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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
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Rome, 19-20 April 2006

**REPUBLIC OF GHANA**

**COUNTRY STRATEGIC OPPORTUNITIES PAPER**



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**CURRENCY EQUIVALENTS**

Currency Unit	=	cedi (GHC)
USD 1.00	=	GHC 9 174
GHC 1.00	=	USD 0.000109

**WEIGHTS AND MEASURES**

1 kilogramme (kg)	=	2.2 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 hectare (ha)
1 ha	=	2.47 ac

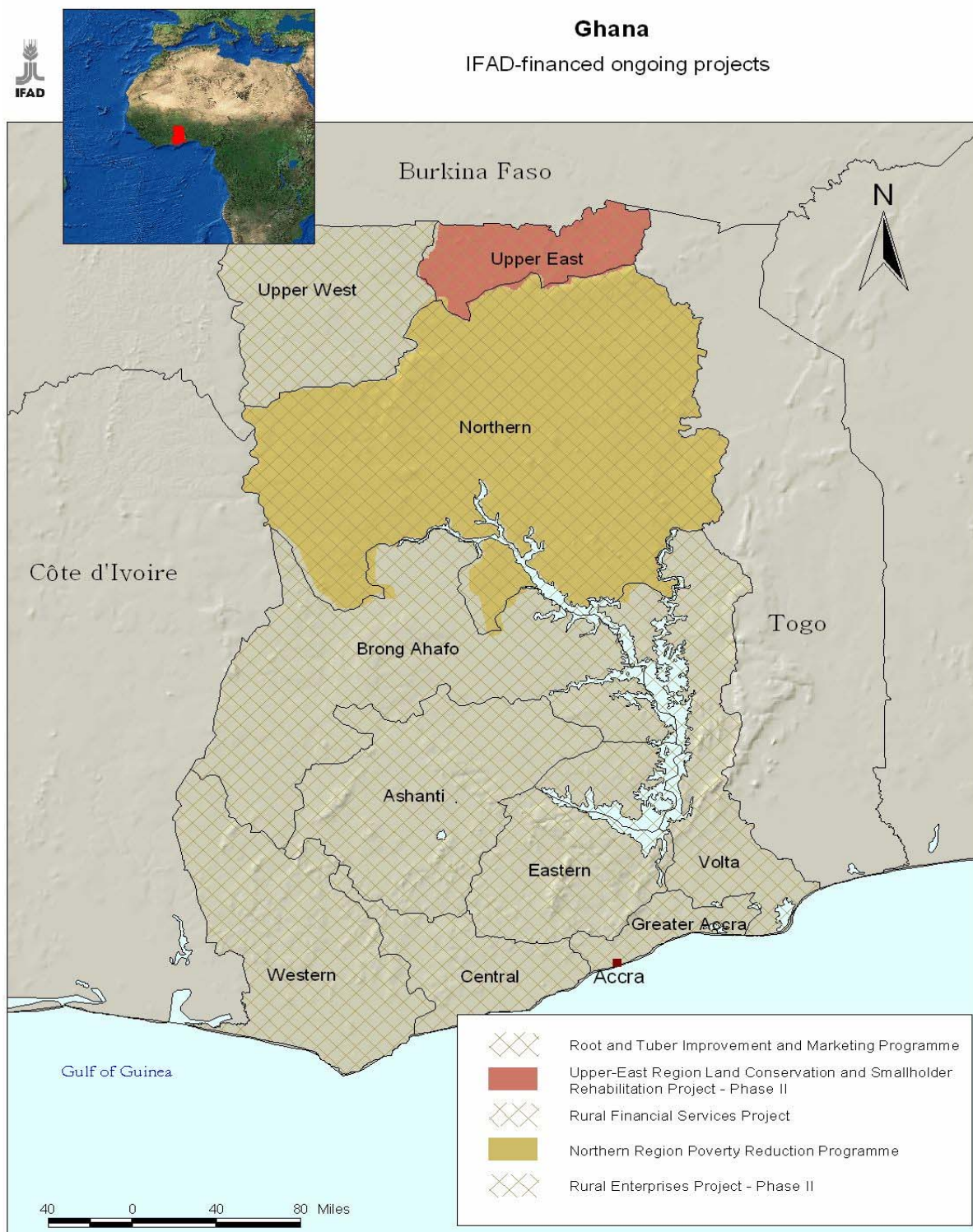
**ABBREVIATIONS AND ACRONYMS**

AFD	Agence Française de Développement
AfDB	African Development Bank
CDD	community-driven development
CIDA	Canadian International Development Agency
COSOP	country strategic opportunities paper
DFID	Department for International Development (United Kingdom of Great Britain and Northern Ireland)
FAO	Food and Agriculture Organization of the United Nations
FBO	farmer-based organization
GPRS	Ghana Poverty Reduction Strategy (relates generally to Phase I, 2003-2005)
GPRS II	Growth and Poverty Reduction Strategy (relates to Phase II, 2006-2009)
GTZ	German Agency for Technical Cooperation
KfW	German Credit Institution for Reconstruction

**GOVERNMENT OF THE REPUBLIC OF GHANA  
FISCAL YEAR**

1 January – 31 December

COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

**PORTFOLIO OVERVIEW**

**Region: Western and Central Africa**

**Country: Ghana**

Loan No.	Programme/Project Name	IFAD-Approved Financing (USD '000)	Board Approval	Loan Signing	Loan Effectiveness	Current Closing	Project Completion Date	Cooperating Institution	Project Status
34-GH	Volta Region Agricultural Development Project	12 500	06 May 80	03 Jun 80	08 Jan 81	31 Dec 88	30 Jun 88	World Bank: IDA	Closed
198-GH	Smallholder Rehabilitation and Development Programme	12 200	03 Dec 86	27 Apr 87	25 Jan 88	31 Dec 95	30 Jun 95	UNOPS	Closed
247-GH	Smallholder Credit, Input Supply and Marketing Project	16 600	05 Dec 89	23 Jul 90	01 Mar 91	31 Dec 98	30 Sep 98	UNOPS	Closed
457-GH	Upper-East Region Land Conservation and Smallholder Rehabilitation Project	12 539	01 Oct 90	23 Jan 91	14 Jun 91	31 Dec 97	30 Jun 97	UNOPS	Closed
S-38-GH	Rural Enterprises Project	7 670	02 Dec 93	23 Jun 94	01 Feb 95	31 Dec 02	30 Jun 02	UNOPS	Closed
388-GH	Upper West Agricultural Development Project	10 061	14 Sep 95	13 Nov 95	20 Mar 96	31 Dec 04	30 Jun 04	UNOPS	Closed
429-GH	Village Infrastructure Programme	10 000	04 Dec 96	21 Feb 97	02 Apr 98	31 Dec 04	30 Jun 04	World Bank: IDA	Closed
461-GH	Root and Tuber Improvement Programme	9 017	04 Dec 97	12 Feb 98	15 Jan 99	30 Sep 05	31 Mar 05	World Bank: IDA	Completed
503-GH	Upper-East Region Land Conservation and Smallholder Rehabilitation Project-Phase II	11 595	29 Apr 99	30 Jun 99	14 Jan 00	30 Sep 06	31 Dec 06	UNOPS	Ongoing
532-GH	Rural Financial Services Project	11 002	03 May 00	25 Oct 01	29 Jan 02	30 Sep 08	31 Mar 08	World Bank: IDA	Ongoing
571-GH	Northern Region Poverty Reduction Programme	12 335	06 Dec 01	07 Feb 03	30 Jan 04	30 Sep 10	31 Mar 10	UNOPS	Ongoing
588-GH	Rural Enterprises Project – Phase II	11 245	05 Sep 02	07 Feb 03	19 Jun 03	31 Dec 11	30 Jun 11	UNOPS	Ongoing
	Root and Tuber Improvement and Marketing Programme	18 964	8 Sep 05	20 Jan 06	–	–	–	World Bank	Not yet effective

IDA = International Development Association (World Bank Group). UNOPS = United Nations Office for Project Services.

## EXECUTIVE SUMMARY

1. In Ghana, IFAD has so far financed loans and grants worth USD 155 million in 13 projects, making Ghana's the largest portfolio in the region. The coming years will be a time of consolidation, strengthening partnerships, innovation and increased policy dialogue. The Food and Agriculture Sector Development Policy calls for a modernization strategy based on pro-poor service delivery. IFAD is contributing by supporting the development of a national multiplication and distribution support system for planting material, commodity chain integration, district-level business counselling services and other similar activities. These are augmented by a range of complementary, largely process-oriented programmes and a community development drive all of which aim at improving local governance and fostering food security and on- and off-farm income-generation, while maintaining a continuous commitment to IFAD's main strategic focus.

2. The **IFAD strategy in Ghana, 2006-2011**, is designed around key development results that Ghana wants to achieve through its Ghana Growth and Poverty Reduction Strategy (GPRS). The country strategic opportunities paper (COSOP) particularly supports GPRS II's emphasis on developing a market-driven agricultural sector and vibrant private sector. It is also synchronized with the second cycle of Ghana's poverty strategy (GPRS II), which covers the period from 2006 to 2009. The next six years will be a time of consolidation, strengthening partnerships, innovation and increased policy dialogue in order to reach a higher platform of effectiveness and impact in a framework of collaborative action and mutual accountability. Providing ample room for innovation and new partnerships and collaborations, the strategic thrusts aim at working at the meso-level to bridge the gaps between the microlevel and the grass roots on the one hand and sectoral and macro-policies on the other. The goal of this COSOP and of the corollary country programme is to achieve improved, diversified and sustainable livelihoods for the rural poor, particularly for those people dependent on marginal lands, for rural women and for vulnerable groups. The purpose of the country programme is to build inclusive and sustainable institutional systems supported by pro-poor investments, policies and relevant innovation and learning engagements. The four thrusts of the country programme aim at: (a) achieving sustainable agricultural livelihoods and food security through the development of agriculture and food commodity chains; (b) developing pro-poor rural enterprise and rural finance in the context of an inclusive private sector; (c) strengthening local institutions and government using community-driven approaches; and (d) developing a responsive, pro-poor policy and institutional environment through learning and dialogue among stakeholders.

3. These thrusts are articulated through specific IFAD thematic and operational strategies and policies based on best practices (i.e. gender, rural finance policy and decision tools, rural enterprise policy, private sector development policy) and linked to knowledge systems. They are also articulated through policy processed at the country level, including the Ministry of Food and Agriculture Development Partners Working Group. The COSOP will likely lead to a country programme consisting of four highly segmented products – investment, policy, knowledge and research, and innovation ventures – financed through a combination of loans and grants.

4. IFAD's positive track record provides a range of entry points, which, combined with the determination of the Government to do its part to meet the Millennium Development Goals, provide the Fund with ample opportunities for innovation and project interventions. Since policies that serve the poor well are service related, priority will be given to ensuring the proper functioning of service delivery systems, which requires renewal in several of the institutions affecting service delivery in the agricultural sector. In this respect, IFAD has been leading by example and will continue to do so along many avenues such as, for example, by reflecting the principles of good governance in project architecture. This architecture relates to a new mode of service delivery that focuses on "the game" players are engaged in, rather than on their capacity to play that "game".

5. At the national level, IFAD's project development and implementation partnership, which includes all key stakeholders, will play a role in fostering dialogue and cooperation among the various partners in IFAD interventions. As a device, it will make projects and programmes more responsive to change and the needs of the various stakeholders and more open to business opportunities, learning and innovation. Such opportunities comprise, inter alia, some of the newly emerging patterns of production in the agricultural sector, including various forms of contract farming. As many of these new developments have, by and large, been bypassing the rural poor, making these arrangements work for the rural poor will be both an opportunity and a challenge. The decentralization process unfolding in Ghana also provides sound prospects for enhancing service delivery, allowing, at the same time, a stronger say for the poor in decision-making on public sector resource allocations.

6. IFAD's longstanding portfolio in Ghana gives it good leverage for developing strong partnerships at several levels and for influencing policy dialogue. To increase the effectiveness of poverty reduction interventions, more policy alignment between the country's main policies and strategies affecting the agricultural and rural sectors, as well as subsector policies, is needed. Another area of concern is commodity chain governance so as to broaden the active involvement of private sector players in producing mutually beneficial synergies with civil society and the public sector. In due course, ongoing community-driven development interventions should be integrated within a common national programme that will guarantee cohesion, cross-fertilization and the maximization of impact.

