmers. Along with gold and timber, cocoa is one of the Ghana's three celebrated "traditional exports."

Ghana's other major agriculture products for export include pineapples and refined sugar, which have both quadrupled in their export value during this decade, as well as palm oil, bananas, shea nuts (which add value both to food products and cosmetics), cashews, coffee, peanuts, and coconuts.² Backed by significant foreign investment, mangos

¹ Statistics cited in this section derive from the UN Commission on Trade and Development/World Trade Organization's International Trade Centre's electronic library on International Trade Statistics, available at <http://www.intracen.org/tradstat/sitc3-3d/er288.htm>.

² Fish also represents another major food export, but is a product largely beyond the scope of this report's inquiry.

WORLD BANK DOING BUSINESS CATEGORIES			
	2009	2008	Change
<i>Doing Business Overall</i> (181 economies surveyed)	87	82	-5
Starting a Business	137	143	+6
Dealing with Licenses	142	139	-4
Employing Workers	145	144	-1
Registering Property	31	27	-4
Getting Credit	109	102	-7
Protecting Investors	38	33	-5
Paying Taxes	65	83	+18
Trading Across Borders	76	63	-13
Enforcing Contracts	50	50	0
Closing a Business	104	99	-5

constitute a new entry into Ghana’s export arena, and are expected to become an important “non-traditional” export. Cotton, on the other hand, was once a vibrant trade commodity but now languishes in a state of low productivity and poor quality.

In addition to cash crops, Ghanaian farmers grow food for their own people, mostly cassava, maize, yams, plantain, millet, rice, and various fruits and vegetables for local consumption. Low productivity on these farms is endemic, however, because, among other reasons, high-yielding, state-certified hybrid seed is rarely used; irrigation is remarkably underused; and poor storage facilities and infrastructure contribute to high rates of post-harvest loss. Although Ghana has a domestic poultry industry, it suffers greatly, its farmers contend, from foreign imports of poultry meat costing far less than a price they can match.

In Ghana, as in much of Africa, little of the processing of the goods it produces takes place within its borders, although the government is striving to improve this situation. There has been some growth in recent years in the country’s industrial activities involving local crops, including increased processing of cocoa, tomatoes, and nuts; canning and juice operations; and brewing for local consumption and export. Although trade policy supports duty-free import of processing equipment, companies that would seek to process agricultural goods generally are constrained by costs and availability of needed imports, such as high-quality packaging materials that are not made domestically, as well

as the high cost of electricity, which drives up the cost of production. They are further set back by the unreliability of their suppliers, bottlenecks at the port, and the uneven quality of the product they seek to enter into the processing or manufacturing stream.

As enunciated by a prominent agricultural economist in Ghana, "Agriculture is no longer a brute-force industry. It is a knowledge-based activity." This notion is critical to understanding the long-range prospects for the vast range of activities that take place on the journey from Ghana's farms to its domestic and international markets. The need for enhanced knowledge, and use of knowledge-based tools, concerns everything along with value chain, including the following:

- Quality of seed and fertilizer, and proper use of both;
- Use of irrigation;
- Ability of farmers to enter the formal sector as cooperatives or processing enterprises;
- Ability of agriculture enterprises, including farmer-based organizations (FBOs), to obtain credit and outside investment, as well as to observe and respect written supply contracts
- Management of post-harvest loss;
- Compliance with quality standards that represent key conditions for export;
- Transport of products to markets;
- Efficiency of border operations pertaining to agricultural goods;
- Prompt and effective resolution of disputes that arise along the value chain; and
- Understanding of how regional and international institutions, such as the Economic Community of West African States (ECOWAS) or the World Trade Organization (WTO), create both opportunities and obligations for Ghana with respect to building its commerce in agriculture.

Though most of these issues are as old as farming itself, international trends in agricultural science and food safety, legal and economic policy, and cross-border trade, among other disciplines, render agricultural knowledge and professional expertise more critical than ever. Ghana has

made recent, significant strides in some aspects of knowledge-building—most prominently, in the recent reforms of the legal underpinnings of its business environment—but, for various reasons detailed throughout this report—the country has languished with respect to others.

The past two centuries demonstrate that greater prosperity in a country translates to fewer people engaged in agriculture and smaller share of GDP derived from agriculture. Over the coming generations, this experience is likely to be realized in Ghana. Growth in agricultural productivity will increase incomes and improve health, permitting more Ghanaians to turn to skilled labor, entrepreneurship, and other sectors as the source of their livelihoods. But even as fewer Ghanaians work directly in agriculture, the sector can serve as a much stronger and more efficient driver of growth. To the extent that there are ongoing reforms in conditions for “doing business” in the agriculture sector—that is, for the pursuit of economic activity arising chiefly from domestic production of food and other agricultural resources in Ghana—the country will experience greater productivity, entrepreneurial opportunity, and international trade.

AGCLIR: A NEW TOOL FOR UNDERSTANDING THE AGRICULTURAL SECTOR

This report is the first of its kind, although it is based on a model long engaged by USAID. In 2007, incorporating lessons learned from its first-generation legal, institutional, and trade diagnostic tool called CLIR, USAID sponsored the redesign of CLIR through its Business Climate Legal and Institutional Reform (BizCLIR) project.³ The BizCLIR focus areas were designed to align with the structure of the World Bank’s enormously influential *Doing Business* country reports.⁴ Based on the analytical structure created by the World Bank, BizCLIR employs a diagnostic process that closely examines the following 10 topics: Starting a Business, Dealing with Licenses, Employing Workers, Registering Property, Getting Credit, Protecting Investors, Paying Taxes, Trading Across Borders, Enforcing Contracts, and Closing a Business.⁵

Since 2002, *Doing Business* has assisted countries in targeting where their regulatory environments may favor or interfere with economic growth. For each of the 10 topics it covers, the World Bank considers a few key indicia of whether and how the environment for doing business is “working,” measured by such means as the number of procedures involved in achieving a goal (e.g., enforcing a contract),

- 3 Detailed information about BizCLIR can be found at www.bizclir.com.
- 4 See generally World Bank, *Doing Business 2009* (2008), and accompanying literature at www.DoingBusiness.org.
- 5 In its most recent survey, the World Bank changed the designation of the category “Dealing with Licenses” to “Dealing with Construction Permits,” a change that more accurately reflects the scope of its survey. The AgCLIR methodology maintains its emphasis, however, on the licenses and permits that are required across agriculture value chains. Accordingly, the terminology has not been changed for this report.

the number of days it takes, and the costs of the procedures in relation to per-capita income. The World Bank now gathers data from 181 countries and ranks each, thereby demonstrating how their respective regulatory environments compare to others throughout the world. USAID's BizCLIR initiative takes the same topics and delves far deeper into their respective legal frameworks, implementing and supporting institutions, and social dynamics. That is, while the World Bank delivers a snapshot of the "tip of the iceberg" in 181 countries, BizCLIR subjects the issues covered by *Doing Business* to a far more comprehensive analysis and then reports on the "entire iceberg." BizCLIR seeks to understand the important contextual differences among countries and further identifies particular strengths and weaknesses within economies that provide key opportunities for the long term.

