

# The Government's role in attracting viable agricultural investment: Experience from Ghana

## Objectives

1. Share Ghana's recent experience in attracting investment in agriculture
2. Summarize key policy issues that Government is grappling with

## Why is Ghana attractive?

- Conducive agronomic conditions
  - South – bimodal rains: horticulture (pineapples, banana), oil palm, rubber, cocoa, biofuels (sugar)
  - North – guinea savannah: cereals (maize, rice) sorghum, millet, horticulture (mango), biofuels (jatropha)
- Coastal country – good transport links
  - Proximity to Europe and USA ( **9 hrs direct flight to US and 5 hrs to Europe;**)
  - Conducive business climate (**5 days in registering business in 2007**)

## Brief History of Investment Promotion

- Immediate post-independence period (57 – 66)
  - Agricultural Development Corporation (ADC) & cooperatives crowded out private investment
- Era of political volatility (67 – 82)
  - Food self-sufficiency (Operation Feed Yourself [OFY] & Operation Feed Your Industries [OFYI]) dependent on large subsidies but achieved large production increases (rice self sufficiency in 74 & 75)
- Period of Structural Adjustment (83 – 08)
  - Restored macroeconomic stability, liberalized financial sector, and launched investment promotion measures: GIPC (94), GFZB (95), EDIF (91)

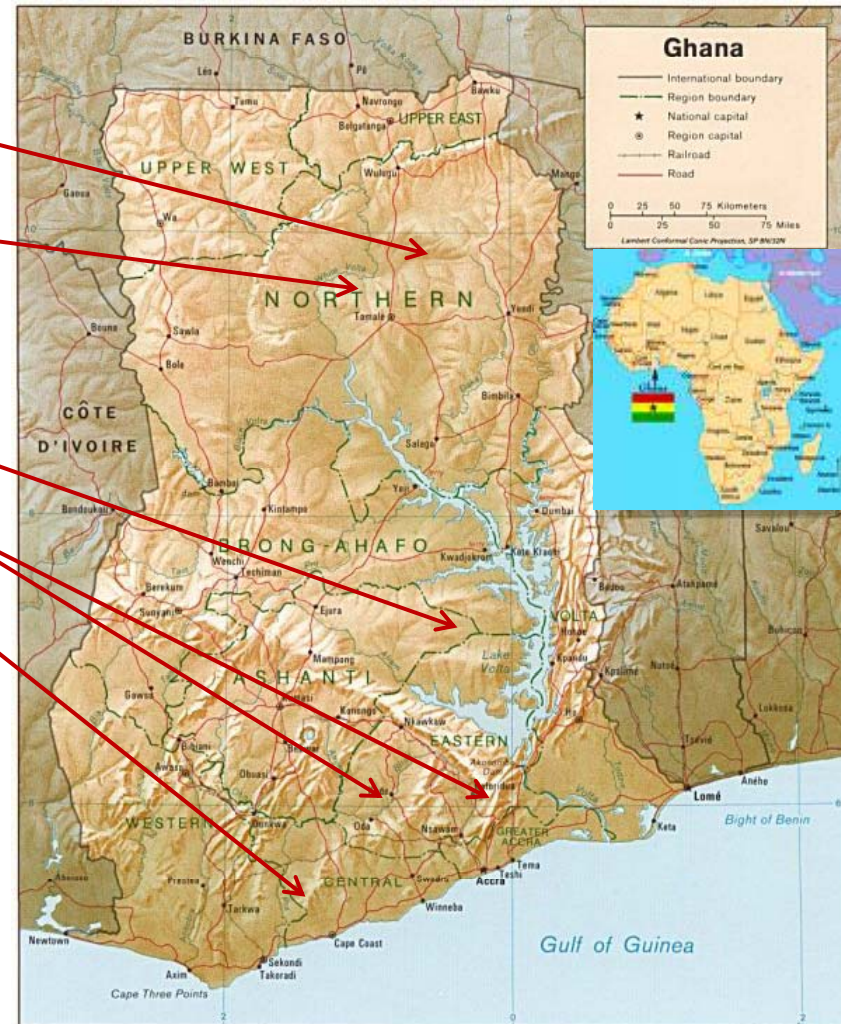
# Current Agricultural Investments

Agricultural investments include a range of production methodologies (large-scale cereals, large-scale horticulture, plantation tree-crops, out-grower schemes with/ without nucleus)

