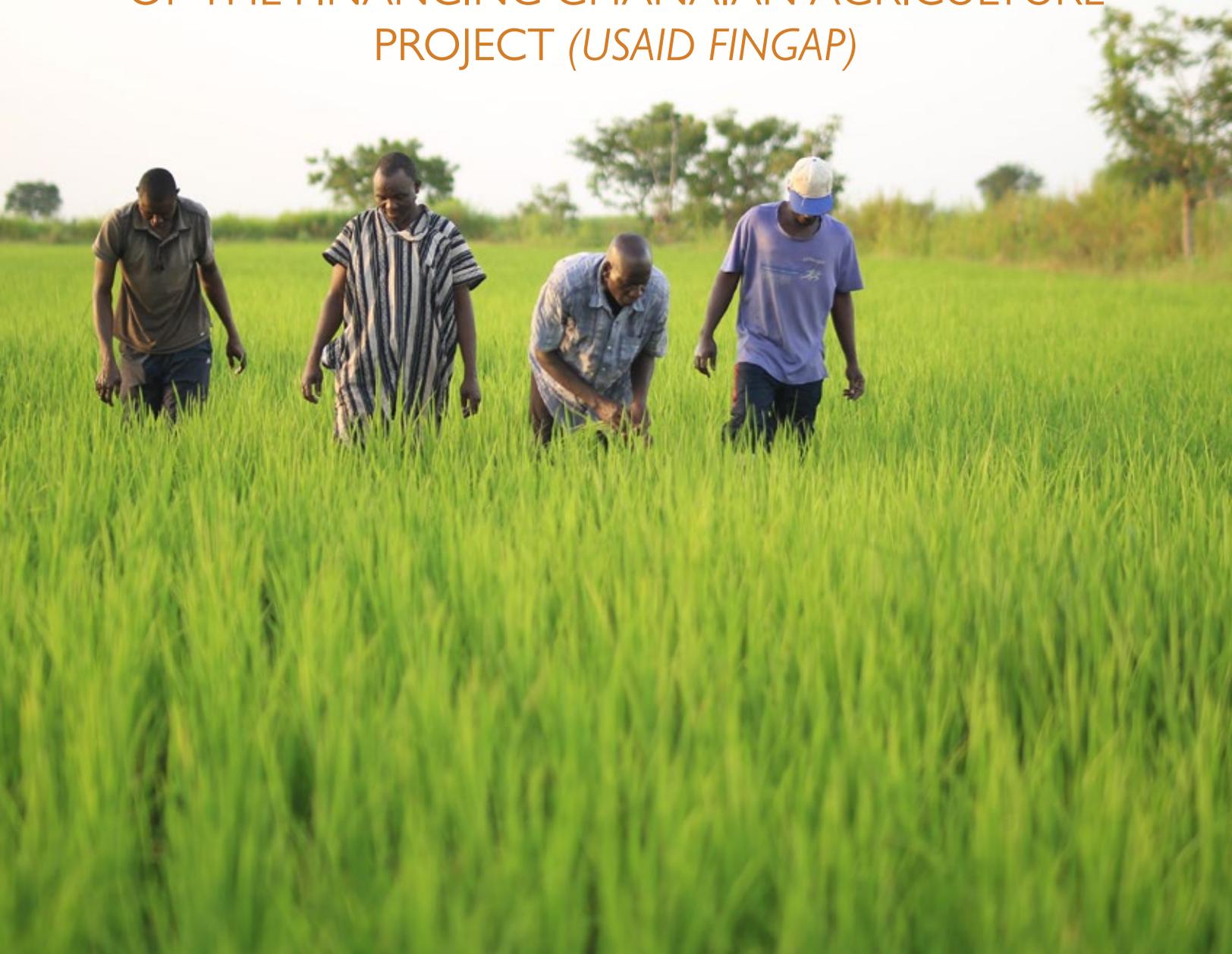




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TRANSFORMING THE MARKET FOR AGRICULTURAL FINANCING IN GHANA: LESSONS LEARNED FROM THE IMPLEMENTATION OF THE FINANCING GHANAIAN AGRICULTURE PROJECT (*USAID FINGAP*)