In the most recent *Doing Business* report, issued in September 2008, Ghana ranked 87th.⁶ Although Ghana slipped five rankings from the previous year, its placement is, in fact, strong for West Africa. In 2007, the World Bank recognized Ghana as one of the world's "top reformers."⁷

To date, BizCLIR has examined the overall environment for doing business in the countries it has surveyed. On a "pilot" basis, this diagnostic is the first to apply the BizCLIR analysis to a single sector, in this case, agriculture—hence, the name "AgCLIR." The focus on agriculture here stems from a critical consensus in recent years that GDP growth in agriculture has more than twice the impact in reducing poverty as growth in other sectors.⁸ Yet, while 75% of the world's population lives in rural areas, most working in agriculture-related pursuits, only 4% of official development assistance goes to agriculture in developing countries.⁹ Similarly, in sub-Saharan Africa, only 4% of total government spending is directed toward farming communities.¹⁰ The goal of this pilot diagnostic is to better understand *why* Ghana's agricultural sector functions as it does, *what* policy changes could lead the sector to greater productivity and economic growth, and *who* among Ghana's economic actors must lead or implement change.

This diagnostic took place from August 18 to September 6, 2008. A five-member team of consultants traveled to Ghana and conducted interviews across the agricultural sector, including with state and local officials, farmers and FBOs, owners of agriculture enterprises, business associations, non-government organizations (NGOs), the banking and lending community, and many others. Interviews and observations took place in and near Accra, Kumasi, and Tamale. The AgCLIR diagnostic culminated in a roundtable presentation and discussion on September

6 World Bank, *Doing Business 2009* (2008).

7 World Bank, *Doing Business 2008* (2007).

8 *Id.*, available at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21513382~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>.

9 *Id.*

10 *Id.*

4, 2008, which was attended by 45 stakeholders in Ghana's agricultural sector, as well as several donors. At the roundtable, team members introduced their preliminary observations, which were then subjected to feedback and elaboration from the participants. This input helped shape the final conclusions of the team, which are found in this report.

Each chapter of this report is structured the same way. Following an introduction, each has four substantive sections, which are themselves followed by recommendations.

LEGAL FRAMEWORK

The chapters first examine Ghana's laws and regulations that serve as the structural basis for the country's ability to achieve and sustain market-based development in the agricultural sector. They discuss the following questions: How accessible is the law, not only to elite, well-informed groups, but also to less-sophisticated actors, rural constituencies, or foreign investors? How clear are the laws, and how closely do existing laws reflect emerging global standards? How well do they respond to commercial realities faced by stakeholders in the agricultural sector? What inconsistencies or gaps are present in the legal framework? This section examines both laws and regulations that apply throughout the economy and additional laws and regulations underpinning the agricultural sector specifically.

IMPLEMENTING INSTITUTIONS

Next, the chapters examine those institutions that hold primary responsibility for implementation and enforcement of the legal framework. These institutions include government ministries, authorities, and registries, or, in certain cases, private institutions such as banks and credit bureaus. In addition, courts are examined with respect to their effectiveness in addressing disputes that arise in the agricultural sector. Again, the indicators seek to uncover how these implementing institutions function not merely with respect to mainstream business interests in the capital, but also in rural areas and agriculture-based communities.

SUPPORTING INSTITUTIONS

The chapters then look closely at those organizations, individuals, or activities without which the agricultural sector in Ghana cannot be fully developed. Examples include FBOs, rural banks, professional associations, agriculture and law faculties, the media, and donors. The relative awareness of law and practice on the part of each institution is examined, along with the specific ways in which institutions increase public and professional awareness, work to improve the economic performance, and otherwise serve their constituencies.

SOCIAL DYNAMICS

As the final point of analysis, the chapters discuss key issues that impact the environment for growth in the agricultural sector. Roadblocks to reform, in particular, are considered, including those entities that may be undermining change. This discussion also identifies significant opportunities for bolstering the environment for agricultural enterprise—such as champions of reform or regional initiatives—as well as matters of access to opportunity and formal institutions. Social dynamics also concern such important matters of gender, human capacity, and public health, each of which may have a significant bearing on how the business environment truly functions. Indeed, often a full understanding of legal and institutional issues cannot be achieved without a nuanced consideration of a country's social dynamics.

RECOMMENDATIONS

Following this four-part analysis, each chapter sets forth a set of recommendations. These recommendations are drawn from the key findings in each chapter and reflect current reform capacities, opportunities, and evidence of will to reform. Some of the recommendations within the chapters may overlap—that is, some may be consolidated into a single reform initiative covering two or more topics—and all turn on the priorities and preferences as enunciated by the Ghanaian government itself. The recommendations in this report are intended to serve, among other functions, as a threshold list for donor coordination of immediate initiatives and preparation of scopes of work.

With respect to each area of inquiry, this diagnostic uses a process of reviewing and scoring **key indicators** to develop a thorough analysis. Once as much relevant information as possible is gathered—from written sources, meetings and interviews, and consultation among colleagues—each of the key indicators was scored, based on the assessor's best estimate of the issue at hand. To help an assessor determine a score, between 3 and 15 **supporting questions** accompanied each key indicator. These questions themselves are not scored,

THE SCORE AWARDED KEY INDICATORS ALIGNS WITH THE FOLLOWING CONCLUSIONS:

- 1 = strong negative
- 2 = moderate negative
- 3 = neutral (or having some negative and some positive qualities)
- 4 = moderate positive
- 5 = strong positive

but are intended to guide the assessor toward a consistent, fact-based judgment from which the key indicator score is then derived.

The scores are not intended to serve as a stand-alone, number-based pronouncement on the state of affairs in Ghana. Rather, they should be read in conjunction with this report's narrative as a means of understanding the status of certain key indicators of a healthy legal and institutional environment for agricultural enterprise and identifying priorities for reform.