7. In terms of resource allocation, three scenarios can be envisaged:

- a **base case scenario (satisfactory performance as in the current case)**, whereby IFAD would continue on the same level of investment with a consolidated portfolio equivalent to four to five ventures totalling USD 70 million to USD 80 million, in addition to small grant-funded projects to finance research and engagement in policy dialogue informed by work in rural areas;
- a **high case scenario**, if there is a major improvement in project performance and a substantial move towards designing sound, pro-poor rural and agricultural policies, including giving a higher priority to rural poverty reduction and the agricultural sector in budgetary terms; and
- a **low case scenario**, which could also be triggered by the annual exercise in the Performance-Based Allocation System and which would be manifested by a lack of serious commitment to reducing rural poverty in terms of both policy and budget allocation, as well as a deterioration in project performance.



**REPUBLIC OF GHANA**  
**COUNTRY STRATEGIC OPPORTUNITIES PAPER**

**I. INTRODUCTION<sup>1</sup>**

1. This country strategic opportunities paper (COSOP) is the result of an iterative country strategy development process that, over the course of the last two years, has involved a number of stocktaking exercises, scoping missions, consultative meetings and thematic workshops, including: (i) a training workshop in 2004 where sustainable livelihood principles were applied to identify core strategy concerns and to validate the proposals matured thus far; (ii) a meeting to discuss the first COSOP draft with the Government and development partners in May 2005; and (iii) two large workshops in November 2005 with the Government and its development partners on the one hand and all the stakeholders in the project development and implementation partnership on the other. The present document presents a coherent systemic framework for IFAD's involvement in Ghana's poverty reduction efforts. It is consistent with the main poverty reduction policy framework, the Ghana Growth and Poverty Reduction Strategy (GPRS I, 2003-2005, and GPRS II, 2006-2009) and is informed by the outcome of the Poverty and Social Impact Analysis and the Poverty Assessment Tool applications in the agricultural and rural finance sectors, respectively.

**II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT**

**A. Country Economic Background**

2. **Natural Resources.** Ghana covers about an area of 240 000 km<sup>2</sup> in three major ecological zones, including the rainforest zone (25% of the total area), the transitional zone (11%) and the savannah zone (64%). Although all soil types have low inherent fertility, they have generally poorer physical characteristics in the transitional and savannah zones than they do in the forest zone and are more subject to erosion, particularly in the savannah areas. While the dry northern savannah is characterized by one rainy season and growing period, the forest and transitional zones have a bimodal rainfall pattern. The structure of the economy, patterns of labour allocation and location of people reflect Ghana's broad range of natural resources such as arable land and forests, as well as mineral deposits, including bauxite, diamonds, gold and manganese, while petroleum exploration is also under way.

3. **Population.** Ghana's total population has reached 20.7 million and is growing at an estimated 1.9% per annum, which is down from the 3.4% growth recorded in the mid-1990s. Urbanization is concentrated mainly in the southern and central regions and increased relatively slowly, from 32% in 1984 to 37% in 2003. The population is unevenly distributed both within rural areas and between rural and urban ones. Although there are densely populated settled pockets in the Upper East and Volta Regions, over half the population lives in the Greater Accra, Eastern, Central and Ashanti Regions.

4. **Economy.** Real GDP growth was 4.5% in 2002, 5.2% in 2003 and 5.8% (estimated) in 2004 (higher than the GPRS I targets). Agriculture contributed 40.4%, industry 27.2% and services 32.4%. The agriculture sector grew by 7% in 2004 (estimated), thus contributing more than 50% of the total growth. Services are growing faster than agriculture and industry. As a result of improvement in the Government's fiscal position, year-on-year inflation has come down, from 42% in 2001 to 11.8% in 2004. The cedi, Ghana's currency, is likely to remain vulnerable to sudden deteriorations in terms of trade, which, however, have recently been favourable for the country's two main exports, cocoa and gold. It is predicted that the share of non-traditional exports, which accounted for some 35% of total exports in 2002, will decrease between now and 2008, highlighting the criticism that, although the reforms are leading to some results, they are not fostering economic diversification.

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<sup>1</sup> See Appendix I for additional information.

5. Due to its image as a peaceful and politically stable country (in a region that is highly affected by conflict) and to its significant achievements in terms of economic development in recent years, Ghana has received strong financial and economic support from its bi- and multilateral development partners, including IFAD. This has greatly contributed to initiating a virtuous development circle for Ghana, whereby political stability and economic and social accomplishments reinforce each other. As a result, the Government has recently decided to evolve from both the attainment of relative macroeconomic stability and the encouragement for economic growth during the first round of the GPRS (2003-2005) to a much more ambitious socio-economic agenda that is to reach a middle-income country status by 2015 (i.e. with a per capita income of USD 1 000 a year) within a decentralized economic environment. The Government and its development partners agreed during the November 2005 Consultative Group meeting that this ambition is legitimate and realistic if Ghana pursues sound and modern political, economic and social management.

### **B. Agricultural Sector**

6. Agriculture contributes over 40% of GDP (2004 estimate) and about three quarters of export earnings and provides the main source of livelihood for about 60% of the labour force. Cocoa accounts for about 16% of agricultural GDP, cereals and root crops for about 65%, and forestry, livestock and fisheries, the remaining 19%. Agriculture is predominantly smallholder, traditional and rain fed, with some 2 740 000 subsistence-oriented farms, averaging 1.2 ha in size and accounting for 80% of agricultural production. Women play an important role in agriculture and often make decisions about the type of crops and the area to be planted, as well as having a key role in weeding, harvesting and processing. Of the total land area of 22.7 million ha, only 18% is cultivated; about 1.7 million and 1.2 million ha are cultivated with tree crops and annual crops, respectively, and slightly more than 0.5% of the land is irrigated. The main food crops are roots and tubers (cassava, yams), cereals (maize, rice, sorghum, millet) and pulses (cowpeas and groundnuts).

7. Farming systems have developed over time by adapting to the major agroecological zones in the country through: (i) the use of bush fallow to restore fertility; (ii) mixed cropping to minimize risks; and (iii) the widespread integration of livestock into the farming system, particularly in the north. Farming systems in the forest zone are based on the mixed cropping of cassava, maize, cocoyam and plantain; perennial crops (cocoa, pineapple, palm oil) are also cultivated. The transitional zone is characterized by the mixed or sole cropping of cassava, yam, maize and legumes; tobacco and cotton are cash crops in certain areas. Cassava and yams are important in the savannah zones, although also sorghum, millet, maize and cowpeas are produced. Sweet potatoes are an important crop in certain districts of the savannah zone. *Frafra* potato is a small traditional crop cultivated mainly in the Upper East Region. Cocoyam occupies a niche in the humid forest zone. Rice is locally important in all zones and is grown in seasonally flooded valley bottoms. Root and tuber crops occupy an important strategic niche in Ghanaian agriculture because they are grown by smallholders both for household food security and as cash crops. Cassava production in Ghana rose sharply, from 5.7 million t in 1991 to 10 million t in 2003, with the release and rapid adoption of high-yield varieties. Roots and tubers contribute about 40% to agricultural GDP.

### **C. Rural Poverty**

8. According to the latest full-fledged set of poverty data for Ghana (1998-1999) – the Ghana Living Standards Survey – about 40% of the Ghanaian population has incomes below the upper poverty line (GHC 900 000 or USD 103 a year), while about 27% of the population has incomes below the extreme poverty line (GHC 700 000 or USD 80 a year). Poverty is predominantly a rural phenomenon, with 50% of incidence in rural areas;<sup>2</sup> the rural poor account for more than 70% of the poor. Poverty is by far highest among food-crop farmers, with an incidence of 59%, which is 19% above the national poverty average of 40%; women are more predominant in both the food-crop and

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<sup>2</sup> Ghana Statistical Service, 2000, "Poverty Trends in Ghana in the 1990s".

non-farm self-employment sectors. About 53% of women household heads in rural areas fall among the poorest 20% of the population. Rural populations, in particular, have limited access to basic social services, safe water, all-year roads, electricity and telephone service. In 2003, only 63% of the rural population had access to safe water; 43% to a health facility (less than 30 minutes away), and 35% to supervised delivery assistance,<sup>3</sup> with significant regional disparities. The worst affected areas are the Upper East, with 88% poverty incidence, the Upper West, 84%, and the Northern Region, at 69%, followed at some distance by the Central Region, with 48%. The three northern-most regions account for 39% of the poor, while they represent only 20% of the population. The incidence of poverty in the 1990s increased in the Upper East and the Northern Region and marginally decreased in the Upper West,<sup>4</sup> while it declined substantially for the whole country. Several studies confirm that the north-south divide is the major cleavage in terms of poverty, followed by the rural-urban and the gender inequality divides. It is therefore crucial to address **rural poverty in the northern regions of Ghana with a special focus on women.**

9. In the north, rural poverty is often community wide, and livelihood systems are more vulnerable, with food insecurity prevailing for virtually all community members during part of the year. Particularly before the harvest, mutual support mechanisms and common property resources, such as rangeland, fuelwood, wild fruits, hunting grounds, etc. are relied upon. Coping strategies based on common property resources are becoming less accessible because of worsening ecological conditions and the increasing cost of living. In addition, in the rural north, young men outmigrate mainly to southern regions in search of employment, and children are lodged with kinfolk during times of distress.

10. In the southern part of Ghana, coping strategies are increasingly becoming individualized and involve off-farm employment (for men), petty trading (for women), reducing cash expenditures (including by taking children out of school), informal relationships of reciprocity, and job skills acquisition within the industrial sector or for use in micro- and small enterprises. Although women have benefited from certain economic reforms, they are still in a vulnerable socio-economic position. Women head one third or more of all households in the poorest group, and continue to have less access to social services such as education and health care, credit and technology; of major concern is the low enrolment status of girls at all levels of educational establishments.

11. The Food and Agriculture Organization of the United Nations (FAO) estimates that the proportion of undernourished in the total population was 13% in 2002 (18% in 1997). Statistics on per capita daily calorie intake show that Ghana, with a value of 2 620 kilocalorie (kcal) in 2002, is above the FAO average of 2 300 kcal per person per day. In terms of food self-sufficiency in the major staples, the Ministry of Food and Agriculture estimates for a normal-rainfall year are: roots and tubers, 100%; cereals (except rice), 90%; fruits and vegetables, 100%; fats and oils, 100%; meat, 30%; and fish, 60%. In a bad-rainfall year, most of these levels can be reduced by 30-50%. Despite some improvements over the last decade, social development indicators remain troublesome. Life expectancy at birth is estimated at 54 years; adult literacy at 74% (in 2002), 66% in the case of women; and the under-5 mortality rate at 95 per 1 000 live births (in 2003). HIV/AIDS prevalence was estimated at 3.1% in 2003 by the Joint United Nations Programme on HIV/AIDS. The United Nations Development Programme's 2005 Human Development Index for Ghana was 138th out of 177 countries, and the country ranked 104th in the Gender Development Index.

<sup>3</sup> The respective rates for urban areas are: 87%, 79% and 83%. (Source: Ghana Core Welfare Indicators Questionnaire, 2003, cited by the National Development Planning Commission in GPRS II).

<sup>4</sup> Evolving (over the period 1991-1992 to 1998-1999) from 67%, 88% and 63% to 88%, 84% and 69%, respectively, for the Upper East, Upper West and the Northern Region. For the whole country, the incidence of poverty declined from 52% to 40%.

#### D. Constraints on and Opportunities for Rural Poverty Reduction

12. **Rural-urban linkages.** The current inefficiency of the agricultural sector is due to a number of factors, including the lack of forward and backward linkages with the rest of the economy. The size of the country's relatively small middle class constricts the development of domestic markets, particularly for new processed foods derived from traditional crops such as roots and tubers. Nevertheless, the growing urban population creates major market opportunities for agricultural products provided the linkages between the urban and the rural markets can be strengthened and crops are produced at affordable prices for urban consumers. **Connecting these two markets is of paramount strategic importance if coming generations of Ghanaians are to rely substantially on a national food supply instead of imports.** This implies that subsistence and traditional crops should gradually become food and cash crops so as to promote added value and that the rural economy should become better equipped to seize these market and growth opportunities.