## Investment Projects Under Implementation

- Jatropha
- Mango (ITFC)
- Sorghum (Ghana Breweries)
- Maize and Soya (Kwanim)
- Pineapple and banana (Golden Exotics)
- Oil Palm (GOPDC)
- Rubber (GREL)
- [Ram – please add more details and areas covered, what year they started)

## Others under discussion



# Role of Government to date

*Existing investments evolved from various initiatives, with differing degrees of Govt involvement*

Agriculture Development projects

- **Plantation schemes with out-grower arrangements established under donor-funded development projects. Initially run as state-owned enterprises, then privatized and now owned and managed by commercial enterprises.**

Leasing of former state farms

- **Former Govt farms have been transferred to private operators under de facto management contracts. Operator is responsible for inputs and marketing, and for raising finance.**

Private initiatives with multiple land-owners

- **Investors organize small-holders into out-grower schemes and provide inputs and marketing function.**

Private initiatives with long-term lease

- **Investors have negotiated with traditional authorities for long-term leases (~40 years) and established operations.**

Inter-Governmental agreements

- **Conversations started with Qatar**

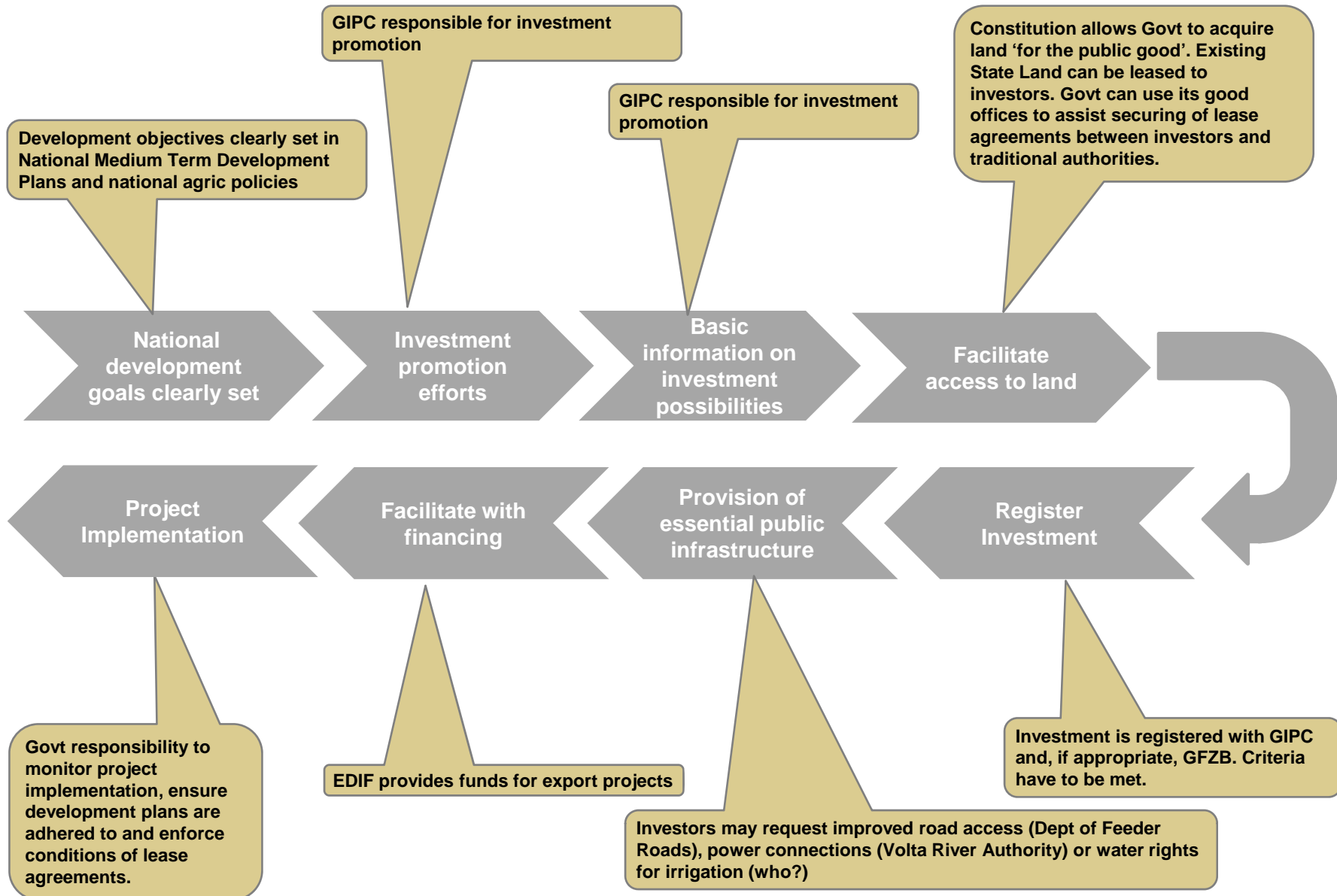
Govt run irrigation schemes

- **Govt owns and managed 22 formal irrigation schemes established in 60s & 70s. Semi-privatized in 1980s.**

Other?