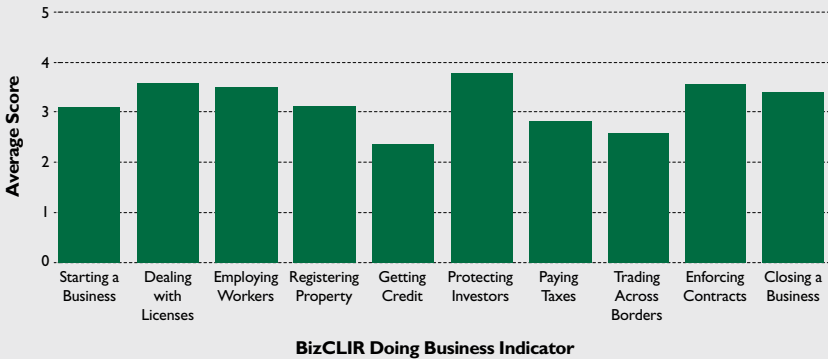
SUMMARY OF SUBJECT-SPECIFIC FINDINGS

The findings of the 10 subject-matter areas examined in this diagnostic are summarized below. In general, the areas that scored highest in the AgCLIR diagnostic—those with the most positive findings—are Protecting Investors and Enforcing Contracts. The weakest scores—indicating more negative circumstances than positive—emerge from the areas of Getting Credit and Trading Across Borders. Beyond these trends, the general findings are as follows:

STARTING A BUSINESS

Despite its preeminent role in the overall economy, production agriculture is still viewed more as a lifestyle than a business in Ghana, and most of it remains firmly situated in the informal sector of the national economy. This is due to many factors, including low literacy rates among the farming population; a lack of business training at all levels of Ghanaian education; small scales of operation; the unpredictable income flows that are a natural consequence of rain-fed cultivation; a lack of effectiveness among initiatives to organize farmers into more competitive organizational structures; and the paucity of innovations in productivity and processing that could make agricultural production a sustainably profitable enterprise. In recent years, Ghana has demonstrated some marked administrative improvements in the conditions for starting a business, including through strengthened procedures at the Office of the Registrar General. But there remain key weaknesses in areas of substantive, business, and knowledge-oriented support to agriculture production that discourage rapid entry into the formal sector. These include issues of access to seed, fertilizer, and irrigation, as well as of market information and the way in which enterprises get their products to market. The heavy presence of donor activities and NGOs in Ghana's agricultural sector also carries some negative implications that warrant consideration and reform.

INDICATOR SCORE COMPARISONS



DEALING WITH LICENSES

Ghana's licensing environment for the agricultural sector is in flux, with considerable optimism that legal and institutional reforms in the near term will contribute to greater productivity down the road. At the time of this diagnostic, regulations concerning pre-release testing of seeds and planting materials, which Ghana's research institutes must follow, typically duplicated demonstration trials that have already been completed elsewhere in the Tropics, and occasionally within the West African region itself. With the advent of a new seed law—under consideration in Parliament as early as November 2008—the market constraints that result from this bottleneck may change, but only if there is a meaningful plan for implementation. In the case of fertilizer, the regulatory chain of command is confusing. There is a draft law on fertilizer that was also expected to be submitted for ratification in October 2008. In the meantime, the Ministry of Food and Agriculture (MoFA) continues to license the import and distribution of fertilizers on the basis of an administrative decree. In the case of pesticides and other crop protection products (CPP), the Environmental Protection Agency is vested with responsibility for registration of such products, and for licensing importers, distributors, and commercial applicators. Registrations of new brands of CPP—even products with the same active ingredients and with similar formulations to those that have already been registered and approved for distribution within the country—must be preceded by toxicology and bio-efficacy testing. Registration typically requires three years, although longer timelines are not infrequent.

EMPLOYING WORKERS

The high degree of informality in Ghana's economy complicates the task of assessing the influence of agricultural enterprise on the economy as a whole and on employment issues in particular. In rural areas, informal employment is well over 90%. Ghana's agricultural sector produces an average income far below that found in the other sectors. While reduction in poverty in Ghana over the past generation has been remarkable (51.7% in 1991–1992 to 28.5% as of 2005–2006), improved living conditions are not uniform by sector or by geographic region. As of 2005–2006, while the poverty rate everywhere else in Ghana had dropped to 20%, the poverty rate in the Northern Zone was 62.7%. This diagnostic found that the most prominent opportunities to reduce poverty among agriculture workers, and indeed to capture their work as a vehicle toward economic growth, include (1) improvements to the capacities of FBOs; and (2) greatly strengthened extension services to farmers. A strengthened understanding of Ghana's widespread system of sharecropping is also necessary, so individuals who labor under such a system have clarified and strengthened access to their rights under Ghanaian labor and contract law.

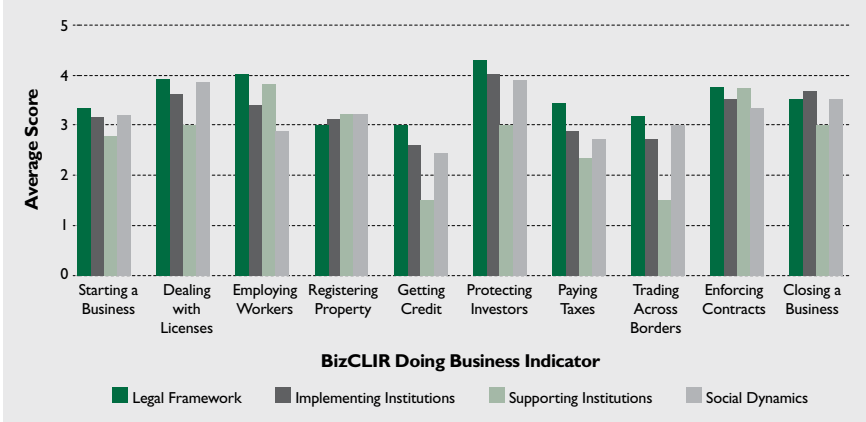
REGISTERING PROPERTY

It is widely understood that the fundamental problem with land tenure in Ghana is that it straddles two vastly different pillars of law and practice. On the one hand, there is the statutory regime of the government of Ghana, codified in the Constitution of 1992 and supported by an extensive body of law and regulation dealing with the ownership and use of land. On the other hand, there is a complex customary regime governing the assignment of tribal lands based on centuries of oral tradition and practice, varying within Ghana by location, between different chiefdoms, and by systems of lineal succession. Ghana lacks consensus about how to address this state of affairs. Nonetheless, while land tenure issues constitute a disincentive to orderly development, and are vulnerable to commerce-slowng challenges in both the judicial and customary settings, this diagnostic found that the risks associated with land insecurity are generally considered to be manageable by the companies and farmers that confront them.

GETTING CREDIT

Despite contributing to an enormous share of GDP, Ghana's agricultural sector receives a relative paucity of the nation's credit. Notwithstanding a generally sound legal framework, Ghana's financial institutions are averse to lending to agriculture for many reasons.

INDICATOR SCORE COMPARISONS



First, creation of collateral is expensive, is cumbersome, and does not encompass instruments to cover transactions of primary economic importance. Second, the ability to secure collateral is uncertain because the claims against security interests of lenders and creditors or sellers are difficult to rank. Third, enforcement of credit contracts can hinder rather than facilitate foreclosure or repossession. In addition, Ghana's financial markets are highly fragmented and exhibit the following characteristics: (1) borrowers and lenders cannot carry out efficient transactions; (2) lenders cannot protect themselves against local credit risks by easily diversifying their loans; (3) capital savings and investment do not readily balance between surplus and deficit regions; and (4) the cost of capital to equally creditworthy borrowers is not approximately the same everywhere.