13. **Environment.** Being almost exclusively rain fed, the sector remains highly volatile, and the resulting risk-minimization strategies of agricultural households hinder specialization and microenterprise development downstream from production. Furthermore, the fragility of the soils and climatic factors are posing the risk of desertification.

14. **Land tenure.** Land tenure arrangements remain a constraint on many migrant households – a key segment of poor food-crop farmers in Ghana – wishing to expand or diversify their agricultural activities. Much of the unfairness in the inequality of access to land stems from the weak bargaining position of tenants. Land is controlled by traditional authorities who claim to be descended from the first settler-cultivators on the land. Experience with irrigation development under IFAD-financed projects in the Upper East and Upper West Regions has shown that it is possible to negotiate with central and local governments and traditional landowners so that they will release land to the poor.

15. **Input supply and agricultural services.** Currently, the input costs for smallholder farmers tend to outweigh the productivity gains. Various approaches to mitigating this imbalance include promoting the use of integrated pest management, supporting the bulk purchase of inputs through farmer-based organizations (FBOs), promoting bulk sales through the recently established “input peddler” networks, and supporting – given the correlation between access to credit and fertilizer use – improved rural financial services, including inventory credit schemes, various forms of contract farming arrangements, etc. Extension agent-farmer ratios of 1:2 867 (Wenchi District<sup>5</sup>) are not uncommon. While the use of progressive (“contact”) farmers for technology dissemination sometimes introduces a bias towards non-poor, male smallholders, contact frequency decreases with increasing poverty. There is a need to pursue support for new forms of agricultural extension, including through the adoption and dissemination of the farmer field forums device and the broadening of NGO and private technical service providers to increase the contribution of agricultural extension to poverty reduction. In particular, adding value and other downstream activities need to become part of the curriculum of the extension system.

16. **Farmer-based organizations.** Structured farmer-based and community-based organizations are considered absent from Ghanaian agricultural<sup>6</sup> and rural sectors, in stark contrast to the situation in most neighbouring countries. Laudable efforts at promoting FBOs more proactively and systematically are under way, however, including through the World Bank-sponsored Agricultural Services Sector Investment Project. Moreover, in late 2003, the Apex Farmers' Organization of Ghana was formed, including 33 member organizations engaged in the production of various agricultural commodities. Other farmer organizations have also recently emerged, including the Farmers Organization Network in Ghana, which is connected to the regional Network of Farmers' Organizations and Agricultural Producers in West Africa. These emerging FBOs will present

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<sup>5</sup> Poverty and Social Impact Analysis study, 2004, page 41.

<sup>6</sup> Poverty and Social Impact Analysis study, 2004, page 84.

promising opportunities for partnership as they become more efficient in serving their members and more equipped to participate in policy dialogue.

17. **The combined traditional and modern public administration system.** Ghana has a well-established public administration, which divides the country into ten administrative regions and 138 districts. Throughout Ghana, public administration is formally assured by two parallel and largely complementary systems: a modern one focused on district assemblies (and consisting also of regional coordinating councils, area councils and unit committees) and a traditional structure; consultations between the two are frequent and respectful. **The cohesive functioning of traditional and modern sources of power results in stronger institutions and thus greater social and political inclusiveness and stability.** District assemblies, two thirds elected, and one third appointed, take decisions on a wide range of issues and manage their own budgets and staff under their political heads, the (appointed) district chief executives.

### E. National Strategy for Rural Poverty Reduction

18. The **Poverty Reduction Strategy Paper**, “Ghana Poverty Reduction Strategy: An Agenda for Growth and Prosperity”<sup>7</sup> has produced a sound macroeconomic framework for improving private sector development and governance in rural areas. IFAD’s comparative advantage in enabling rural smallholder producers and rural micro- and small entrepreneurs to improve their productivity and access markets can be brought to the fore in this context. Through the GPRS, the Government “aims to create wealth by transforming the nature of the economy to achieve growth, accelerated poverty reduction and protection of the vulnerable and excluded within a decentralized, democratic environment” (page 10). This will be achieved by: (i) ensuring sound economic management for accelerated growth; (ii) increasing production and promoting sustainable livelihoods; (iii) direct support for human development and the provision of basic services; (iv) providing special programmes in support of the vulnerable and excluded; (v) ensuring good governance and increased capacity of the public sector; and (vi) promoting the active involvement of the private sector as the main engine of growth. While GPRS I (2003-2005) focused on poverty reduction programmes and projects, the emphasis of GPRS II (2006-2009) is on “the implementation of growth-inducing policies and programmes which have the potential to support wealth creation and sustainable poverty reduction”. GPRS II pursues the following priorities: (i) continued macroeconomic stability; (ii) accelerated private sector-led growth; (iii) vigorous human resource development; and (iv) good governance and civic responsibility. GPRS II brings together important initiatives such as the Millennium Development Goals and the New Partnership for Africa. GPRS II gives prominence to agricultural and private sector development as a means to combat poverty; both aspects are key thrusts of this COSOP.

19. **Heterogeneity of poverty.** While the GPRS offers a progressive, holistic definition of poverty, which “is not defined only in terms of income levels, but in relative terms, and as a process rather than a state of being”, sufficient justice is not done to the heterogeneity of farm households, and the empirical basis of current policies with regard to their impact on poverty reduction remains thin. In the poverty reduction strategy paper, “rural poverty is largely attributed to poorly functioning markets for agricultural outputs and to low productivity because of the reliance on rudimentary technology, farming practices and low-yielding inputs. The intention of government is to put in place measures to encourage farmers to shift from subsistence agriculture to market-oriented production . . . , use simple, but relatively more advanced technologies, and get involved in non-farm activities such as processing.” (page 251).

20. **Pro-poor versus pro-growth.** In the rural areas where livelihoods are mainly based on agriculture, the institutional void left by liberalization policies dating as far back as 1990 has not yet been filled by the private sector. While policy measures fostering growth have been accompanied by

<sup>7</sup> The name of the Poverty Reduction Strategy Paper has been changed from Ghana Poverty Reduction Strategy, for the first phase (2003-2005), to Growth and Poverty Reduction Strategy, for the second phase (2006-2009).

production-focused interventions in agriculture, the impact of this combination is increasingly being questioned. Income inequality has been deepening, particularly among food-crop smallholder farmers. For this group, poverty and food insecurity are on the rise, and the positive employment effects of growth-oriented policy interventions have not yet been forthcoming. While pro-growth policies may be necessary, they are by themselves not sufficient for broadbased poverty reduction. Explicit pro-poor policies are needed not as social safety nets, but as **an integral part of a renewed commitment to rural development through a mix of strategies that aim at leaving no-one behind**. Moreover, a number of studies have underlined the broad disparities between the north and the south in terms of economic development and well-being. Whereas this divide has never generated conflict in Ghana, there is a strong need to bridge the gap to prevent north-south inequalities from leading to tensions and instability.<sup>8</sup>

### III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY

21. In Ghana, IFAD has contributed loans and grants totalling USD 155 million to finance 13 projects, making Ghana's the largest IFAD portfolio in the region. Ghana has also benefited from a number of technical-grant-financed activities, especially for improving the production of roots and tubers and rice, for knowledge sharing (FIDAFRIQUE) and for policy dialogue (the Hub for Rural Development and Food Security in West and Central Africa).

22. Since the country programme evaluation undertaken in 1996, many lessons have been learned through project implementation experience, mid-term reviews, annual supervision reports, interim evaluations, the external review called for by the Governing Council in 2002, and various topic-based workshops. The recently completed interim evaluations of the Root and Tuber Improvement Programme, the Upper West Agricultural Development Project and the Upper-East Region Land Conservation and Smallholder Rehabilitation Project – Phase II have been particularly useful in providing learning and giving direction. These evaluations have highlighted the importance of proper design and adequate supervision during implementation. The conclusions have not only helped to fine-tune ongoing interventions, but also to design the IFAD strategy for Ghana contained in this COSOP.

23. These assessments have also indicated the major domains of impact. On physical and financial assets, the impact results primarily from feeder roads, dams, wells, latrines and improved planting material (roots and tubers) and, to a lesser extent, from improved seeds and livestock. Access to financial assets has increased dramatically as a result of the pre-eminent role of credit and rural finance. One major achievement is the building-up of the Apex Bank of rural banks. Major positive changes have occurred in access to land and water, including among women, as a result of dam rehabilitation and the creation of water user associations. There has been a major impact on women's access to development opportunities, particularly as a result of the greater access to credit and knowledge, enabling women to undertake income-generating activities and to run microenterprises. The country programme has a longstanding emphasis on the principle of beneficiary participation in design and implementation, generating a large number of beneficiary groups. This is increasingly seen as a step in a process of popular involvement and empowerment. The emphasis on marketing is rather new, though the Rural Enterprises Project has actively introduced beneficiaries to trade fairs since the mid-1990s. Compared to the Root and Tuber Improvement Programme, the Root and Tuber Improvement and Marketing Programme has shifted its focus towards marketing and processing. An impressive, positive impact on food security has been made under the Root and Tuber Improvement Programme, especially in raising cassava production and reaching more than 700 000 farmers through the programme's improved planting material distribution system. The country programme has also delivered capacity-building at both the institutional and individual levels, as well as policy dialogue

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<sup>8</sup> Dzodzi Tsikata and Wayo Seini, 2004, *Identities, Inequalities and Conflicts in Ghana*, Centre for Research on Inequality, Human Security and Ethnicity, University of Oxford.

activities, notably in the areas of rural finance, rural enterprise, community participation and local development and decentralization.

24. The **most salient lessons learned** so far include:

- (i) Strong community participation in design, planning and implementation is essential for sustainability and impact, and it must be linked to subdistrict government structures.
- (ii) Geographic targeting for poverty reduction is appropriate in the Ghanaian context because a substantial uniformity of poverty exists within rural communities, particularly in the north. Intracommunity targeting using participatory rural appraisal techniques can be an effective complement.
- (iii) Public and private goods should be provided through separate delivery mechanisms.
- (iv) Private goods are not easily accessible to the very poor. In order to reach this subgroup and to respond to the need for financing for investments in agricultural production, marketing and processing, grants may be a more effective instrument.
- (v) The Government's procurement procedures and policies for civil works (e.g. dams and wells) need to be refined in order to provide for efficiency and quality. Communities and FBOs should actively participate in the selection and the supervision process.
- (vi) Strong socio-economic and management skills are required by project management teams to strategize implementation, monitor progress and assess constraints in aiming to achieve poverty reduction outcomes, the feasibility of technologies, etc.
- (vii) In order to improve access for the rural poor to financial services, rural microfinance institutions must be strengthened, especially rural banks, and their outreach must be expanded to the rural poor. NGO- and donor-sponsored programmes have been more effective in reaching the poor compared to Government-sponsored operations. Subsidized credit does not really reach the rural poor. Moreover, it undermines the sustainability of the financial sector in the medium and long run. Credit terms should be market based.
- (viii) Rural micro- and small enterprises can grow if they are supported by services accessible **at the community and district levels**, including adequate business development and financial services, training (along with the upgrading of the traditional apprenticeship system) and technology development. There is therefore a need to set up a **facilitation function** to improve targeting and ensure better follow-up and monitoring.
- (ix) Building strong pro-poor institutions, whether traditional or modern, formal or informal, is the most sustainable way to combat poverty with respect to all areas of action, including rural finance (the Apex Bank or rural banks and rural microfinance institutions), microenterprise development (trade organizations), agricultural production, marketing and processing (FBOs, apex bodies of water user associations) and community-based organizations. These institutions should all be considered part of the inclusive private sector.

#### IV. STRATEGIC FRAMEWORK FOR IFAD

25. The **IFAD strategy in Ghana, 2006-2011**, is designed around key development results that Ghana wants to achieve through its GPRS. The next six years will be a time of consolidation, strengthening partnerships, innovation and increased policy dialogue in order to reach a higher platform of effectiveness and impact in a framework of collaborative action and mutual accountability. The COSOP is clearly aligned with the GPRS thrusts. It will also contribute to strengthening the rural poverty focus of the GPRS. The COSOP is synchronized with GPRS II, which covers the period from 2006 to 2009.