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JUNE 2018

**TRANSFORMING THE MARKET FOR
AGRICULTURAL FINANCING IN GHANA:
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OF THE FINANCING GHANAIAN AGRICULTURE
PROJECT (USAID FINGAP)**

June 2018

Developed for USAID by Palladium for the USAID FinGAP Project
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I. INTRODUCTION

Expanding agricultural finance at a sufficient scale to significantly improve food security and combat poverty has been an important, yet elusive, goal for development practitioners across the developing world. Numerous policy approaches have been attempted by developing countries, including strategies such as guarantee funds, subsidized lending, forced lending, interest rate caps, or creation of new financial entities. Yet these separate efforts have yielded little impact relative to financing demand. For African countries, estimates of demand for agricultural financing remain anywhere from \$32-\$40 billion with only an estimated \$7 billion currently met.¹

The USAID Financing Ghanaian Agriculture Project (USAID FinGAP) was conceived by USAID as a disruptor project to change the way the agency and developing countries incentivized the financial sector to increase agricultural financing at scale toward the staple food sectors of maize, rice, and soy. USAID Ghana's compliance and technical staff committed to aligning their management approaches to accommodate a non-traditional, highly innovative program using sub-awards in ways that had never been done before.

Palladium (formerly CARANA Corporation) designed USAID FinGAP to be a comprehensive intervention, simultaneously addressing barriers limiting supply and demand for finance and an evolving enabling environment by deploying a range of Pay for Results (PfR) methodologies and intensive technical assistance. The proposal was the first of its kind to be considered by USAID Ghana, encouraging the use of \$5 million of a \$22 million project in the form of "smart subsidies" to motivate behavior change among private sector actors, and sustainably expand high-quality financing, without creating moral hazard. USAID FinGAP was also Ghana's first stand-alone agricultural financing project that required close collaboration among all USAID and Feed the Future-funded programs in the country. While sister projects would tackle issues of value chain development, research, and technology transfer, USAID FinGAP was designed to support project beneficiaries of all USAID implementers access agricultural financing.

Palladium designed the incentive structures employed on USAID FinGAP based on decades of prior experimentation in development finance and using PfR methodologies for USAID to expand finance and investment in multiple sectors in Latin America, Africa, and the Balkans. Specifically, under USAID FinGAP, Palladium:

- Placed 56 business advisory service (BAS) providers on PfR sub-awards to expand the pipeline of applications for financial institutions (FIs) to consider. These BAS providers designed a pipeline of applications for \$330,622,278 in

¹ Financing Agricultural Projects in Africa: New Financing Approaches and Instruments, AfDB Presentation, May 2017.

financing for 544 small, medium including large enterprises (SMiLEs) in the maize, rice, and soy value chains.

- Designed and operationalized a PfR sub-award in which 39 FIs of all sizes participated to stimulate their rapid expansion into agricultural financing. USAID FinGAP paid FIs incentive fees only when pre-determined financing targets designed by the FIs themselves were met. Using this PfR tool, FIs disbursed a total of \$126,438,907 in 3,012 new financing deals to SMiLEs in the maize, rice, and soy sectors between 2013–2018.
- Addressed perceptions of risk among FIs and farmers by making performance-based grants to the Ghana Agricultural Insurance Pool (GAIP) and Eximguaranty to expand risk management services to both FIs and farmers.
- Reduced enabling environment barriers by providing extensive technical assistance to the Government of Ghana's (GoG) capital markets infrastructure, namely the Securities and Exchange Commission (SEC), Ghana's Stock Exchange (GSE), and the Ghana Alternative Stock Exchange (GAX), to expand the sources of financing to SMEs through the capital markets for agricultural and non-agricultural enterprises.
- Addressed limited understanding among FIs and BAS providers of financing agriculture and specifically staple food value chains by delivering group and individual training and technical assistance sessions. This training helped FIs disburse an additional \$13.4 million in financing to agribusiness actors.
- Changed the average percentage of participating FI portfolios invested in agriculture from 6% to 27% over the life of the project.

It was not one of these strategies, but the collective impact of all of them implemented in tandem, supported by an extremely capable team of mostly Ghanaian experts, that led the project to significantly exceed all its performance targets. Unlike other donor projects that claim financing results that cannot be attributed to project support, USAID FinGAP created the relationships with stakeholders and collected the data to prove that all finance reported under USAID FinGAP was mobilized as a result of project support.