PROTECTING INVESTORS

Promising news in Ghana's economy tends to mask volatile investment conditions in the agricultural sector. At the grassroots level, confusion and inconsistency pertaining to the formation and activities of FBOs mean that this model does not come close to meeting its considerable potential as a vehicle for agricultural investment. Other systems to support investment in agricultural enterprises are immature and even somewhat neglected by the country's major implementing and supporting institutions. While larger or especially ambitious companies may seek capital by offering shares to the public through the successful Ghana Stock Exchange, this is not a realistic prospect for most agriculture enterprises. Although the risks inherent in agriculture can

hardly be eliminated entirely, there are many policy options available that can strengthen the investment environment.

PAYING TAXES

It is generally agreed that agricultural taxes in Ghana are not prohibitive and most producers can readily minimize the taxes that they pay. However, tax collection is weak, not just for agriculture but in all sectors. There are too few Internal Revenue Service (IRS) tax centers in the country. Moreover, Ghana's tax system is said to be subject to patronage so that certain interests are not touched by the tax system. IRS processes and documentation are seen to be cumbersome and slow, but ultimately functional.

TRADING ACROSS BORDERS

Ghana has made substantial progress in recent years toward creating an environment conducive to domestic and international trade in agricultural products. Macroeconomic stability is markedly improved from ten years ago: inflation is at 10% down from 30% in 1998; the fiscal and external deficits have improved; and the debt burden was brought to a more manageable level. The freely convertible cedi is now competitive among a basket of currencies based on a managed float. In addition to the increasingly stable macroeconomic environment, the trade regime is relatively liberal. Ghana's government has removed import and export prohibitions; eliminated wasteful subsidies; and reduced the number of tariff bands to four (0%, 5%, 10% , and 20%), with agricultural imports facing the highest average tariffs at 15.6%. Notwithstanding these important reforms, fundamental constraints to Ghanaian food security and the competitiveness of Ghana's agricultural enterprises through trade remain. These include limited access to land, water, skilled labor, appropriate finance, markets, electricity, and infrastructure, each undercutting a productive agricultural sector.

ENFORCING CONTRACTS

Ghana exhibits far sounder conditions for the enforcement of contracts, including those that concern agricultural investments, than most countries previously examined by BizCLIR. Factors contributing to an increasingly positive environment for commercial dispute resolution include a new Commercial Court, as well as "fast-track" high courts; the growth of alternative dispute resolution (ADR) mechanisms, including both arbitration and mediation; a well-established community of valuation and accounting professionals; a generally functioning system of bailiffs; and a growing sense that corruption in public institutions, including courts, will no longer be tolerated. Yet small farmers

and FBOs remain unaccustomed to honoring, and even often unwilling to honor, written contracts for the purchase of agriculture products, thus increasing the risk of doing business in the sector. There is also a perception among lenders that small players are rarely held accountable by courts for their flouting of contracts, thereby rendering lenders and other institutions unwilling to do business with them. For an economy that depends so heavily on agriculture, there is a shortage of legal professionals who are properly trained to deal with issues that are prevalent in that sector. Law schools and institutions of continuing legal education, as well as other professional institutions, should work to integrate agriculture-specific issues into their curricula.

CLOSING A BUSINESS

In 2006, a new Insolvency Act replaced Ghana's previous law for insolvency, dating from 1962. Lawyers and bankers generally view the new law as an improvement over its predecessor because it clarifies and streamlines the conditions under which companies that cannot pay their debts may enter into bankruptcy. It also introduces for the first time a meaningful approach to rehabilitation of insolvent firms. The Insolvency Act is not yet especially relevant or useful, however, to the communities that need it most—that is, the growing arena of registered enterprises and their stakeholders, including investors, creditors, and employees. The statute generally disregards special concerns of agriculture interests, such as specific needs arising from the perishable nature of agricultural products. Lawyers, judges, and other professionals need more training and information about the practical implications of implementing the new Insolvency Law.

CROSSCUTTING THEMES

This diagnostic is organized so that 10 components of a healthy and prosperous environment for agricultural enterprise are considered discretely and in relation to each other where appropriate. Certain issues and dynamics are so prevalent across this analytical framework that they warrant special mention. These crosscutting themes include the following:

1. Abundant opportunities in agriculture
2. A non-supportive financial system
3. Insecure land rights
4. Problems with market access: ignorance, information, and infrastructure
5. Obstacles to innovation

These issues are discussed in turn.

I. ABUNDANT OPPORTUNITIES IN AGRICULTURE

As expressed by one industrial farmer in Tamale, “There is nothing I can do in South Africa or Europe that I cannot do here in Ghana.” Indeed, throughout the diagnostic process, a long list of key advantages or particular opportunities in Ghana unfolded. Beginning with the country’s “perfect climate,” “good soil,” and “unique [geographic] position in the world,” agriculture is a pursuit that, even as Ghanaian society modernizes, will be fundamental both to the domestic economy and world food supply. Specific opportunities and reforms identified during this diagnostic include the following:

Continued perceptions of Ghana as a regional leader in doing business. Ghana is a much friendlier and more competent environment for doing business than most of its neighbors. In its most recent *Doing Business* report, issued in September 2008, the World Bank ranks Ghana as the best country for doing business in West Africa—by far—and the sixth highest-ranked country in sub-Saharan Africa (behind Mauritius, South Africa, Botswana, Namibia, and Kenya).¹¹ Ghana’s conscientious economic stewardship has led to tangible results: Ghana has roughly twice the per-capita output of the poorest countries in West Africa.

Growing perceptions of Ghana as a transparent business environment. In Transparency International’s most recent *Corruption Perceptions Index*,¹² also issued in September 2008, Ghana ranks in the top half of countries surveyed, which is good by regional standards. This diagnostic confirmed that there is increasing confidence among users of government services that state actors will not use their positions to solicit bribes. For example, a private practitioner in the land registration community stated unequivocally that, while bribes of state workers were a consistent condition of doing business as recently as two or three years ago, this is significantly less of the case today. In 2007, an independent report on corruption in the judiciary was greeted with a public commitment on the part of judicial leadership to tackle the problem. Petty corruption remains a problem in Ghana’s public agencies—more so, it appears, in rural areas, where there is less scrutiny and graft habits are more entrenched—but there is nonetheless considerable positive news on this front.

Improved access to the formal sector. In 2008, conditions for agriculture enterprises to enter the formal sector—thereby seizing the many advantages of business formality—improved dramatically.

¹¹ World Bank, *Doing Business 2009* (2008).

¹² Transparency International, *Corruption Perception Index* (2008).