- **More effective coordination within GoG, better financial management and staffing procedures, formalized links with donors, NGOs and private sector**

# The Investment Process



# Specific Fiscal Incentives

Various Acts provide specific fiscal incentives including tax relief, import duty exemptions etc to promote investment...

Fiscal Incentive	Provisions	Eligibility Criteria
Derogations from Corporate Income Tax	<p><b>Under GIPC regulations:</b>                      Cocoa farmers and producers – exempt                      Cattle ranching – 10 years                      Tree crops (e.g. coffee, oil palm, shea butter, rubber and coconut) – 10 years                      Livestock (excluding cattle and poultry) – 5 years                      Fish farming, poultry and cash crops (e.g. horticulture) – 5 years                      Agro processing – 5 years</p> <p><b>Under Free Zone regulations:</b>                      10 year derogation of corporate income tax                      Corporate income tax shall not exceed 8% thereafter</p>	Investments in specific sub-sector registered with GIPC
Rebates on Corporate Income Tax	<p>Manufacturing industries located in:                      Accra &amp; Tema – no rebate                      Other regional capitals – 25 % rebate                      Elsewhere – 50% rebate</p> <p>After the initial 5-year tax holiday period, agro-processing enterprises , which use agricultural raw materials as their main inputs, shall have corporate tax rates fixed according to their locations as follows:                      Accra &amp; Tema – 20%                      Other Regional Capitals – 10%                      Outside Regional Capitals – 0%                      All over Northern, Upper East, Upper West Regions – 0%</p>	Investments to take place in specific locations registered with GIPC
Carry-forward losses	Tax losses are carried forward for five years and is lost if unutilized after the lapse of the fifth year.	Mining, farming and manufacturing businesses for export.
Investment Guarantees	<p><b>Free Transferability</b> of Capital, Profits and Dividends and payments for loan servicing;</p> <p><b>Insurance Against Non-Commercial Risks</b> through membership of the Multilateral Investment Guarantee Agency (MIGA)</p> <p><b>Double Taxation Agreements</b> have been agreed with 21 countries, of which some are awaiting ratification; Another 19 are pending for conclusion.</p>	Must use formal banking system for transfers.
Exemption of import duties	From GIPC Act	

... but these are not delivering the levels of investment required – suggests other constraints

# Major Constraints to Agricultural Investments

## Access to land

- Multiple registration of land by land owners
- Investors worried about possible expropriation of land and does not allow for secured investment

## Finance and Cash Flow

- Current Fiscal incentives is a lay back support which comes to force when the investors have struggled to make their profit.
- It does not help ifor the establishment of business and there is no assistance for working capital

## Maximizing development impacts

- No guidelines for engaging investors
- Infrastructure support minimal
- No evaluation for establishing investor disinterest .
- etc]

## Specific Fiscal Incentives

- Exemption from paying income tax on profits for the first ten years

# Critical Policy Issues

## Strategic decisions on land use

- ❑ Need to enhance the works of the Land Administration Project to firm up land registration .
- ❑ Need to improve faster the current establishment of land banks where land owners can put in their registered land and offer for investment.
  - Lease or equity

## Finance and Cash Flow

- Establishment of dedicated funds for agricultural Investments - ADIF ( Concept note being discussed by the Minister of Agriculture and Finance)

## Facilitating access to land

- Government will not give in to current request of Investors for expropriation of land to ease the problem of investors dealing with multiple land owners which increases transaction costs.
- This might provide legitimacy to the land but is against constitutional provisions.

## Maximizing development impacts

- Provide guidelines for investors which will include database on all available facilities; infrastructure, land and soil types, irrigation etc
- Provide infrastructure at agricultural belts ( Horticulture, Accra Plains, Afram plains etc ) to support strategic investment of committed investors.
- Support developers to come up with large scale development modules which can be marketed to potential investors.