##### A. IFAD's Strategic Niche and Proposed Thrusts

26. **IFAD's strategic focus.** Given the large number of donors active in Ghana, IFAD's strategic focus stems from the Government's strategic and policy orientations, primarily GPRS I and II, as

agreed with its development partners. It is also shaped by field experience, local knowledge and the innovation and initiative capacity of IFAD's partners. IFAD's focus in Ghana is virtually determined by its mandate, mission, strategic framework and related policies and by the regional poverty alleviation framework. These elements require IFAD to work using proactive and inclusive targeting principles and processes focused on the rural poor, particularly in the northern regions, while giving preference to the more marginalized either by gender, socio-economic, or cultural factors, or the degraded and fragile nature of the ecosystems on which the livelihoods of these people depend.

27. **Goal and objectives.** The proposed framework stems from field implementation experience and will serve to consolidate and expand IFAD's strategic position. Providing ample room for innovation and new partnerships and collaborations, the strategic thrusts aim at working at the meso-level to bridge the gaps between the microlevel and the grass roots on the one hand and the sectoral and policy level on the other. The goal of this COSOP and of the corollary country programme is to achieve improved, diversified and sustainable livelihoods for rural poor people, particularly those who are dependent on marginal lands, for rural women and for other vulnerable groups **(thereby contributing to Millennium Development Goal 1 and marginally to Goal 3 (gender and equality for women) and Goal 7 (environmental sustainability))**. The purpose of the country programme is to build inclusive and sustainable institutional systems supported by pro-poor investments, policies and relevant innovation and learning engagements. The four thrusts of the country programme are as follows:

- (i) **Achieving sustainable agricultural livelihoods and food security through the development of agriculture and food commodity chains (Thrust 1: commodity chain development, food systems development, contributing to the GPRS pillar on growth and employment)**. The emphasis is on vertical coordination in agriculture in general and commodity chain integration and development in particular, as well as the building of sustainable, responsive and demand-driven systems that guarantee nutritional and food security and supply additional incomes, particularly for asset-poor rural farm households. This involves fostering linkages among rural producers with new and growing urban markets. In the long run, the aim is to build strong, institutions based on the private sector, including strong FBOs, trade organizations and apex bodies. The emphasis on food crops and traditional crops and on developing the value chain of these crops is a clear response to the challenges of feeding a growing population, especially in the urban sector. Connecting urban and rural markets, transforming traditional and subsistence crops into cash crops and food crops is a major strategic focus. This holistic approach can be readily articulated with approaches based on the sector-wide approach to programming should the Government and its development partners consider this solution.<sup>9</sup> Priority areas for action would include: (a) fostering policy dialogue through the Ministry of Food and Agriculture Development Partners Working Group; (b) strengthening the focus on food commodity chains, including roots and tubers and local cereals; (c) supporting better natural resource management practices and small-scale irrigation development through the development of market-driven value chains, especially in northern Ghana; (d) strengthening linkages with financial institutions in order to improve access to financial services to smallholder farmers and rural microentrepreneurs; (e) developing and scaling up innovations such as conservation agriculture, new root and tuber varieties, contractual farming and school feeding.
- (ii) **Develop pro-poor rural enterprises and rural finance in the context of an inclusive private sector (Thrust 2: inclusive private-sector development, contributing to the GPRS pillar on growth and employment)**. The objective is to support a broadbased, inclusive private sector and a more explicit recognition of the initiatives of local, village-

<sup>9</sup> The Ministry of Food and Agriculture Development Partners Working Group only began exploring an agricultural sector-wide approach to programming in January 2006.



based individuals, FBOs, trade organizations, including women entrepreneurs, in providing services, creating wealth and leveraging the corporate sector drive for growth and job generation. This will require new contractual arrangements to link the rural poor with the new patterns of production. This thrust is founded on the consideration that rural poor people who are producers, traders, or microentrepreneurs are **also** rational private sector agents and that it is worth building on their capacities, knowledge and initiative rather than on their constraints. The aim here is to contribute to building a holistic and autonomous private sector through two major strands, rural micro- and small enterprise development and rural finance. Priority areas for action include: (a) participation in the discussions on Ghana's microfinance policy, which is being designed; (b) pursuing policy discussions among the group on rural enterprise development; (c) promoting good practices and knowledge exchanges in rural finance, as well as rural enterprise issues, through networking; and (d) developing or scaling up innovative approaches to rural finance and rural enterprise, including microleasing and remittances.

- (iii) **Strengthen local institutions and governments using community-driven approaches (Thrust 3: community-driven development (CDD), contributing to the GPRS pillar on service provision for human development).** This emphasizes institutional development and local partnership-building with rural communities as actors in their own development. Given that capacity-building is necessary, but insufficient by itself, a flexible participatory approach will be applied that transcends needs assessments in favour of promoting some changes in the rules of the game, i.e. in the relationships between households and gender, communities, local governments, technical service providers, etc. Preference will be given to anchoring CDD approaches at the subdistrict level, with communities enabled to seek funds for local development plans from any possible source, in Ghana or abroad. The decentralization process will be supported by bridging the missing links, making it more responsive downwards to the citizens and communities, while enhancing efficiency through community and district composite planning and budgeting. Priority areas for action include: (a) the harmonization of approaches between the Northern Region Poverty Reduction Programme and the World Bank-financed Community-Based Rural Development Project; (b) fostering knowledge exchanges on CDD issues through the CDD knowledge platform that is being design; (c) extending and scaling up CDD operations in the two other northern regions, based on the experience of the Northern Region Poverty Reduction Programme, together with other donor partners; and (d) developing or scaling up innovative approaches to the inter- and intracommunity targeting on poverty (including women and vulnerable groups), composite planning and budgeting.
- (iv) **Develop a responsive pro-poor policy and institutional environment through learning and dialogue among stakeholders and development partners (Thrust 4: policy and knowledge, contributing to GPRS pillar on governance for empowerment).** This aims at promoting principles of good governance, policy reform, knowledge management and learning because these cut across the first three strategic thrusts above. A key focus is to improve the capacities of FBOs efficiently to render services to their members, while advocating for equitable development and trade policies. It also implies a set of activities aimed at facilitating access to knowledge and learning and the promotion of collaborative action. Priority areas for action would include: (a) sharpening the rural focus of the GPRS and improving the linkages between the Food and Agriculture Sector Development Policy and the GPRS; (b) building institutions based on smallholders and rural microentrepreneurs, including FBOs and trade organizations at the local and national levels; (c) fostering learning processes throughout the country programme as a way to stimulate collaborative action, scale up innovations and improve effectiveness; and (d) supporting policy dialogue on various subsectoral issues of interest to FBOs and trade

organizations, including rural finance, rural enterprise, land tenure, food commodity chain systems and agricultural trade.

28. The sustainability of the proposed thrusts will be determined by a variety of endogenous and exogenous factors, including **environmental impacts**, which, by their disposition, are cross-cutting considerations. Over and above the required ex ante strategic environmental assessments, future operations will be designed so as to embed them into the local sustainability context, making sure that IFAD's developmental efforts strike a sensible, situation-specific balance between economic and environmental concerns.

29. These thrusts are being articulated with specific IFAD thematic and operational strategies and policies based on best practice (i.e. gender, rural finance policy and decision tools, rural enterprise policy, private-sector development policy, the CDD approach, which is under development) and linked to knowledge systems (working groups and communities of practice, FIDAFRIQUE, the Rural Poverty Portal, etc.). They are also being articulated with country policy processes aimed at fostering development harmonization, including the Ministry of Food and Agriculture Development Partners Working Group and the working groups on decentralization and private-sector development. The COSOP will likely lead to a country programme made up of well-differentiated products in investment, policy, knowledge and research, and innovation ventures that are financed through a mix of loans and grants.

### **B. Main Opportunities for Innovation and Project Interventions**

30. IFAD's strategic focus and positive track record provide it with a range of possible entry points, which, when combined with the determination of the Government to do its part to meet the Millennium Development Goals, provide the Fund with ample opportunities for innovation and project interventions.

31. **New mode of service delivery.** IFAD's emphasis on institutional issues is borne out by the Poverty and Social Impact Analysis study (2004: page 84) on Ghana, which finds that "since policies that serve the poor well are service related, priority should be given to ensuring the proper functioning of service delivery systems . . . , which requires innovation in several of the institutions affecting service delivery in the [agricultural] sector". The Fund will work concretely towards making the delivery channels for goods and services more accessible to the poor. Investments in this regard are rooted in the ongoing Rural Enterprises Project – Phase II, the Rural Financial Services Project and the Northern Region Poverty Reduction Programme, as well as the Root and Tuber Improvement and Marketing Programme (effective in early 2006). Other opportunities for possible interventions include building up similar systems for other selected crops. Innovative options for service delivery, including, inter alia, voucher systems, can contribute to empowering rural households by enlarging the choices of technical service providers available to them.

32. **Rural finance.** The Rural Financial Services Project is engaged in building rural financial systems, and supplementary grass-roots level activities might include the establishment of new partnerships to link up individuals and groups with rural banks on a risk- and cost-sharing basis (linkage banking service arrangements), the creation of joint liability groups and the related federations, and promoting the sustainability of rural microfinance institutions, rural banks and the Apex Bank, as well as facilitating linkages between the latter and corporate banking, etc. Given the large Ghanaian community living abroad, a better understanding of the dynamics of remittances, including their local utilization, and devising interventions to foster the use of remittances for developmental purposes would be a key endeavour during this strategic cycle. This work will build on the knowledge of IFAD and others in Latin America, as well as on the experience of the Apex Bank with its domestic money-transfer device, the Apex Link.

33. **Promoting empowerment rules of the game**, including reflecting the principles of good governance in project architecture. Empowering mechanisms include, inter alia, separating the users, providers and funders of goods and services; separating funding and planning; increasing downward accountability through binding feedback mechanisms, etc. More generally, this will mean reviewing the current relations between citizens, users, or clients with delivery agencies; it will involve the introduction of the concept of an enabling agency to mediate between these two types of stakeholders, which allows for better responsiveness on the part of all concerned. Investments in this area are rooted in the ongoing Northern Region Poverty Reduction Programme and its community-driven composite planning and budgeting process, which involves other donors at the decentralized, district level; the Rural Enterprises Project – Phase II and its support for trade organizations; and the Root and Tuber Improvement and Marketing Programme and its commodity chain development strategy.

34. **Marketing and new patterns of production, marketing and processing.** New patterns of agricultural production have been emerging throughout Ghana. These include the Farmapine model (involving farmers as shareholders of the limited liability company handling processing and marketing), out-grower schemes, contract farming and other forms of vertical-horizontal integration (e.g. various purchasing arrangements, simple purchase agreements, supervised production with input provisions, and linked loans or advances and risk coverage). Contract farming may result in less risk and lower costs for farmers and more efficient production. Making these arrangements work for poor farmers represents both an opportunity and a challenge. The related investments are rooted in the ongoing Upper-East Region Land Conservation and Smallholder Rehabilitation Project – Phase II, the Rural Financial Services Project, the Rural Enterprises Project – Phase II and the Root and Tuber Improvement and Marketing Programme, with its microleasing arrangements and the commodity chain Apex board. New public-private partnerships are needed to provide incentives so the private sector will venture into relatively riskier areas and to stimulate research on pro-poor technology. The President's special initiatives (e.g. cassava starch) present fresh innovation and project intervention opportunities.

### C. Outreach and Partnership Possibilities with NGOs and the Private Sector

35. **NGOs.** Most major international NGOs are active in Ghana; many national NGOs have significant capacity and outreach, and, in sum, important partnership possibilities exist with TechnoServe, the International Fertilizer Development Center, ActionAid, the Agency for Co-operation and Research in Development, CARE International, Oxfam, Save the Children, the Opportunity Industrialization Centers, the Association of Church Development Services and others on issues such as capacity-building or market and credit linkages, microcredit development, extension, etc. A solid network of NGOs was created in the north following the most recent, serious drought. Partnership possibilities exist with migrant associations of Ghanaians abroad with respect to trade with the wider diaspora and the management of remittances.

36. **The private sector.** Beyond small-scale private-sector organizations (such as FBOs, microenterprise and trade organizations, rural banks and microfinance organizations), which are among the main target institutions of IFAD intervention, there is scope for developing partnership ventures with the larger scale private sector. The Rural Enterprises Project – Phase II has already been contacting the corporate private sector (Unilever, Nestlé, Guinness) to involve it in funding for training sessions, for example, on soap-making or cassava processing. The potential for increasing this involvement is enormous, subject to clear agreements understood by all the stakeholders and to the satisfaction of key ethical criteria regarding the environment, child labour and so on. Irrigation and other infrastructure works already require the services of national and international contractors.