Through improved use of technology and strengthened business practices, the Registrar General (RG) now operates walk-in business registration centers that have reduced the business registration process to five days, in addition to a three-day name-registration process. Two business registration offices currently operate—one in Accra and the other in Komesa—and a third is scheduled to open in Tamale. Individuals can also get registration forms at any post office and submit them to the RG by mail. The registration offices prominently post fees, timelines, and specific announcements that discourage customers from attempting to bribe office employees in exchange for faster service.

Strengthened frontline services for business-oriented government services. Regular users of other state agencies credit several of them with improving their interface with the public. Those agencies cited for business-oriented service to the public include the Ghana Investment Promotion Centre (GIPC), the Land Title Registry, and the Commercial Court and the fast-track high courts. These agencies are also widely observed to have diminished their tolerance for informal fees and increased their emphasis on transparent and genuinely helpful customer service, thereby building confidence in public institutions.

Increasingly productive integration of the family farm model. Unlike some of its neighbors and other agriculture-oriented economies, Ghana's agricultural sector is substantially based on the small-farm model. The state of land ownership and customary land use rights is such that the small family farm will continue to be the norm for the foreseeable future. But this model comes with certain opportunities that may strengthen the country's attractiveness as a destination for investment. For example, a nucleus farm model, discussed in this report's chapters on Protecting Investors and Getting Credit, increasingly allows for strengthened quality and productivity of products among like groups of farmers. Also, the continued existence of family farms in Ghana presents a marketing opportunity for certain exports, whether for accessing fair trade markets or for underscoring the quality of small-farm-grown cocoa beans and shea nuts. As many observers pointed out in the course of this diagnostic, "bigger" in agriculture is not necessarily "better," and this is a message that can be drawn upon when marketing the country's agriculture exports. One key point is that the "food miles" that are incurred when a Ghanaian product is shipped to, say, the European Union may be offset by evidence that the carbon footprint of Ghanaian produce is lower than many crops grown in Europe.¹³

¹³ Susie Emmet, *Miles Better?*, 41 DFID/Developments (April 2008), at 12–13.

Throughout this report, many other opportunities in Ghana's agricultural sector are noted, including areas where current reform initiatives promise better conditions in the future. Nonetheless, certain major, crosscutting constraints remain, as discussed below.

2. A NON-SUPPORTING FINANCIAL SYSTEM

Poverty in Ghana has diminished in recent years—from 39.5% in 1998–99 to 26.8% in 2005–2006¹⁴—but living conditions in the rural areas remain very modest. Most farmers subsist on crops that use poor seed, inappropriate fertilizers, and unproductive watering techniques. They also lose their crops to post-harvest conditions at an alarming rate—up to 30% in the maize sector, for example.¹⁵ These conditions are, not insignificantly, attributable the very poor access farmers in Ghana have to credit and to capital. Among the core problems pertaining to the financial system as it relates to agriculture are the following:

Perilously low lending to the agricultural sector. Although a definitive figure is elusive, it seems that considerably less than 10% of lending in Ghana is directed toward agriculture, with most of that lending directed at the country's relatively few large commercial farms and processing enterprises.¹⁶ The top limiting factor to the growth of agricultural enterprise (of all sizes) is a lack of investment capital and poor access to agriculture finance or lines of credit for working capital. T-bill returns are so high that many banks are discouraged from lending; they can achieve satisfactory returns without the risk of borrower default or the high transaction costs involved in agriculture lending. Interest rates are correspondingly high, with the current rate for farmers approaching 30% with terms of not more than one year.

Absence of a law specific to secured transactions. The absence of a modern law allowing banks to secure movable property as loan collateral in a simple, accessible public registry deters quick, inexpensive, and simple creation of a proprietary security right. There is no law or widely shared system that specifically addresses secured transactions, either traditional or non-traditional. The key banking laws are silent on both “secured transactions” and on “collateral” more generally. Lenders must set their own ground rules on their use of secured transactions, from the information that they will require to the types of transaction they will support. Thus, both borrowers and lenders face a lack of consistency, predictability, and enforceability of their loans.

¹⁴ Africa Development Bank/Organization for Security and Cooperation in Europe, *African Economic Outlook* (2008), at 342.

¹⁵ See USAID/Ghana-Trade and Investment Program for a Competitive Export Economy, *Analysis of Agriculture Value Chain Financing Options* (March 2008), at 28.

¹⁶ This figure derives from informal estimates provided by lenders during the course of this diagnostic; Bank of Ghana estimates; and unpublished donor estimates.

Lack of orientation toward agriculture issues within the professional community. A recurring theme with respect to many professions—law, banking, accounting, and so forth—is that practitioners who could facilitate a stronger lending environment for agribusinesses lack sufficient knowledge of the sector to do business with these agriculture-related firms. Thus, perceived risks are often cited as reason for not going forward with loans, investments, or enterprise growth plans, even though, as one agriculture economist said, “Risks of agriculture can be over-exaggerated” and, particularly among people who understand the sector, “they can be managed and minimized.” Law schools teach very few courses that speak directly to concerns of the agricultural sector. Bankers rarely are specially trained in special products or risk-minimizing tools pertaining to agriculture.

Inadequate sense of community responsibility on the part of banks. At the roundtable discussion held at the conclusion of this diagnostic, an informal group of agriculture, lending, and donor professionals noted that Ghana’s lending community tends to operate with a sense of entitlement toward their constituent communities, rather than as good corporate citizens committed to making the economy grow. This observation was illustrated by the persistent point that banks choose to purchase safe and relatively high-yield T-bills, rather than return their depositors’ money into the economy. The fact that the standard 25–30% lending rate has little relation to what banks pay to borrow money is also an unhelpful, non-growth-oriented corporate practice. With respect specifically to agriculture, banks and other lenders are perceived as not wanting to engage in the careful supervision and close monitoring that are often necessary as part of agricultural loans, preferring instead to lend to “easier” groups, such as the construction or retail trade sectors.

There are several other factors that contribute to Ghana’s inadequate financial environment for agriculture. They are discussed at various points in this report.

3. INSECURE LAND RIGHTS

In 2007, Ghana made a dramatic jump in the World Bank’s *Doing Business* rankings in the category of Registering Property—from 113 to 26, the “biggest reformer” in this category among the 171 countries surveyed.¹⁷ During this diagnostic, users of Ghana’s Land Title Registry expressed admiration for the agency’s dedication to change, from its clearly mapped processes for action, to its significant

¹⁷World Bank, *Doing Business 2008* (2007).

reduction in “informal fees,” to its marked improvement in processing times. Directives “from the top” that Ghana’s various land agencies must stop working in ways that ignore the mandate of other relevant government entities and start following the very clear mandate of the Land Title Registration Law of 1986 resulted in increased confidence in state oversight of land.¹⁸

Notwithstanding these important administrative reforms, Ghana’s recent land initiatives did not scratch the surface of the underlying reality that precludes secure land rights in Ghana: the fact that 80% of the country’s land is held by tribal authorities, and those authorities hold significant and relatively unchecked discretion over how that land is managed and used.