After 5 years of implementation, USAID FinGAP spent \$22 million in U.S. Government (USG) resources from USAID, Feed the Future (FtF), and the Partnership for Growth (PFG) Initiative activities as of March 31, 2018, successfully leveraging \$158 million in new private sector and public sector financing to the maize, rice, and soy value chains, of which non-performing loans (NPLs) represent under 5%.² The USAID FinGAP project is widely considered a success, not only due to the number and scale of loans placed, but because it changed the market for agricultural financing in Ghana from one where FIs were reluctant to lend to agribusinesses, to one where FIs are competing for market position in agricultural financing.

² USAID FinGAP surveyed 19 FIs who released 86% of all financing facilitated by the project, as part of a Positive Impact Case Study, "Transforming the market for Agricultural Finance in Ghana". These FIs reported an average NPL rate of 4.8% for their maize, rice, and soy portfolios.

Project success in financing also contributed to some impressive social indicators. USAID FinGAP's support to firms and farms meant fewer vulnerable families in northern Ghana suffered fewer days without eating (from 4.2% in 2013 to 2.9% in 2018); involved SMiLEs employed 85% more workers (from an average of 7.3 workers per firm to 13 workers per firm in 2018); and average smallholder revenues and profits doubled for all supported value chains.

The findings in this lessons learned report are based on information collected through interviews with project stakeholders, document review and other data collection efforts, and describe what USAID, Palladium, GoG, and members of the agriculture sector in Ghana have learned from the experience of implementing USAID FinGAP, so others may replicate its success.



II. ENTICING FINANCIAL INSTITUTIONS TO ENTER INTO AGRIBUSINESS FINANCE

CONTEXT

USAID FinGAP began operations in 2013 with a market assessment among Ghanaian FIs, including microfinance institutions (MFIs), Rural Community Banks (RCBs), Savings and Loans, and commercial FIs, to determine their collective level of interest and commitment to increase agricultural financing. Ghana's RCBs and Non-Bank Financial Institutions (NBFIs) were found to be closer to farming communities, and therefore were lending a higher percentage of their agricultural portfolios to agribusinesses. However, the dominant actors in Ghana's financial landscape were the commercial banks, accounting for more than 87% of all lending, whose attention to the agriculture sector was described by the World Bank as "woefully inadequate." The World Bank also found that even Ghana's Agricultural Development Bank, specifically created to meet the financing needs of the sector, was lending only 29% of its portfolio to agriculture in 2010. USAID FinGAP's assessment found that in addition to limited interest among FI management in moving into agricultural lending, the overarching perception among bankers was that agribusiness finance was risky, costly, and far more challenging than traditional practices of buying treasury bills or investing in government-backed crops such as cocoa.³

WHAT WE DID

USAID timed the intervention well, offering a financial services expansion project to the market precisely at the time many FI management teams were thinking of moving more forcefully into agricultural and small and medium enterprise (SME) finance.

The USAID FinGAP team quickly designed and rolled out a set of PfR incentives implemented concurrently over the course of the project to support FI expansion into agriculture, including:

- Placing 56 BAS providers on performance-based contracts to develop a pipeline of good deals for FI consideration.

² World Bank. (April 2012). *Agribusiness Indicators: Ghana*

- Placing 39 FIs on performance-based grants, which compensated FIs for meeting self-designed expanded financing targets.
- Placing two risk mitigation entities, Eximguaranty and GAIP, on performance-based grants to expand the availability of agricultural insurance to farmers and guarantee coverage to FIs.
- Complementing PFR investments with demand-driven training and technical assistance. A total of 9,209 hours of support was given to 93 FIs and 53 BAS providers over the course of the project. Those actors collectively designed 31 new products for the agriculture market.

“ Because of FinGAP, we achieved in 3 years what it would have taken us 10 years to do on our own.”

Awudu Hayatudeen, General Manager, Builsa Community Bank (Bucobank)

RESULTS

Today, after 5 years of USAID FinGAP implementation, more than a dozen commercial banks are by far the largest financiers (in terms of value) to the maize, rice, and soy value chains among the 52 FIs collaborating with USAID FinGAP. By March 2018, commercial banks had invested \$118 million (of the \$158 million collectively disbursed to 2,846 SMiLEs), and continue to actively compete against each other for agribusiness financing opportunities.