37. **Northern Region Development Forum.** A special development forum for the Northern Region will be held. It is to be organized in collaboration with the Northern Region Poverty Reduction Programme and bring together all private-sector actors interested in investing in business

opportunities in that region and fostering new public-private partnerships and strategic partnerships between communities and the private sector.

#### **D. Opportunities for Linkages with Other Donors and Institutions**

38. IFAD is a party to the agreement between the Government and 13 donors on harmonization and alignment that was concluded in February 2005, prior to the Paris Conference on Aid Effectiveness (March 2005). The Fund is committed to the agreed principles and the related *modus operandi*<sup>10</sup> and will work towards translating these principles at both the national and local levels by promoting local and regional arrangements for dialogue, harmonization and alignment, including composite planning and budgeting systems at the local level. To the extent possible, the Fund will support and participate in government and donor working groups on harmonization, agricultural and rural development, decentralization and private-sector development.

39. To support sound agricultural and rural development policies, strong partnerships will be developed with the Organisation for Economic Co-operation and Development within the context of the Support to African Agriculture Project in Western and Central Africa that is backed by the Organisation for Economic Co-operation and Development, IFAD and the Government of France. Partnerships will also be developed through the Institutional Strengthening Project of the Department for International Development (DFID, United Kingdom of Great Britain and Northern Ireland) and IFAD, the IFAD-International Food Policy Research Institute project to support the Poverty Reduction Strategy Paper in Western and Central Africa, the International Food Policy Research Institute and the United States Agency for International Development (USAID) in their Strategic Support Programme, FAO, and various Ghanaian universities and research institutions. Opportunities for strategic partnership according to thematic area and agency exist as follows: agricultural and rural development policy (African Development Bank [AfDB], the Canadian International Development Agency [CIDA], DFID, FAO, the German Agency for Technical Cooperation [GTZ], the International Food Policy Research Institute, the Organisation for Economic Co-operation and Development, USAID, the World Bank and the Dakar-based Hub for Rural Development and Food Security in West and Central Africa); access to land and water (CIDA, DFID, FAO, GTZ, the German Credit Institution for Reconstruction [KfW] and the World Bank); decentralization and governance (CIDA, the Danish International Development Agency [Women in Development], DFID, KfW, the United Nations Development Programme [UNDP] and the World Bank); food security and food systems (Agence Française de Développement [AFD], CIDA, DFID, FAO, the World Bank, the World Food Programme and the International Alliance Against Hunger); the development of micro- and small enterprises (AfDB, GTZ, the United Nations Industrial Development Organization and USAID; rural financial services (AfDB, AFD, GTZ, UNDP and the World Bank); and CDD (AFD, CIDA, the United Nations Children's Fund and the World Bank).

40. IFAD has cofinanced programmes with the World Bank, AfDB, GTZ and KfW. The partnership with the World Bank will be pursued and strengthened in the areas of CDD, rural finance and agriculture. The World Bank is also the cooperating institution for two of the five ongoing or start-up projects (the Rural Financial Services Project and the Root and Tuber Improvement and Marketing Programme). In the Northern Region, the mainly IFAD-funded Northern Region Poverty Reduction Programme would benefit from close coordination and interaction with the World Bank-funded Community-Based Rural Development Project. Both are important CDD operations that, ideally, should be an integral part of a wider programmatic framework that uses district-level composite budgeting to fund community initiatives.

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<sup>10</sup> A harmonization matrix was discussed at the November 2005 Consultative Group meeting based on the 12 global Organisation for Economic Co-operation and Development/Development Assistance Committee indicators. The Ghana matrix presents specific actions that will be taken in 2005/2006.

### E. Areas for Policy Dialogue

41. IFAD's longstanding portfolio in Ghana gives it good leverage for influencing policy dialogue and engaging in constructive normative exchanges grounded in the field realities of the Fund's interventions.

42. **Policy alignment and rural sector advocacy.** To increase the effectiveness of poverty reduction interventions to meet the Millennium Development Goals, policy alignment is needed among the main policy and strategy processes that affect the country's agricultural and rural sectors. In particular, the main policy framework for the agricultural and rural sector, the Food and Agriculture Sector Development Policy, would need to be aligned with the GPRS in order to improve the prioritization of agricultural and rural development and to enhance the synergies and impacts focusing on rural poverty. IFAD will support policy alignment efforts and, at the same time, use these opportunities to advance its advocacy work in favour of the rural sector in general and the rural poor in particular. Policy-making tends to occur at the level of subsectors, where the specifics on problem identification, policy objectives, specified policies, strategies to achieve the stated objectives, instrument(s) and target(s) are spelled out. IFAD intends to support selected **subsector policy formulation** endeavours that specifically adopt participatory consultative methods to involve the broader civil society and private sector in the elaboration of detailed subsector policies and action plans. It will support the efforts of the Ministry of Food and Agriculture Development Partners Working Group, as well as various other endeavours by other partners, together with IFAD's global initiative for sharpening the rural focus of the poverty reduction strategy papers.

43. **Water user associations, community-based organizations and FBOs** can contribute to community-based natural resource management, but are currently registered under the Co-operative Societies Decree No. 252 of 1968 as 'water users co-operative multi-purpose societies limited', which does not explicitly recognize their public utility function in natural resource management in general or in water resources management in particular; policy-wise, their poverty reduction function is also not acknowledged. To make certain that the concept is promoted and applied uniformly according to best practice, there is also a need to elaborate clear guidance that can be widely promulgated. In general, the legislative framework regulating community-based organizations and FBOs is outmoded and would benefit from being brought up-to-date; new arrangements should speed up the registration process and allow for more management flexibility.

44. **Water governance and land tenure.** Through the Upper-East Region Land Conservation and Smallholder Rehabilitation Project and the Upper West Agricultural Development Project, rural communities, including the poorer clusters, have been able to negotiate 50-year lease deals with local governments and traditional authorities through water user associations, thus securing long-term access to land and water. Dialogue with such associations, their federations and other FBOs will be promoted so as to articulate land tenure issues from the perspective of the rural poor and to favour reforms aimed at securing equitable access to land and water also among women.

45. **Commodity chain governance** is another area appropriate for policy dialogue, as pioneered by the Root and Tuber Improvement Programme – Phase II, to broaden the active involvement of private sector players in producing mutually beneficial synergies with civil society and the public sector. In particular, the right balance will need to be found between stringent labour, hygiene and environmental regulations on the one hand and non-interventionist policies that encourage new microentrepreneurship on the other.

46. **Decentralization and CDD.** IFAD will renew its commitment to decentralization; although the district level has become the prime focus of development efforts, not all technical staff of ministries, departments and agencies at the district level are fully decentralized and thus directly accountable to local populations. In due course, ongoing CDD interventions should be mainstreamed. In CDD, getting the interface with local communities right is of utmost importance; this warrants serious

reflection on the part of policy-makers, a process which IFAD is in a good position to spearhead. IFAD will support the Government in its efforts gradually to mainstream mechanisms for the delivery of goods and services through a coherent, integrated policy framework that articulates the different operational and financial instruments (CDD microprojects, microleasing, matching grants, etc.), along with the proper legal foundation, including public-private partnership instruments to correct market imperfections and tap private resources for investments of public utility.

47. **Inclusive private-sector development (small and medium enterprises and rural finance).** Inclusive private-sector development that is proactive in fostering village-based income-generation must seek to maximize the multiplier effects of all development interventions. With respect to the new patterns of production, policy dialogue must confront the issue of the applicability, equitability and enforceability of contract farming. The minimal components of contracts, typical credit requirements, suitable institutional arrangements for credit disbursal and recovery, safeguards to ensure contract performance and arbitration procedures to resolve disputes should all be addressed. Small and medium enterprise development needs an impetus by, inter alia, becoming an integral part of inclusive private-sector development policies. The policy dialogue engaged within the context of the Rural Financial Services Project will be pursued in order to build the enabling policy and strategic framework, expand the outreach of rural microfinance institutions among the rural poor, develop innovative solutions to financing agriculture and foster learning from both good and bad practices.

#### F. Action Areas for Improving Portfolio Management

48. Whereas the portfolio has been achieving significant results, the key issue now is consolidation follow-through and the scaling up of these accomplishments and innovations through learning mechanisms and by linking them to national policy, legislative change and extra- or post-project organizations. **Scaling up** is understood as the combination of replication and systematization through institutional and policy development. The Rural Financial Services Project, the Rural Enterprises Project – Phase II, the Northern Region Poverty Reduction Programme and the Root and Tuber Improvement and Marketing Programme are oriented to scaling-up, replicability and leverage through the fine tuning of technologies to suit beneficiary conditions, the formulation of a strategic view and practice in partnership, a focus on channelling IFAD experience in Ghana into government policy and planning processes and a systematic emphasis on institution building. New interventions will provide sufficient resources to cover the information requirements to analyse, document and replicate successful operations.

49. **Knowledge management and networking.** Information and data exchange has already touched on microfinance, the development of micro- and small enterprises, root and tuber crops and CDD. The work carried out so far on CDD will be advanced through a regional workshop with all the Fund's CDD operations in Western and Central Africa. A forum of staff in IFAD-assisted programmes and projects has been meeting annually; it is recognized that this initiative needs to be amplified through the involvement of beneficiaries and other partners. With the help of the FIDAFRIQUE network, formal and informal knowledge exchanges and learning will take place. The **Country Programme Development and Implementation Partnership** is a policy and knowledge management device aimed at providing guidance and direction to the country strategy and programme and advocating for pro-poor policy and institutional changes. It is a platform of resource persons and institutions that will continually ascertain the relevance of the COSOP and the country programme. This will be achieved especially by making assistance available to undertake analyses and research and feeding the results back to the partnership, as well as to policy-makers. The partnership would involve government staff, including technical line agencies, NGOs, service delivery organizations, civil society, advocacy groups, the private sector, FBOs, rural bankers, academia and all programme coordinators, as well as key resource persons.

50. **Gender aspects in implementation.** Appropriate attention to gender concerns in IFAD operations is often hampered by inadequacies at the design stage that are exacerbated by a "gender-

blind” style of implementation. Building on the achievements of gender action in 2004, all implementation partners will need to ensure that their activities take into account the specific requirements of women, including opportunity costs in time, cultural and labour constraints, appropriate technologies, etc. Programme and project staff will need to be fully aware of such issues and insist with all stakeholders concerned that, in the framework of IFAD-funded interventions, no form of discrimination – even where justified by custom – is acceptable. An integrated country programme action plan will need to be prepared.

51. **Monitoring and evaluation.** The IFAD Results and Impact Management System (RIMS) will be mainstreamed in all investment operations, including the Rural Enterprises Project – Phase II, the Northern Region Poverty Reduction Programme and the Root and Tuber Improvement and Marketing Programme. New solutions to monitoring and evaluation must be devised if the systems are to generate data that will be timely and specific and thus useful to inform decision-making processes. Promising experiments may be fielded on participatory monitoring and evaluation (e.g. through regular, institutionalized sessions in participatory rural appraisal) and self-monitoring and evaluation (e.g. small and medium enterprises keep books themselves and also provide information to the management of the Rural Enterprises Project – Phase II).

### G. Tentative Lending Framework and Rolling Programme of Work

52. **Base case scenario (satisfactory performance as in the current situation).** The base case scenario involves IFAD continuing on at the same level of investment in a consolidated programme worth a total USD 70 million to USD 80 million, in addition to small, grant-funded operations in knowledge sharing, learning, research and policy dialogue. In this scenario, Ghana would qualify for approximately USD 10 million a year. In addition to the Root and Tuber Improvement and Marketing Programme, which is included in the three-year (2005-2006-2007) cycle of the Performance-Based Allocation System, two new ventures would be developed. This base case is dependent on the country receiving a total satisfactory performance rating through the Performance-Based Allocation System for 2004 and 2005.

53. **High case scenario.** If there is a major improvement in project performance and a significant shift towards the design of sound, pro-poor rural and agricultural policies, including a higher priority for rural poverty reduction and the agricultural sector in budgetary terms, Ghana would qualify for a higher lending programme. In this case, the results recorded in the annual Performance-Based Allocation System exercise may reflect the fact that the Government is assigning higher priority to rural poverty reduction in its policies and budget allocations and is taking steps to improve project performance. To trigger the high case, substantial improvement in the performance of the country programme is required, as well as significant policy and institutional enhancements, including: (i) giving a higher priority for the building of strong FBOs and their involvement in policy dialogue and for consolidating water user associations; (ii) initiating an inclusive, pro-poor land tenure policy dialogue process; (iii) preparing and implementing rural finance policy provisions in line with good rural finance practice; (iv) enhancing the representation of women, especially at the level of institutions and programme management; and (v) improving efficiency in the procurement of goods and services.