For the most part, tribes lease lands to their users. The formal procedures for undertaking a lease are typically unwritten and somewhat opaque, although they do appear to follow similar paths, regardless of the region or tribal affiliation. Namely, a party seeking rights to use land identifies the general area in which he or she wishes to locate. That party then identifies the tribe that holds title to that area, and enters into negotiations with its king or paramount chief. Lease rates are controlled and collected by the Lands Commission, and tribes receive about 40% of the total proceeds from these land rents. In response to this statutory stipulation, a separate customary vehicle has evolved by which the king or paramount chief, acting on behalf of his people, collects payments for the lease concession that more closely reflect the value of the property being assigned. This payment is ex-contract, and is not recorded in any of the written records of the lease concession, so as to avoid any unwelcome scrutiny from the Land Commission or the federal tax authorities.

It is not that Ghana’s tribes do not operate with the best interests of their constituents in mind—they can cite vast examples of how they do. Moreover, farmers and other enterprises that have become accustomed to dealing with tribal institutions are not wholly dissatisfied with the relationships—they generally understand the process they need to go through to lease more land and can do so with relative efficiency. Some major investments in various agriculture projects have been able to go forward in recent years, notwithstanding this state of affairs.

That said, there is without question a lack of transparency and consistency with respect to such issues as to rents, fees, land use rights, and conditions for termination of use of tribal land. This makes long-term planning difficult for agricultural enterprises and serves as a

¹⁸ See Cemile Hacıbeoyoglu, *When Enough is Enough (Case Study: Ghana), Celebrating Reform* (World Bank 2008).

disincentive to invest. In other words, while many constituencies have come to be able to function within the familiar constraints, there is high awareness in Ghana that outsiders may refrain from working in Ghana as a result of its opaque system of land tenure and land use. So long as land tenure is steeped in opacity and a lack of predictability, investment in agriculture is undermined.

At the roundtable discussion held at the conclusion of this diagnostic, an informal group of land professionals concluded that land issues in Ghana will be resolved by nothing less than an act of Parliament that calls for a high-level commission to address Ghana's long-term vision for its own land. Indeed, Ghana's land quandary is grounded in its constitutional commitment to honoring its tribal roots and cultural history. This is an issue that can benefit from donor support in the long term, but only *after* a home-grown agenda based on widespread consensus is permitted to evolve.

4. PROBLEMS WITH MARKET ACCESS: IGNORANCE, INFORMATION, INFRASTRUCTURE

Throughout this diagnostic, a range of stakeholders stated that Ghana's agriculture products, both for domestic consumption and for export, have an unusually difficult time finding their way to market. There are many aspects of this problem, ranging from those that lend themselves to better farmer organization and use of information, to those requiring major and costly fixes to the nation's infrastructure. Examples are set forth below.

Ignorance. The problem of accessing markets begins with the very low level of knowledge held by the majority of Ghana's farmers. Weak literacy and quantitative skills, as well as the day-to-day challenges of subsistence farming, mean that there is very little long-range planning on small farms. Many farmers do not track the costs of their inputs and the value of their outputs.

FBOs similarly are underinformed and not terribly ambitious with respect to promoting economies of scale or seeking new markets. Seed cooperatives, for example, seem content to sell their certified product to markets consisting mainly of donors and NGOs, rather than to develop initiatives that would persuade other farmers to purchase and use more productive seed. Poultry cooperatives similarly do not pursue domestic markets in an effective way, emphasizing instead their policy preference for raising tariffs. To date, FBOs have generally

failed to embrace their potential as a vehicle for credit and investment in the agricultural sector, and donor efforts to support FBOs have proven remarkably thin in their effectiveness.

There is also a lack of banking experience which ultimately deprives farmers of access to markets. Lenders report that farmers “don’t know how to be good borrowers” and their experience has largely been of government loan forgiveness. Further, farmers reportedly do not know how to work effectively as investment partners. Thus, the challenge that rural banking faces is to get farmers to understand how credit works.

The issue of “ignorance”—or, expressed otherwise, a lack of market understanding among constituencies who need it—includes not only poor and uneducated farmers, but also the professional classes that are in a position to serve them. As described at various points in this report, there is surprisingly little expertise in the legal and banking fields directed toward agriculture, given the significance of the sector to Ghana’s economy. Again, risks that could be alleviated by knowledgeable people are instead cited by the same people as reasons to do business in other sectors entirely.

Information. Market information is inadequate across almost all agricultural value chains in Ghana. Traders and potential buyers of agricultural products report that price information is hard to find, incomplete, and rarely timely enough to affect buying decisions.

For example, this diagnostic observed very little timely dissemination of global and regional commodity prices in Ghana. Other market information also proved generally unavailable to the enterprises that need it, including supply and demand estimates, quality preferences and information, raw material prices, supply trends, or even the average crop yields attained in other countries. Also, formal coordinating mechanisms for buyers and sellers of agricultural products do not exist beyond regular “market days.”

In Ghana, most information about market opportunities is informal and comes through existing networks, a situation that is unlikely to bolster market expansion or market-based innovation. There are several agencies, associations, and donor groups in Ghana with a role to play in relieving problems of information, but their performance has not yet provided a clear vision to farmers and FBOs of price points across and outside of Ghana to serve as a basis for informed price-optimization strategies. One especially bright light is TradeNet, a private

venture that acts as a platform for buying and selling agricultural products over cell phones and the Internet. The company has developed a system that uses the power of mobile networks to facilitate the flow of market information. This provides useful information mainly for traders and is not widely accessible by farmers. TradeNet is still a nascent organization, however, though it shows considerable promise for the future.

Infrastructure. Farmers and other agriculture enterprises in Ghana have an unusually difficult time physically moving their products to market. As of 2006, only 45% of all roads in Ghana were considered to be in good condition, according to the Ministry of Roads and Transport. Ghana has no road transport policy and only three public weigh stations. Further, there is too little warehouse space and the ports lack sufficient scanning equipment. Ghana's seaports are considered high-cost facilities because of their "limited physical capacity, high tariff rates and congestion."¹⁹

Thus, coordinating supply chains in Ghana is difficult due to extensive road delays, delays at the ports, and delays in customs. Poor coordination of supply chains has resulted in what some sources called "unnecessary gluts"—for example, imported grain has arrived too late to alleviate specific shortages that they were intended to help and has produced an effect opposite from that which was intended by the initial shipment. Namely, because of a lack of warehouse options, these new supplies tend to drive down the price of product on the open market.