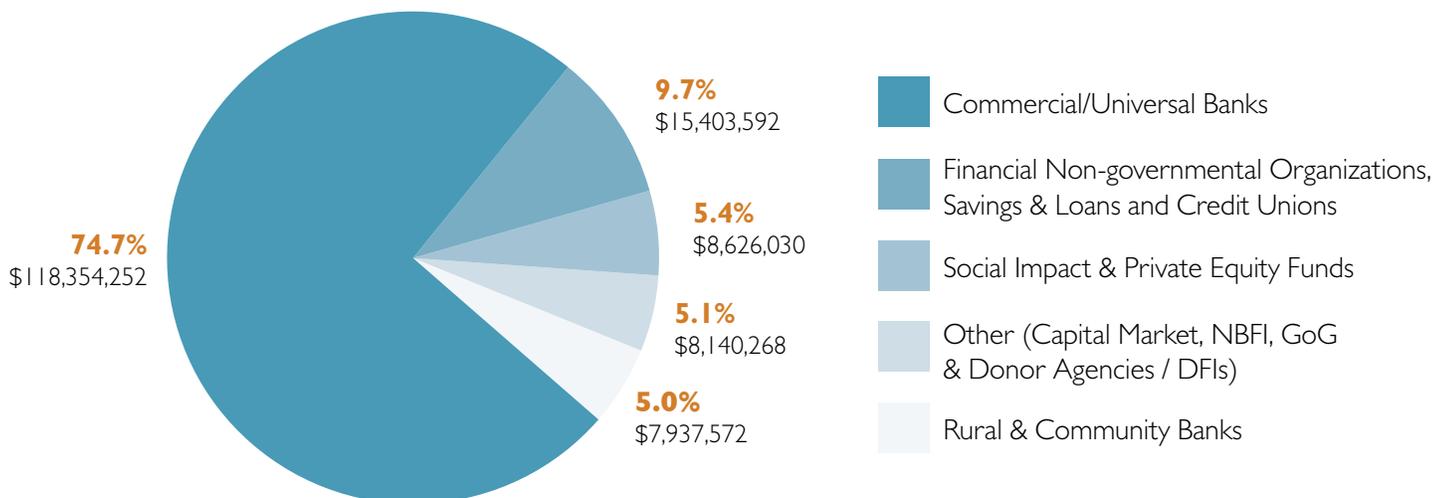
A closer look at the 52 entities financing the maize, rice, and soy value chains supported by USAID FinGAP demonstrates how Barclays Bank took most advantage of the program to secure its place as a “first mover” in the agricultural financing space, and remains the most significant lender to these value chains.

USAID FinGAP pushed participating FIs’ financing to agriculture from 6% of their overall portfolios to 27%. Today, setting up an agriculture desk in a commercial bank is common practice, as is commercial banks lending more to RCBs so they can on-lend to agribusinesses in their communities.

Sinapi Aba Savings and Loan (which had a Development Credit Guarantee from USAID) nearly quadrupled the size of agriculture as a percentage of its overall loan portfolio, from 9.77% to 35.13% in 2013–2018; likewise the size of its agricultural loan portfolio, from an estimated \$627,802 to \$2,466,367.¹