54. **Low case scenario.** The results of the annual Performance-Based Allocation System exercise might also trigger a low case scenario, which would be manifested by a lack of serious commitment to reducing rural poverty both in terms of policies and budget allocations, as well as a deterioration in project performance. If a low case scenario is triggered, IFAD would limit its engagement, in coordination with the Government and other donors, while the development of new investments would be slowed.





APPENDIX I

COUNTRY DATA

<b>Land area (km<sup>2</sup> thousand) 2003 1/</b>	228	<b>GNI per capita (USD) 2003 1/</b>	320
<b>Total population (million) 2003 1/</b>	20.67	<b>GDP per capita growth (annual %) 2003 1/</b>	3.3
<b>Population density (people per km<sup>2</sup>) 2003 1/</b>	91	<b>Inflation, consumer prices (annual %) 2003 1/</b>	27
<b>Local currency</b>	Cedi (GHC)	<b>Exchange rate: USD 1 =</b>	GHC 9 174
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1997-2003 2/	1.9	GDP (USD million) 2003 1/	7 624
Crude birth rate (per thousand people) 2003 1/	31	Average annual rate of growth of GDP 2/ 1983-1993	5.0
Crude death rate (per thousand people) 2003 1/	13	1993-2003	4.3
Infant mortality rate (per thousand live births) 2003 1/	59	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/	54	% agriculture	36
Number of rural poor (million) (approximate) 1/	n/a	% industry	25
Poor as % of total rural population 1/	n/a	% manufacturing	9
Total labour force (million) 2003 1/	10.35	% services	39
Female labour force as % of total 2003 1/	50	Consumption 2003 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	12
School enrolment, primary (% gross) 2003 1/	79 a/	Household final consumption expenditure, etc. (as % of GDP)	77
Adult illiteracy rate (% age 15 and above) 2003 1/	26 a/	Gross domestic savings (as % of GDP)	11
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita, 2003 1/	n/a	Merchandise exports 2003 1/	2 498
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	26 a/	Merchandise imports 2003 1/	3 250
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	25 a/	Balance of merchandise trade	-752
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2003 1/	6 a/	before official transfers 2003 1/	-1 153
Physicians (per thousand people) 2003 1/	0 a/	after official transfers 2003 1/	255
Population using improved water sources (%) 2002 2/	79	Foreign direct investment, net 2003 1/	137
Population with access to essential drugs (%) 2/	n/a	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2002 2/	58	Cash surplus/deficit (as % of GDP) 2003 1/	n/a
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	20 a/	Total external debt (USD million) 2003 1/	7 957
Fertilizer consumption (hundreds of grams per ha of arable land) 2000 1/	74 a/	Present value of debt (as % of GNI) 2003 1/	38
Food production index (1999-01=100) 2003 1/	116	Total debt service (% of exports of goods and services) 2000 1/	15
Cereal yield (kg per ha) 2003 1/	1 396	Lending interest rate (%) 2003 1/	n/a
<b>Land Use</b>		Deposit interest rate (%) 2003 1/	14
Arable land as % of land area 2003 1/	18 a/		
Forest area as % of total land area 2003 1/	28 a/		
Irrigated land as % of cropland 2003 1/	0.2 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2005

2/ UNDP, *Human Development Report*, 2005

## LOGICAL FRAMEWORK

Narrative Summary	Verifiable Indicators (related to Results & Impact Management System)	Means of Verification	Assumptions/Risks
<b>Goal</b>			
<p><i>Achieve improved, diversified and sustainable livelihoods for the rural poor particularly those dependent on marginal lands, rural women and vulnerable groups.</i></p> <p><i>(Contributes to MDG 1 and marginally to MDGs 3 and 7)</i></p>	<p>Number of households (HHs) with improvement in household asset ownership index, based on additional assets (productive assets, bicycles, radios, improved housing, tin roofs, etc.)</p> <p>No. HHs provided with long term security of tenure over natural resources (land and water) (by sex)</p> <p>Reduction in child malnutrition (weight-for-age)</p>	<p>Ghana Living Standard Survey (GLSS)</p> <p>Multiple Indicator Cluster Surveys and WFP reports, disaggregated by district</p> <p>RIMS baseline and monitoring</p> <p>National statistics including monitoring of RFSP</p>	<p>Continued Government commitment to peace and political stability</p> <p>General budget allocation to social sectors in rural areas and to agriculture increases</p>
<b>Purpose/Specific Objectives</b>			
<p><i>Build inclusive and sustainable institutional systems supported by pro-poor investments, policies and relevant innovation &amp; learning engagements</i></p>	<p>No. water user associations (WUAs) operational after 3 years and outreach (by gender)</p> <p>No. viable multilateral financial institution after 3 years and outreach (by gender)</p> <p>No. viable rural enterprises after 3 years and outreach (jobs) (by gender)</p> <p>No. community organizations functional after 3 years and outreach (by gender)</p> <p>No. farmer organizations (including WUAs) functional after 3 years and outreach (by gender)</p> <p>No. quality institutions developed</p> <p>No. quality policies developed</p> <p>No. knowledge/ learning mechanisms put in place and no. of members associated with them</p>	<p>RIMS</p> <p>M&amp;E</p> <p>Evaluation reports</p> <p>Local and Central Government records</p>	<p>Strong commitment to GPRS implementation and regular review</p> <p>Continued collective learning from development project experience at the national level</p> <p>Strong commitment to pro-poor policy and institutional reform</p>
<b>Outputs</b>			
<ul style="list-style-type: none"> <li>• <i>Achieve sustainable agricultural livelihoods and food security through development of agriculture and food commodity chains</i></li> </ul> <p><i>(Contributes to GPRS pillar on growth and employment)</i></p>	<p>No. HHs that have improved food security</p> <p>No. incremental area of crops grown (rainfed, irrigated)</p> <p>No. farmers using improved technology and practice (by gender)</p> <p>No. farmers reporting production/yield increase (by gender)</p> <p>No. farmers reporting herd size increase (by gender)</p> <p>No. HHs with secure access to water</p> <p>No. farmers with secure access to land (by gender)</p> <p>No. water user associations (WUAs) operational</p> <p>No. farmers using soil and water conservation and agro-forestry (by gender)</p>	<p>RIMS</p> <p>M&amp;E</p> <p>Evaluation reports</p> <p>Local and central government records</p>	<p>Institutional processes for integrating investment, learning and policy are operational</p> <p>Clear commitment to building a rural private sector founded on farmer organizations</p> <p>Improve the coherence of trade policies at regional and national levels</p>
<ul style="list-style-type: none"> <li>• <i>Develop pro-poor rural enterprise and rural finance in the context of an inclusive private sector</i></li> </ul>	<p>No. functioning marketing storage and processing facilities</p> <p>No. farmer/enterprise/marketing groups operational</p> <p>No. rural enterprise operating after three years (by gender)</p> <p>No. jobs generated by rural enterprises</p>	<p>RIMS</p> <p>M&amp;E</p> <p>Evaluation reports</p> <p>Local and central government records</p>	<p>Institutional processes for integrating investment, learning and policy are operational</p>

Narrative Summary	Verifiable Indicators (related to Results & Impact Management System)	Means of Verification	Assumptions/Risks
<i>(Contributes to GPRS pillar on growth and employment)</i>	No. of women on management committees by type of group No. of active savers No. of active borrowers		Clear commitment to building an inclusive private sector founded on farmer organizations, micro-enterprises and public-private partnerships
<ul style="list-style-type: none"> <li><i>Strengthen local institutions and Government using community-driven approaches</i></li> </ul> <i>(Contributes to GPRS pillar on service provision for human development)</i>	No. HHs accessing functioning infrastructure (schools, health centres, etc.) No. HHs served by wells No. HHs provided with long term security of tenure over natural resources (land and water) Area of common property resources under improved management No. of HIV/AIDS workplace programmes in place No. community organizations operational	RIMS M&E Evaluation reports Local and central government records	Implement local government and decentralization reforms that enable grass-roots organizations to have a say in decision-making over the effective and efficient use of resources and the quality of service provision
<ul style="list-style-type: none"> <li><i>Develop responsive pro-poor policy and institutional environment through learning and dialogue amongst stakeholders and development partners</i></li> </ul> <i>(Contributes to GPRS pillar on governance for empowerment)</i>	No. relevant pro-poor policies promulgated and enforced (e.g. decentralization, rural finance, land tenure, trade) No. relevant policy research activities implemented No. 'capitalization' and learning activities carried out No. partnership ventures developed (composite budgeting/cofinancing, learning, policy, etc.) No. 'innovation' ventures developed No. learning contribution to the Portal and FIDAFRIQUE No. of country project development implementation partnership events	RIMS M&E Evaluation reports Local and central government records	Improve the coherence of trade policies at regional and national levels
<b>Inputs:</b> Loans and Grants to finance three types of products:			
<ul style="list-style-type: none"> <li><i>Investment ventures aimed at financing mainstream field activities that are designed and implemented along existing thematic and operational policies and common practice</i></li> </ul>	<i>Policy ventures aimed at fostering policy and institutional change</i>	<i>Knowledge and research ventures aimed at fostering learning</i>	<i>Innovation ventures aimed at financing "risky" activities for learning purposes</i>

**STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS**

<b>Organisation</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities/Threats</b>	<b>Remarks</b>
<b>Enabling Agencies</b>				
Ministry of Food and Agriculture (MOFA)	Developed strategic plan for the sector High commitment to agricultural sector Experience in selection and multiplication of planting material Skilled technical staff Experience in working with IFAD- and donor-funded projects	High turnover of trained and effective staff because of low remuneration Lack of capacity for policy, economic and marketing analysis Limited skills in quality assurance and certification	Strong political goodwill towards development and modernization of the sector Possibility to build on experiences of projects Collaboration between MOFA projects (e.g. AgSSIP) Opportunities for linking up with NGOs Regional set-up for M&E	Limited involvement in agro-processing Limited experience in working with private sector Building of capacity primarily for services to be maintained Need to improve work attitude of field staff
District Agricultural Development Unit	Established structures in all districts Experience in working with IFAD-financed projects	Weak linkages with District Assembly	Implementation of project activities at the district level	Involved in implementation of IFAD-funded projects
Ministry of Finance and Economic Planning	Main IFAD financial partner Committed and responsive in the dialogue with IFAD	Limited capacities in follow-up over project implementation Limited capacity in finance-related programmes (e.g. RFSP) Insufficient involvement in setting a coherent rural finance policy	Development of a strong pro-poor rural finance policy Involvement in raising country programme efficiency and effectiveness	Implementing agency for RFSP
Ministry of Local Government and Rural Development	Trained staff to organise people in associations and cooperatives.	Limited coordination with MOFA activities Limited number of technical staff at the district level Limited operational, institutional and policy capacity	At district level, collaboration with Business Advisory Centres (BACs) and Rural Technology Facilities (RTFs)	Implementing agency of NORPREP Involved in other IFAD-funded projects (REP II, RTIMP...)
Ministry of Industry and Trade	Interest in promoting industrial use of agricultural products and agro-processing  See more on NBSSI	Ineffective linkages with MOFA activities Limited experience in the Root and Tuber Sector Limited policies to foster micro-enterprise development	Promotion of enabling trade and investment policies Promotion of quality standards and grades Promotion of Micro-Enterprise development	Focus primarily on cassava processing for starch
Ministry of Women and Children Affairs	Commitment to enhancing livelihood of rural women and children	Emerging structures. No or limited presence at district level	Promote rural women entrepreneurship in agri-business	
Ministry of Education	Supervisory role over education and training institutions Skilled professional and technical staff	Ineffective linkages with MOFA	Promote utilization of R&T products Use of facilities for training in R&T utilization	
Ministry of Environment and Science (MES)	Experience in building rural entrepreneurial capacity Research institutes with trained staff	Ineffective linkages with MOFA Limited budget Limited mechanisms to foster micro-enterprise development	Agricultural research Collaboration with REP-II	Implementing agency for REP-II
<b>Service Providers</b>				
Non Governmental	Proximity to vulnerable groups and project	Limited staff	NGOs can be effective in the operational areas	Positive collaboration