Demand for electrical power in Ghana has been growing at 14% annually, far outstripping growth in total supply. The Electricity Company of Ghana loses 4% of its domestic energy production through transmission losses, and 24% more as a result of obsolete equipment in its distribution system.²⁰ At the same time, there is a lack of reliable and affordable energy for the agricultural economy. In one case, the unreliability of the electrical grid required a packing operation to resort to free-standing generators to run the plant. In this instance, costs associated with generator operations amounted to 60% of total operating costs for the plant.

Long-term growth in Ghana's agricultural sector will only be achieved through a sustained commitment to bolstering the country's infrastructure, including through better roads, warehouse space, access to electricity, and other fundamental resources for doing business.

¹⁹Finance Corporation, *Ghana International Competitiveness: Opportunities and Challenges Facing Non-Traditional Exports* (2001).

²⁰Institute of Statistical, Social and Economic Research, *The State of the Ghanaian Economy in 2006*, at 151–55.

5. OBSTACLES TO INNOVATION

Finally, it was observed throughout this diagnostic that certain conditions exist that discourage agriculture entrepreneurship generally. These conditions vary significantly, but collectively contribute to a sector that is far less productive than it should be. The following examples show that innovation is subtly but powerfully discouraged in Ghana's agricultural sector:

Seed constraints. With regard to planting materials, any seed proposed for distribution within Ghana—regardless of productivity and suitability findings in similar agronomic areas elsewhere—must undergo three years of agronomic trials, along with one year of on-station research to confirm yields and consumer acceptability, before submittal to the National Varietal Release Committee. All told, the timeline from original request to final release can easily extend to eight years. For a country like Ghana, where low yields derived from unimproved planting materials represent an overwhelming constraint to improving food availability and farmer incomes, this protracted pre-introduction process represents a truly stifling barrier to innovation. This fact may change with the advent of a new seed law (see this report's chapter on Dealing with Licenses), but implementation of the new law will need to focus on this issue in for it to be effective.

Customary systems and the business environment. Ghana has, on the one hand, a relatively sophisticated legal environment with a long tradition based on the British common law. On the other hand, it has an even longer tradition of resolving disputes through tribe-based mechanisms or other customary methods. As discussed earlier, the entrenchment of land in customary systems has critical implications for Ghana's economic position. It is hard, according to one observer, "to marry the formal system with the informal... We are forcing people to become formalized without understanding what happens" when traditional systems are displaced without acknowledgement of the role they played in the system. That said, there appears to be a consensus that the customary systems—with their duplicative institutions and lack of transparency in certain respects—do not themselves contribute to a strong environment for doing business, particularly as compared to other emerging markets.

Donor dependence and fatigue. Deep into Ghana's rural areas, there is a heavy presence of multilateral and bilateral donor-sponsored organizations that underwrite a wide variety of assistance programs for stakeholders in the agricultural sector, including farmers, FBOs, and small and mid-sized agriculture enterprises.

On the one hand, Ghana's agricultural sector has been strengthened by these outside interventions, including contributions to or support of investments, over the years. On the other hand, there is the problem of a donor-induced "short-term mentality." For example, it takes 5 to 7 years for most tree crops to reach full production. It can be 10 years before a country has established itself in its destination markets as a reliable supplier of a given set of agricultural commodities. Establishment of an agroprocessing complex can take 3 to 5 years before it can launch operations, and much longer before it can achieve a profitable and sustainable level of activity.

Such examples lead to several considerations. Most donor projects tend to run for three to five years, after which they close down and new projects take their place. This creates a tendency for local growers and FBOs, as well as state and local institutions, to focus on short-term projects with immediate results, rather than on the long-term sustainable projects that can have much broader and more durable impact on the sector.

In addition, state institutions often surrender their responsibility for providing support and services to the agricultural sector. In Ghana, many believe that the government has transferred control over management of the agricultural sector away from government institutions and into the hands of donors and NGOs. The government is seen as performing well in the development of policy, but poorly in terms of implementation, due to a shortage of staff and skills, as well as excessive reliance on NGOs to get the job done.

Moreover, there is a tendency by farmers to "farm projects" rather than land. If new funds can reliably be expected to come along every three to five years, each one based on a new agricultural direction, there is an understandable tendency on the part of farmers and FBOs to split their attention between maximizing earnings from their land and maximizing income from grants and program support. All too often, this dual-track strategy leads to conflict, which in turn leads to de-emphasis of the production dimension in favor of the donor dimension.

Widespread aversion toward risk and investment. Finally, a major obstacle toward innovation in the agricultural sector is what was reported over the course of this diagnostic as a general aversion toward risk, exacerbated by certain cultural norms. The recent case of an international fruit company exploring possible investment in Ghana's banana sector is illustrative of the types of opportunities that can "slip away" when confronted by local investor aversion or

indifference.²¹ In 2007, one of the world's largest integrated fruit and vegetable companies sent a team to Ghana as part of its efforts to diversify its Latin American banana sourcing and to gain a participation in the preferential access that Africa-Caribbean-Pacific (ACP) countries enjoy in the EU banana market. The company's model for this type of project involves teaming up with local investors, who are asked to secure the land and labor, with the company providing its highly developed technical production and post-harvest expertise, as well as long-term contracts guaranteeing the purchase of all suitable production at a mutually agreeable price.

After several visits to explore different dimensions of Ghana's suitability for such a venture, company representatives indicated their satisfaction with all the natural and political aspects of the project. It is reported, however, that the company was unable to find investment partners in the country and was therefore obliged to turn its attention to other ACP countries in Africa. It eventually announced sourcing agreements in March 2008 with local investors in Mozambique and Angola for banana production activities worth an estimated \$120 million, and creating 6,000 new jobs by 2010.

Ghana's failure to capitalize on what appears to have been a first option on this world-class opportunity is damning. If, despite its best efforts, the government of Ghana and all its investment promotion agents proved unable to generate sufficient interest in a project of this magnitude, with a partner of this caliber, there is reason to challenge their effectiveness, the availability of significant investment capital for agricultural projects, or both. Moreover, certain cultural norms contributing to risk-aversion warrant greater exploration and understanding, in hopes of leading to "homegrown" interventions. These norms include what was widely characterized during this diagnostic as a lack of trust among business partners, whether they are individual farmers or even more substantial commercial enterprises. This lack of trust often incorporates an unwillingness to share control over enterprises or even an antipathy toward sharing corporate information that might lead to extension of credit or investment. Another factor that plays into risk aversion in Ghana is the very strong responsibility business owners feel toward their extended families and, in turn, the sense of entitlement family members exhibit toward the fruits of their brethren's enterprise. As one long-time foreign resident of Ghana commented, this factor may cause Ghanaian enterprises "to grow as large as they need to, but not larger."