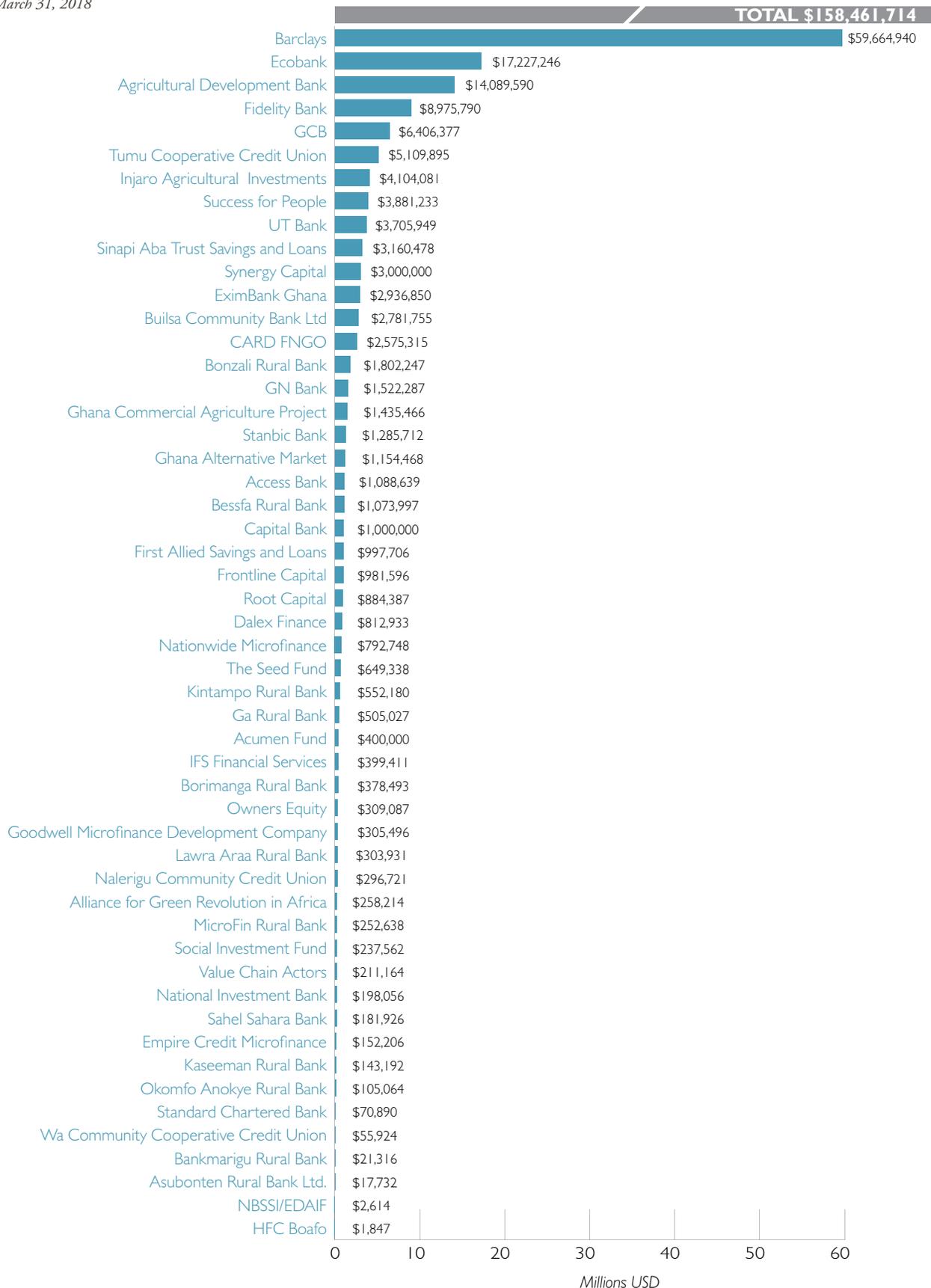
¹ Dollar estimates at April 2018 exchange rates (4.46 = 1 USD).