Organisation	Strengths	Weaknesses	Opportunities/Threats	Remarks
Organizations (NGOs)	targets Cost-effective implementation Experience in participatory community work, agricultural development	Limited scope of operation. Presence and activities dependent on funding partners	Collaborative relationship at field level (community mobilization, planting material multiplication and distribution, credit support, technology transfer, facilitation of training)	with NGOs during implementation of IFAD-financed projects
'Business' NGOs	Business development approach. Experience with commodity chain analysis and interventions. Capacity for delivery of training in entrepreneurship development, business management and marketing.	Not active in all geographical areas. Not always capacity for additional provision of services Services sometimes expensive	Commodity chain linkages, business development services, interesting opportunities for partnership to increase outreach and impact of Business NGO interventions	Ongoing work and contacts with OIC, SNV, World Vision and TechnoServe were positive
National Board for Small-scale Industries (NBSSI)	Main government organization for small enterprise promotion. Skilled staff.	Limited staff and high staff turnover. Only in urban areas. Bureaucratic	Entrepreneurial training and business advisory services. Partner of REP-II (Business Advisory Centres)	Sustainability of district BACs not always clear
Universities and Research Institutes	Trained staff. Experience in research and development of R&T issues. Capacity to conduct training and to carry out consultancies.	Dwindling government funds. Approach often supply-driven and not responding to the needs of the poor. No effective collaboration. Internal organizational and logistical problems (eg. availability of computers) Need for continuous, solid monitoring (eg. delivery quality often inadequate).	Applied and client-oriented research Training programmes Socio-economic studies (including back-stopping)	Collaboration between scientists is problematic, especially if funds are coming from projects.
Ghana Microfinance Network (GHAMFIN)	Newly restructured with support from RFSP Committed members (Ghamfin is an apex of apexes)	Limited policy and political leverage	Key policy stakeholder Risk of marginalization as a result of persistent policy incoherence	Major partner in RFSP
Apex Bank of Rural and Community Banks (RCBs)	Provides economies of scale to rural banks to address the generic constraints related to their operations Develops new products (e.g. money transfer) Committed members Committed to achieve sustainability and increased outreach of rural banking	Manages too many facilities under ad hoc mechanisms Need for improved institutional capacities including management, monitoring systems Need to develop tailor-made responses to improve capacities and rural banks efficiency	Key implementing partners in the capacity strengthening and outreach development of RCBs Key policy stakeholder Openness to partnership with international cooperative banking partners	Created under the IFAD-WB-AfDB funded RFSP
Rural banks and other financial services providers	Experienced provision of financial services to smallholders, rural processors and women groups. Presence in rural areas.	High lending interest rates. No complete coverage of RTIP intervention area. Little experience with other lending instruments eg. Matching Grants, Micro Leasing, Venture capital	Collaboration in the field of enterprise development. Presence of Rural Financial Services Project (RFSP): capacity building. Threats: RFIs may not be interested in the clients of RTIMP.	Capacity Building/Training in new lending instruments. RFSP can facilitate this.
Private sector equipment producers and service providers.	Skills in the fabrication of equipment. Interventions are demand-led and more sustainable. Creation of rural employment.	Require skills upgrading to manufacture specialized equipment. Limited equipment base, leading to inconsistent quality of goods and services. Not always open to innovation.	Expansion of manufacturing, repair & maintenance of existing and new types of R&T processing equipment. GoG supports private sector development. GRATIS has Emerging good practices involving private sector service providers for enterprise development.	Local engineering capacity is of critical importance for agricultural development (eg. manufacturing and repair of agricultural

Organisation	Strengths	Weaknesses	Opportunities/Threats	Remarks
				implements) and economic growth in rural areas.
Private sector Business Development Service providers.	Business development approach; experience in marketing and private sector linkages	Mainly urban-based, with often little interest to work in rural areas.	Foreseen involvement of private sector entities	GTZ/RUTIP project in Sunyani is working to increase capacity of BDS providers for MSE services.
District structures: Business Advisory Centres (BAC), Rural Technology facilities (RTF)	Presence at district level. On-hand information on commodity marketing in district. Skilled staff.	Only in limited number of districts	BAC: Training and capacity building in entrepreneurship. RTF: training in manufacturing, installation and repair of small-scale equipment.	BAC staffed by DAs and NBSSI and RTSC staffed by GRATIS and DAs. Possibility of cost-sharing with REP-II
Ghana Regional Appropriate Technology Industrial Service (GRATIS)	Main national agency in the field of technology development for small-scale industries. Experienced engineers. Presence in regional capitals. Autonomous structures (recently).	Tradition of ineffective bureaucracy, as organization lacks business approach. Weak in enterprise development and technology transfer. Often competing with its target group. Slow in meeting customer request. Rural presence only through REP-II	Production of prototypes and new processing equipment Manufacturing, installation and maintenance/ repair of processing equipment	Partner of REP
International Institute for Tropical Agriculture (IITA)	International leadership in research on root and tuber crops Wide array of improved varieties of crops for tropical environment. Largest bio-control centre in Africa.	No low-cost solution for certain key constraints at post-harvest level (e.g. harvesting of roots). Shortage of funds and therefore reduction in research staff and research topics.	Mandate for research and introduction of new varieties. Continued technical backstopping in agricultural research and development.	Receives grant from IFAD to organize backstopping of projects.
<b>Client Organisations</b>				
Farmer-based organisations (FBO)	Presence in all districts. Focus on core business. Indigenous technology and knowledge. Communal spirit and support for one another.	Lack of appropriate organisational and entrepreneurial skills. Weak linkages with credit providers. Weak linkages with markets. Weak governance structure Weak financial base	Potential as strong pressure groups. Potential for upgrading cultivation practices (eg. through FFF). Some eligible for credit.	Involved in RTIP. MoFA/AgSSIP FBO has funds for building up lobbying and advocacy capacity.
Water Users' Associations (WUAs)	A model promoted under IFAD projects that has proven to work in securing access to land and water Strong member base Involvement in discussions over land tenure at local level	Lack of capacities to maintain infrastructural works Insufficient management capacities	Involvement in policy dialogue over land tenure to secure access to land and water in the long run WUAs can be used as channels for other community development activities	Promoted under LACOSREP and UWADP projects
Women processing groups.	Presence in all districts. Focus on processing, at least partly for local markets (rest home consumption). Indigenous technology and knowledge. Communal spirit and mutual support.	Lack of appropriate organisational and entrepreneurial skills. Weak linkages with markets. Inappropriate processing skills. No linkages with credit providers.	Potential as strong pressure groups. Potential for ease of technology transfer. Potential as market facilitators. More readily access credit.	Involved in RTIP
Small and medium scale	Product development and innovation	Weak processing technology	Potential for organized market information systems.	Some individual small-

Organisation	Strengths	Weaknesses	Opportunities/Threats	Remarks
private processors (groups and individuals)	(individuals). Competition between groups. Share market information.	Substandard products Poor environmental awareness and/or concern.	Partners (individuals) for product development and innovation. More readily access credit. Potential for ease of technology transfer.	scale processors were supported under RTIP and REP II.
Local Trade Associations (LTAs)	Access to market information. Representative business bodies of target groups. Commodity based groups of traders in each market.	Sometimes other interests than those of farmers and consumers (collusion).	Potential for enhanced efficiency of supply lines and access to credit. Potential partners for organized market information systems. Potential for improving equipment skills and upgrading technical and business skills.	REP-II has ample experience in working with LTAs.
District Assemblies	Strong local political institutions Strong local leadership Representing the people (two-thirds elected) and the enlightened local elite (one third designated)	Two-thirds elected only Limited implementation capacities (planning and management, monitoring, quality control...) Limited capacities at sub-district level Limited response to the grassroots' needs	Critical link in improving the institutional mechanisms to deliver public goods to the communities Catalysing local public-private partnerships	Key partners under NORPREP, REP II and RTIMP

## IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

1. IFAD's regional strategy stipulates that the rural poor need to have greater access to a variety of interdependent assets - human and social, natural, infrastructural and financial. They need to have influence over the major decisions that affect their wellbeing. They also need to be less vulnerable to shocks (e.g. disease, conflict, natural disasters) that threaten to destroy their asset base. Four related and mutually-reinforcing strategic objectives are pursued in the design and implementation of IFAD-supported programmes in the region.
2. **“Strengthen the capacity of the rural poor and their organizations, and improve the pro-poor focus of rural development policies and institutions”** is the first thrust of the regional strategy. The latter also emphasises that development can ultimately be sustainable only if done through local organizations composed of and controlled by the rural poor. This COSOP emphasises as a specific objective to *build inclusive and sustainable institutional systems through the promotion of pro-poor investments, policies, partnerships and fostering innovation & learning*. The COSOP further focuses on *Strengthening local institutions and government using Community-Driven approaches as a key thrust*. This implies that IFAD will work with its partners to increase the effectiveness and accountability of rural service delivery within a decentralized framework. It will target its efforts at building the technical, organizational and administrative capacity of local governments, communities and civil-society organizations to take on roles in this domain. Partnership with other donors will continue to be critical to the success of these efforts. There is also strong demand for potable water in rural areas. IFAD will continue its involvement in this sector, which contributes to improved health status, productivity and reducing women's workloads. Investment must be linked to community development efforts (under the first strategic objective) to ensure that sustainable management systems are established to maintain water points. Regarding small- and micro-irrigation, IFAD will continue to support capacity-strengthening of water users' associations.
3. Furthermore, another thrust of the COSOP is aimed at developing responsive pro-poor policy and institutional environment through learning and dialogue amongst stakeholders and development partners. This implies that in addition to the efforts put into the development of concrete operational methods to build participation by local people into the design, planning and oversight of community development initiatives, there is a need to foster policy dialogue to promote pro-poor and more participatory policy and institutional reforms. There is also a need to become more effective in capturing, learning from and disseminating knowledge including the experience gained through implementation experience.
4. **“Raising agricultural and natural resource productivity and improving access to technology”** is the second thrust under IFAD's regional strategy in WCA, while the overall strategic framework highlights equitable access to natural resources as being central to pro-poor growth. This strategic thrust is addressed through the first thrust of the COSOP, i.e. to *achieve sustainable agricultural livelihoods and food security through development of agriculture and food commodity chains*. This includes increased access to improved technologies as well as building stronger market linkages while fostering institutional structuring of the commodity chains through Apex bodies representing all the stakeholders including the poorest clusters of farmers and micro-entrepreneurs. The promotion of innovative ways to ensure equitable access to land and water anticipated in this COSOP fall under this thrust as well as under the first thrust, i.e. Water Users Associations and access to potable water.
5. The sustainability of the proposed COSOP thrusts will be determined by a variety of endogenous and exogenous factors, including environmental impacts, which, by their disposition, are crosscutting considerations. Over and above the required *ex ante* strategic environmental assessments, future operations will be designed so as to embed them into the local sustainability context, making



sure that IFAD's developmental efforts strike a sensible, situation-specific balance between economic and environmental concerns.

6. **“Increase rural incomes through improved access to financial capital and markets”** is the third thrust under IFAD's regional strategy in WCA, while the overall strategic framework highlights linkages to markets to enable the rural poor to benefit from increased productivity. This thrust is addressed through the first thrust of the COSOP aimed at *achieving sustainable agricultural livelihoods and food security through development of agriculture and food commodity chains*, thus emphasising that investments and policies will be driven by the markets. The second thrust of the COSOP aims at *develop pro-poor rural enterprise and rural finance in the context of an inclusive private sector*, in order to pull agricultural development and growth while diversifying the livelihoods of the rural poor. Finally, the last thrust aimed at *developing responsive pro-poor policy and institutional environment through learning and dialogue amongst stakeholders and development partners* will aim at disseminating the lessons learned, influencing the policies, and fostering collective action with other partners.

7. In line with internationally recognized best practices in microfinance development, IFAD will continue to invest in developing MFIs. In recognition that this is a long-term investment, assistance will focus on support to institutional development, technical assistance, and development of pro-poor approaches to micro-finance for the MFIs to be sustainable while reaching the poor.