21 Peter Jaeger, Ghana Export Horticulture Cluster Strategic Profile Study, Part I—Scoping Review, (2008), at 14.

It is a recent truism of the developing world that increased use of the formal tools of doing business—including contracts, credit registries, standardized accounting practices, separation of personal monies from business accounts, and others—supports more trust in an economy, and therefore more growth. This can prove true for Ghana, its agricultural sector in particular. Although innovation in the sector may be limited by hard-to-shake norms and conditions, these deterrents must not be deemed “unchangeable.” Rather, they warrant continuous and detailed consideration as Ghana progresses in moving its agricultural sector toward reduced poverty and enhanced growth.

THE AgCLIR RECOMMENDATIONS: TOP PRIORITIES

This report contains over 200 recommendations that suggest—in terms ranging from the very broad to the highly specific—a variety of approaches to improving Ghana’s environment for agricultural enterprise. Although each of the report’s recommendations contributes to an overall vision for how Ghana can continue its emergence into the world economy, the following can be considered the top priorities:

CROSS CUTTING ISSUES

1. Make all laws available to the public in a more thorough, user-friendly format than that currently provided by existing sources.
2. With respect to all government-initiated or support websites pertaining to agriculture, including those that provide descriptive information about investment opportunities, markets, resources, and other important information, enact a plan for the regular updating and sustainability of the sites. Consolidation of certain web-based information sources may be necessary.
3. Without re-creating donor-supported work that has been done in the recent past, move forward with the creation of a workable law on cooperatives that supports the cooperative/FBO model as sustainable means of local investment. Program support for FBOs—whether donor or government-funded—should include widespread education of FBO participants on how FBOs can be used as a mechanism for establishing and growing enterprises, using new agriculture technologies, getting credit, enhancing worker training and productivity, generating investment, and so forth.

STARTING A BUSINESS

1. Review investment promotion activities to ensure that local and foreign investors are better attuned to the promise of agribusiness investments.
2. Reinforce the promising MiDA program of farmer and enterprise training in commercial agriculture, pursuant to facilitating the conversion from a subsistence mentality to that of a commercial undertaking.

DEALING WITH LICENSES

1. Secure the ratification and enactment of the draft Seed Law and and Plant Quarantine Law, as well as the regulations that will accompany their implementation, as important weapons in the attack against Ghana’s agricultural productivity problems. Develop a comprehensive plan for implementation of the new laws, so that their practical effects can efficiently enter the marketplace and strengthen commerce in the agriculture arena.
2. Revisit all licensing regulations governing crop protection products to ensure that they are limited to legitimate scientific and technical and environmental considerations only.

EMPLOYING WORKERS

1. Analyze and evaluate all donor- and government-support directed over the past five years to FBOs with an eye toward lessons learned and pitfalls to be avoided. Identify those interventions that were started and then abandoned and determine whether they should be revisited or relaunched.
2. Strengthen and expand opportunities for vocational education and training. Continue improvements to primary and secondary education systems, with particular emphasis on encouraging higher rates of primary-school completion and progress to secondary school. Examine how, particularly with respect to girls, issues of infrastructure and sanitation impact the decision to pursue secondary education.

REGISTERING PROPERTY

1. Consider implementation of the diagnostic roundtable recommendation favoring establishment of a Parliament-supported high-level commission addressing the long-term future of land ownership in Ghana.
2. Recognizing that kings and paramount chiefs are essential allies in solving the land tenure crisis in Ghana, develop pathways to integrate them more closely into the formal land attribution process, by giving formal recognition and tax-free status to fees collected, as well as other accommodations to remove the barriers to cooperation between constitutional and customary land authorities.

GETTING CREDIT

1. Improve lenders' access to information and documentation on titles and claims. There are some efforts said to be under way to improve this situation, but this seems to not be coordinated and lenders do not know the status of any such programs. An asset registry, which would enable lenders to establish the priority of claims on an asset, would be particularly helpful for both moveable and fixed collateral.
2. Expand the credit bureau's remit to include collecting positive information on borrowers to provide all lenders with an indicator of their creditworthiness. As the situation now stands, lenders only have access to negative information and defaulters may be penalized, but high-quality borrowers will not benefit from the credit reporting system. This arrangement favors lenders who do not want other lenders to poach their clients, but it is not favorable to borrowers who might get a better deal elsewhere.
3. Formalize the sharecropping system so that such transactions are recorded. Until these transactions are documented there will be almost no way for the formal financial sector to reach them and the sharecroppers will remain "unbanked."

PROTECTING INVESTORS

1. Conduct an in-depth study of Ghana's use of the free zone model as a means of supporting agricultural investment. Using lessons learned from other countries and experiences of local companies using the model, evaluate how strengthened government commitment to free zones can result in stronger investments.
2. Create linkages between more well organized FBOs and Ghana's business schools, developing partnerships in marketing and business development services.

PAYING TAXES

1. Institutionalize and enforce standard operating procedures that require staff to always be in IRS offices on a published work schedule. There were many reports of an IRS assessor not being available after a taxpayer had spent time and money to reach the office to pay taxes.
2. Establish more IRS offices in secondary cities to better service these and surrounding populations. Currently, agribusiness and other entrepreneurs must often travel far to pay their taxes; this inconvenience takes them away from their business and increases their costs for travel and other items.

TRADING ACROSS BORDERS

1. Recalibrate focus of recent development programs to increase attention to food crops, especially those that make up a large percentage of domestic consumption.
2. Review the extensive documentation required for imports and exports, focusing in particular on the Ministry of Food and Agriculture. Consider replicating high-performing international benchmark countries including Singapore and Denmark. Particular focus should be paid to documentation and procedures required for perishable products. Review policy on mandatory permits for imports/exports in light of similar regimes with less regulatory burden for the private sector, including trade licensing.
3. Prioritize the creation of a sustainable, trade information system. Attention needs to be paid to (a) taking advantage of already existing information via GCNet, (b) providing market information cheaply and broadly, and (c) considering the formation of a public-private partnership to incorporate information from international market research firms on supply and demand trends. Employing a public-private partnership model is recommended.

ENFORCING CONTRACTS

1. Move forward with plans to bring a Commercial Court and fast-track high courts to regions beyond Accra.
2. Continue anti-corruption initiatives in the courts, including posting of court fees; public admonitions against seeking or paying bribes; prosecution of corrupt behavior; and teaching of ethics in all formal environments, including the law faculties, the Ghana School of Law, the Ghana Bar Association, and the JTI.
3. Promote continuing training among lawyers, bankers, business development professionals, and others about specific contracting issues relevant to the agricultural sector, with an emphasis on managing risk.

CLOSING A BUSINESS

1. Create workshops for the banking community to familiarize bankers with the insolvency law and bankruptcy concepts generally, with an emphasis on banks' roles in reorganization.
2. Design and implement an outreach program to the universities to assist in the training of professors in bankruptcy and insolvency concepts and laws with a view toward developing curriculum designed to educate law students on bankruptcy and other commercial concepts.

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