USAID FinGAP Financing by Type of Financial Institution



Amounts Financed by Participating FIs

As of March 31, 2018



LESSONS LEARNED

- Not all FIs responded equally to the USAID FinGAP PfR incentives. Many decided simply not to engage with the program. Of the top 15 FIs that were interviewed and ranked by USAID FinGAP at the beginning of the program to be the “best bets” for FI partners, 6 never released any financing to the maize, rice, and soy VCs in collaboration with USAID FinGAP.
- Interestingly, grants to FIs were not considered the most motivating factor contributing to program success. Per interviews and surveys among FIs that engaged with the program, the aspects they valued most and that contributed to their success (in order of importance) included:
 - Receiving training and TA on all aspects of agricultural financing to the maize, rice, and soy value chains, including value chain finance, agriculture desk set-up, product development, credit analysis, risk management, partnership development, post-financing monitoring, and to help FIs justify agriculture internally as an area of focus
 - Participating in networking events and agriculture summits to identify new clients
 - Accessing flexible grant funds to help FIs expand services into new market segments
 - Receiving high-quality technical support from the USAID FinGAP team “on call 24/7”
 - Recognizing the presence of BAS providers that identified new clients for FIs and lowered their transaction costs by preparing high-quality loan applications.
- FIs interviewed report that the structure of USAID FinGAP was also critical to its success. While many donor and government programs had supported different aspects of the program in the past (e.g., training, risk mitigation, pipeline development support) no program before had been as large, comprehensive, or successful as USAID FinGAP.
- The range of impact on the FIs was also different based on the type of FI. Although the largest percentage of the total value of loans to agribusiness SMiLEs was made by commercial banks, RCBs reported higher increases in the percentages of their portfolios geared toward agribusiness, and attended more clients; RCBs attended 59% of the 2,846 supported agribusinesses under USAID FinGAP.
- The quality of USAID FinGAP loans was considered better than loans for the financial sector as a whole. An informal study conducted by USAID FinGAP among partner FIs showed that NPLs among USAID FinGAP-supported loans was under 5%, compared to 22.7% for the banking sector as a whole, reported by Ghana’s Central Bank.⁴

“ Barclays is now the largest agricultural lender in Ghana...we love the bragging rights! This success is entirely attributable to FinGAP.”

Andrew Ahiaku, Barclays Bank

⁴ Bank of Ghana. (January 2018). *Banking Sector Report*.





III. CREATING A MARKET FOR AGRIBUSINESS TECHNICAL ASSISTANCE

CONTEXT

The agribusiness finance sector faces a similar conundrum globally—demand for agribusiness finance grossly outstrips supply, while FIs insist there are no “good deals” coming across their desks. Palladium identified the lack of high-quality consulting services (financial, technical, business performance) for the agribusiness sector as a principal market failure contributing to the gap in agribusiness financing in Ghana. The cost of pipeline development among FIs and investors is high, so the challenge for USAID FinGAP was designing a model of financial transaction assistance capable of identifying and packaging enough big agribusiness deals to be presented to FIs at a reasonable cost, and that could be sustained without future donor support.

Palladium assessed the BAS market in 2013 and found that a large group of local BAS providers existed in Ghana prior to initiation of USAID FinGAP, which were providing a wide range of financial, management, and other consulting services of varying quality. The few BAS providers that were focused on the agriculture sector were compensated mainly through government, donors, or donor-funded projects; of these, few were focused on facilitating commercial finance for agribusiness SMEs. The market for services geared toward the agriculture sector was described as small, donor-led, and offering services of limited quality.

Ghana has a long history of building the capacity of local business services networks through significant training and technical assistance, supported by the GoG, World Bank, and a smattering of bilateral donors, including USAID. However, despite this heavy investment in training, few BAS providers were successful in facilitating financing for their SME or agribusiness clients, the principal barrier listed by companies in initial program assessments as limiting their business growth.

WHAT WE DID

The USAID FinGAP team competitively selected 56 consultants and consulting firms and placed them on PfR subcontracts. These consultants then offered services to firms seeking financing in the agribusiness sector, specifically in the maize, rice, and soy value chains. Through this process, a number of BAS

providers entered into financial transaction assistance and began charging their customers fees for the first time.

USAID FinGAP therefore introduced a different model that focused less on training or certification of local consultants and more on re-aligning incentives to support expanded financing. BAS providers were paid mainly upon success in facilitating financing for their agribusiness clients, and training provided was based on demand for capacity building identified by the BAS providers themselves, and not mandatory. The USAID FinGAP team provided selection criteria for deals, and identified a small set of marquee agribusiness deals to start the BAS providers on the right track in terms of pipeline development.

Once USAID FinGAP established the BAS provider network, in subsequent years the project team played the role of facilitator and honest broker between SMiLEs, BAS providers, and FIs, asking the players to come to mutual agreements and intervening only when requested. The project team created a competitive environment among BAS providers, ranking them based on successful performance and sharing the rankings publicly, and providing awards each year to the most successful BAS providers at annual agribusiness investment summits.