8. **“Reduce vulnerability to major threats to rural livelihoods”** is the fourth thrust under the regional strategy. Major threats as HIV/AIDS and other debilitating diseases (malaria and tuberculosis) will be addressed through specific targeting of the vulnerable groups and households, as well as through HIV/AIDS-mitigation activities particularly under the CDD activities.

### ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT- ONGOING AND PLANNED

1. IFAD is party of the agreement between GoG and thirteen donors on harmonization and alignment concluded prior to the Paris Conference on Aid Effectiveness (3 March 2005). IFAD is committed to the agreed-upon principles and the *modus operandi*. Furthermore, IFAD will work towards translating these principles at both the national policy level and the local level through the promotion of local and regional fora for dialogue, harmonization and alignment. It will also foster inclusive and composite planning and budgeting at the local level. The Fund will to the extent possible support and participate in the GoG/donor working groups on rural / agricultural development, decentralization and private sector development.

2. To support sound agricultural and rural development policies, strong partnerships will be developed with OECD within the context of the OECD/IFAD/France Support to African Agricultural Project, DfID/IFAD Institutional Strengthening Project, IFPRI/USAID and their Strategic Analysis and Knowledge Support System (SAKSS), FAO and various Ghanaian universities and research institutions. Opportunities for strategic partnership by thematic area and agency are as follows:

- Access to land and water: CIDA, DFID, FAO, GTZ, KfW, World Bank;
- Deconcentration/MOFA Capacity-building: GTZ;
- Decentralisation/Governance: CIDA, DANIDA (WID), DFID, KfW, UNDP, World Bank;
- Food security: AFD, CIDA, DFID, FAO, World Bank;
- MSE Development: AfDB, GTZ, UNIDO, USAID;
- Rural Financial Services: AfDB, AFD, GTZ, UNDP, World Bank;
- Rural Infrastructure: CIDA, KfW, World Bank;
- CDD: World Banks, UNICEF, CIDA;
- Sustainable Livelihoods and pro-poor policies: DFID; and
- Food systems: WFP (school feeding programmes).

3. Potential key donor partners for IFAD in Ghana include a number of bilateral and multilateral agencies. The following is an introduction to the main ones identified during the ongoing COSOP preparation exercise, namely: Canada, France, Germany, United Kingdom, AfDB, FAO, UNDP, WB and WFP.

#### BILATERAL DONOR AGENCIES

4. **Canada: Canadian International Development Agency (CIDA).** CIDA's "Ghana Programming Framework", which covers the period 1999/00 to 2004/05, specifies Ghana's three northern regions (Northern, Upper East and Upper West) as its priority areas, with basic human needs (water and food security) and governance (capacity and performance and the democratic process) as its priority sectors of intervention. The provision of support is organised at two levels:

- *The focused or "meso" level:* Current activities include: the District Capacity Building Project (DISCAP), the Farmer-responsive Mechanisms for Extension and Research (FARMER) and the Ghana Regional Appropriate Technology Industrial Services (GRATIS-III). The role of the latter is to develop and disseminate appropriate agricultural production and processing technologies primarily among women. Imminent/ planned support includes the Community-Driven Initiatives for Food Security (CIFS), the District-Wide Assistance Programme (DWAP), the Food Security and Environment Facility (FSEF), and funds for the Environmental Protection Agency (EPA) for desertification control efforts in northern Ghana.

- *The policy or "macro" level:* Operational assistance at this level includes the Measuring Impact of Food Security Programme, Food Security Advisory Support, Sector-Wide Approach to Programming (SWAP) and participation both in the Multi-Donor Budgetary Support (MDBS) and the Land Administration Project (LAP). Future assistance is expected to include support to MOFA/AGSSIP's Farmer-Based Organisations (FBO) fund as well as an extensive programme for the development of community-managed rural water supply.
5. **Opportunities for IFAD-CIDA collaboration.** Although procedural differences with respect to programme formulation and approval have limited collaboration in the past, opportunities for cooperation exist in terms of complementarity and information exchange with respect to:
- food security,
  - rural enterprise development and
  - community-based development planning and management.
6. **France: Agence Française de Développement (AFD).** Although AFD, on its own account, has a relatively small programme in Ghana, the Agency intends to continue its long-term presence. Its principal areas of support are directed towards:
- tree crops (rubber and coconut) in Western and Central regions;
  - rice production in Northern Region and
  - Water and Sanitation, also in Northern Region.
7. Following a positive assessment of the rice programme, a further phase is under consideration with possible extension to Upper East and Upper West regions. AFD would co-finance with the World Bank the follow up project to the Village Infrastructure Programme (VIP), Community-based Rural Development Project.
8. **Opportunities for IFAD-AFD collaboration.** A key interest for AFD in the future is the availability of **appropriate rural financial services** to complement its support. The Agency sees IFAD as potentially important in establishing such services.
9. **Germany: German Technical Assistance (GTZ).** GTZ describes Ghana as 'a priority partner country'. Geographically, GTZ assistance has been directed primarily to Brong Ahafo, Ashanti and Central Regions. Its new programme, currently in preparation, will however be national in scope. The Agency's priority areas for assistance are:
- agricultural sector: national-level capacity-building in MOFA, training of district agricultural teams in planning and budgeting and operationalisation of agricultural and rural development aspects of the GPRS in a decentralised manner;
  - economic reform through private sector development: Assistance is being directed to the Ghana Investment Promotion Centre (GIPC) as a 'one-stop shop' for foreign direct investment, as well as vocational training and collaboration with two of IFAD's projects: the Rural Financial Services Project (RFSP) and Rural Enterprises Project Phase II (REP-II.) and
  - improved governance (democracy, civil society and local administration): the Agency's interest covers support to the Land Administration Project (LAP), particularly with respect to conflict resolution and family and land law issues; support to the Serious Fraud Office; strengthening of the revenue services, and issues of local natural resource management (e.g. afforestation and conservation).
10. **The Federal German Ministry for Development (BMZ).** Its operations in Ghana involve close collaboration between the three main German agencies, GTZ, KfW and the German Development Service (DED).

11. **Opportunities for IFAD-GTZ collaboration.** GTZ has expressed interest in continuing and building upon its present partnership with IFAD, particularly in the areas of agricultural development planning, capacity-building, rural financial services and support to small-scale businesses.

12. **Germany: German Bank for Reconstruction (KfW).** KfW's programme in Ghana is primarily concerned with the financing of rural infrastructure.

13. **Opportunities for IFAD-KfW collaboration.** The organisation is a co-financier with IFAD and World Bank of the Village Infrastructure Programme (VIP). KfW opened a field office in GTZ's building in Accra in August 2003.

14. **United Kingdom: Department for International Development (DFID).** DFID's plans for assistance to Ghana are based on the objectives of the Ghana Poverty Reduction Strategy (GPRS). The Department's "Country Assistance Plan" (CAP) presents as follows the main objectives for the period 2003-2007:

- strengthening of the poverty focus of the GPRS, in particular through its translation into the Government budget;
- assisting with significant improvements in public financial management;
- supporting progress in the implementation of the GPRS - especially in fostering an enabling environment for pro-poor growth, good governance, human development, sustainable livelihoods and increased production; and
- improving the effectiveness of donor support as a whole - notably by harmonising procedures and policy through the Multi-Donor Budget Support (MDBS) mechanism.

15. Overall, it is the intention of DFID to move an increasing proportion of its resources for the Ghana Country Programme into the MDBS and existing sector support by DFID in the areas of health, forestry, education, feeder roads and bridges, agriculture and water, is to be reviewed in the light of this purpose. DFID proposes to provide **annual funding** of not less than £63,0m in each of the financial years 2003/04 to 2005/06.

16. **Opportunities for IFAD-DFID collaboration.** Current DFID initiatives of potential interest to IFAD include:

- support to MOFA as the lead agency for operationalising the Rural Transformation Thrust of the GPRS and especially "the formulation and realisation of an agricultural sector strategy drawing down from the latest FASDEP, the Agriculture Strategic Plan for Ghana, 2003-2005, Volume 1: Main Report, May 2003 and the Sector Plan due in December 2003 by the National Development Planning Commission (NDPC) and based on local-level consultation;
- support to strengthening the Customary Land Secretariats as part of the Land Administration Project (LAP); funding under NDPC auspices of a Poverty and Social Impact Assessment (PSIA) of agricultural modernisation as envisaged by the GPRS (due early 2004); and funding of an Associate Professional Officer (APO) for MOFA's Coordination Support Unit
- Agricultural Policy Support Initiative initiated in 2005 aimed at fostering harmonization of development activities and alignment with GPRS within the agricultural sector.

17. DFID's interests thus seem to be somewhat 'upstream' in their focus on policy and coordination. There also appears to be **some concern** - rooted in its 'livelihoods analysis' approach - that Ghanaian rural poverty reduction may **require a more holistic view** of poor people's coping strategies rather than a simple emphasis on increasing their production and productivity. In this regard, there is clearly scope for collaboration between DFID and IFAD so as to promote collaborative action (e.g. through composite planning at district level) and harmonization among donor interventions.

### MULTILATERAL AGENCIES

18. **African Development Bank (AfDB).** AfDB is currently a co-financing partner with IFAD for two projects:

- Rural Enterprise Project, Phase II (REP II) and
- Rural Financial Services Project (RFSP).

19. Other initiatives supported by the Bank are of interest to IFAD including its interventions in the cashew nut and livestock sectors.

20. **Opportunities for IFAD-AfDB collaboration.** AfDB will remain a significant partner for IFAD in view of its substantial contributions to agricultural and rural development and also to co-financing arrangements.

21. **Food and Agriculture Organization (FAO).** The partnership opportunities include: (i) further develop the partnerships in the Root and Tuber sector; (ii) community-driven development (CDD) including FAO's involvement in the technical backstopping of NORPREP; (iii) policy analysis including the collaboration with the OECD-IFAD-France SAAP project; and (iv) the school feeding programme together with WFP and the International Alliance Against Hunger (IAAH).

22. **United Nations Development Programme (UNDP).** UNDP involvement in Ghanaian development is based on the "Common Country Assessment of 1999" and the "United Nations Development Assistance Framework" (UNDAF) for 2001-2005. The UNDAF is organised around the following **three 'thematic areas'**:

- access to quality basic services for all (primary health care, basic education and water and sanitation);
- opportunities for sustainable income, employment and personal development (income and employment, infrastructure, food security and nutrition, prevention and control of HIV/AIDS, gender equality and equity, sustainable environment and culture); and
- national capacity for development management and implementation (community development, institutions and decentralisation, private sector development, legal and protection issues, information systems and governance).

23. **Opportunities for IFAD-UNDP collaboration.** UNDP regards IFAD as a major contributor to development in rural Ghana and is a strong advocate of the Fund having in-country representation.

24. **World Bank.** World Bank is currently a partner with IFAD for two projects:

- Root and Tuber Improvement and Marketing Programme (RTIMP) and
- Rural Financial Services Project (RFSP).

25. Three other initiatives supported by the Bank are of interest to IFAD:

- Land Administration Project (LAP) ;
- Community-Based Rural Development Project (CBRDP), the follow up project to VIP ;
- The recently-approved Medium, Small and Micro-Enterprise Project (MSME); and
- The Poverty Reduction Support Credit for implementation of the Ghana Poverty Reduction Strategy (GPRS).

26. With respect to the **contribution of agricultural development to economic growth and poverty reduction**, it is the Bank's view that, while scope exists for improving production and productivity, the **most important area** is post-harvest activities (storage, processing and marketing) with a view to reducing losses, adding value and generating greater returns to output. **Opportunities for IFAD-WB collaboration.** The Bank is likely to remain a significant partner for IFAD in view of its substantial contributions to agricultural and rural development and also to national systems development with respect to GPRS. Experience suggests that the partnership is likely to work best and have greater impact if it is geared towards achieving complementarity between the two organisations' assistance to Ghana - in terms of targeting, selection of activities and financing arrangements - rather than convergence or coincidence.

**World Food Programme (WFP).** The 2006-2010 country programme will support GoG in its assistance to hungry poor households to meet their education, health, nutrition needs on a sustainable basis through: supplementary feeding and health and nutrition education, and through support for basic education. **Opportunities for IFAD-WFP collaboration.** WFP is likely to be a significant partner for IFAD in developing cassava or indigenous crop-based school feeding programmes together with the rural private sector and the local government, and in partnership with the International Alliance Against Hunger (IAAH).