BAS provider Sam Atiemo (second from right) of Tradeline Consult visits a farm with Joshua Toatoba of SAVBAN, a SMiLE assisted to access financing for aggregation of crops from smallholder farmers.



BAS provider Sam Atiemo (middle) with smallholder farmers producing rice for SAVBAN, a SMiLE assisted to access financing for aggregation of maize, rice and soy for processors.

RESULTS

BAS providers collectively identified a pipeline of 562 deals valued at \$330,662,278, and ultimately were responsible for closing 271 transactions for 257 SMiLE agribusinesses valued at \$42.8 million by the end of March 2018.

The value of closed deals is just one metric used by BAS providers to measure the benefit that USAID FinGAP brought them. The USAID FinGAP team interviewed BAS providers to determine which aspects of the program brought

“ The presence of BAS providers has helped, as they work with the nucleus farmers to prepare documents to get them in shape so the bank can more easily process their loan application, therefore speeding up the loan processing time.”

Isaac Okyere Darko, Sinapa Aba Savings and Loans Co., Ltd

them the most benefits. The most appreciated aspects are listed below in order of importance:

1. Changing the way they did business. BAS providers are now billing differently, they have opened new offices in agricultural production areas, they have hired new staff, and they clearly see the agriculture sector as a source of commercial consulting revenue. USAID FinGAP helped BAS providers create new tools and products to specifically market to agribusiness clients, and brought focus to their expanded financial transaction work with local FIs.
2. Receiving referrals and heightened exposure in the agribusiness world brought increases in their client base, specifically among agricultural clients.
3. Obtaining access to networks and networking events, such as the annual Agribusiness Investment Summit.
4. Participating in training and capacity-building opportunities enabled them to become experts in agribusiness and financing.
5. Expanding work in agribusiness brought growth in profits from consulting services.
6. Lowering their costs of a new service provision model through receiving payment through the PFR model.
7. Improving their relationships with FIs.

Encouraging BAS providers to incubate partnerships was a key strategy to ensure smallholders would benefit from the financing mobilized under USAID FinGAP. Each of the aspects listed above, in addition to USAID FinGAP’s training on structuring public-private partnerships (PPPs), empowered ambitious BAS providers to recognize market opportunities to triangulate the needs of strategic investors, producers, and sources of finance. Over the course of the project, USAID FinGAP assisted in the creation of 40 PPPs, most of which were championed by BAS providers in USAID FinGAP’s network. These partnerships collectively unlocked financing for thousands of actors in northern Ghana and provided them with stable markets and a continuous supply of raw materials for processing.

The knowledge and experience gained with USAID FinGAP not only familiarized BAS providers with agribusiness, but it encouraged several BAS providers to invest their own resources in related ventures. One BAS provider began a rice processing facility in northern Ghana, and another became an equity investor in a rice project after providing technical assistance to a rice association. A third BAS provider is raising a small fund to provide growth capital for start-up businesses.

In the project’s final year, a group of BAS providers decided they wanted to keep the BAS network going after project closure and, with USAID FinGAP assistance, started the Business Advisory Service Providers Association of Ghana (BASPAG) as a way to do joint marketing among new clients, continue skill building, and ensure high-quality service provision to the agriculture sector. BSPAG has 23 paid members and counting at the time of this report, and has widened its target sectors to assist with overall SME financing, for agriculture and non-agriculture clients.

BAS Provider Applies Partnership-Building Skills from USAID FinGAP

MEL Consulting Ltd., a female-led BAS provider in USAID FinGAP's network, successfully applied the project's "triangulation" method (linking farmers, buyers and a FI) to develop a partnership between actors in the rice value chain. MEL helped 20 farmer-based organizations form a rice farmers' cooperative association called Shinkaafa Buni to supply rice to a processor with an underutilized mill, and connected them with two financing partners. As a result of technical assistance, agronomic support, and financial inputs received through the partnership, 1,000+ farmers more than doubled their yields from an average of 1.85 tons/ha to 4.45 tons/ha, and supplied 8,000 tons of paddy during the 2017 farming season.

LESSONS LEARNED

Our experience supporting BAS providers to enter agriculture more intentionally leads us to the following conclusions:

- USAID FinGAP successfully improved the range and quality of BAS for agricultural firms as intended. The program also increased the number of clients and profitability of the BAS providers. After 5 years of support, USAID FinGAP ultimately shaped a new cadre of professionals who are more capable of serving agribusiness SMiLEs on a commercial basis, without future donor support.
- BAS providers supported by USAID FinGAP successfully entered the agribusiness sector as a commercial venture, and most are committed to staying following the program's end.
- BAS providers facilitated \$48.2 million in financial transactions for more than 257 firms at a cost of \$1,995,776 in incentive resources (performance-based fee payments). While using similar amounts of incentive resources (\$2,696,971), FIs completed \$126,438,907 in financial transactions to 2,767 firms. This finding makes one question the primacy of insufficient pipeline development and transaction assistance as the principal barrier to firms accessing expanded agricultural finance. It also brings into question why most of the emerging USAID programs supporting expanded finance rely almost exclusively on facilitating demand for financing (transaction assistance) and less on incentivizing supply of financing via PFR grants to FIs⁵.
- The future market for BAS is most clear for those BAS providers supporting downstream clients in these supply chains, closer to processing and farther from agricultural production. BAS providers seeking fees from SMiLEs that have financing needs above \$200,000 are confident they can bill these companies

⁵ All figures used in this report are as of March 31, 2018.

“ USAID FinGAP has put us on a pedestal that did not exist before. Since 2015, value for my business increased more than it had over the past 9 years combined.”

*Solomon Bondzi Quaye,
Solutions Consulting Group*

for future services. What remains in question is which actor will pay for BAS for upstream clients, seeking smaller loans. If these fees were assumed by banks, the cost would just be passed on to clients, increasing the already frighteningly high interest rates (hovering around 40%) that upstream agribusiness clients currently pay to access credit, which are higher than those paid by larger enterprises. This dynamic calls into question the long-term sustainability of the BAS model for the smallest and most vulnerable agribusiness actors.

- Over the course of the project, BAS providers were trained at quarterly networking meetings on subjects including value chain financing, partnership and product development, gender and financial inclusion, risk mitigation in agribusiness finance, and capital markets and alternative financing sources for SMiLEs. While these trainings were greatly appreciated on the whole by all BAS providers, many said they valued the networking aspect of the quarterly meetings more, and they could have used even more tailored training and capacity building to meet their specific needs. In other words, institution-specific trainings by demand, rather than group trainings each quarter, could have been even more effective in building their business capacity.
- Because fees for services rendered to SMiLEs by BAS providers were mostly paid for by USAID, and the amount of fees was not mandated by the program, the culture of SMiLEs paying full commercial rates for business consulting services remains weak, a concern among BAS providers serving upstream SMiLEs. USAID FinGAP could have considered mandating cost-share of fees from beneficiary SMiLEs to build the expectation among firms that business services come at a cost, and therefore must be shared by recipient firms.
- All BAS providers agree there is room in the agribusiness service market for actors with more expertise in complex deals involving equity, stock exchange listing, and pension fund involvement. However, the question remains on how to create this capacity locally in a way that can be sustained without long-term subsidy from donors or governments.

SYMBOL	CLOSING PRICE	OFFER VOLUME	OFFER PRICE	BID PRICE
PKL	0.05	0	0	0.42
PZC	0.42	0	0	0
SAMBA	0.65	5840	1.18	35.13
SCB	35.13	500	0.41	1
SCBPREF	1.18	3000	2.12	0.41
SIC	0.4	200	0.02	2.18
SOGEGH	2.13	578400	0.05	0.01
SPL	0.02	1800	0.3	0
SWL	0.05	300	17.14	0
TBL	0.3	100	6	5.5
TLW	17.14	600	0	0
TOTAL	6	0	0	16.9
TRANSOL	0.03	0	0	0
UNEL	16.9	0	0	0

TOP PRICE GAINERS			TOP PRICE LOSERS		
Symbol	Price (SHT)	Change (%)	Symbol	Price (SHT)	Change (%)
SOGEGH	2.13	0.01 ↑	GOIL	4.9	-0.008 ↓
ETI	0.22	0.008 ↑	ALW	0.08	-0.001 ↓
GGBL	2.56	0.008 ↑			
CAL	1.97	0.003 ↑			

EQURT 6.94, 0.0	ETI 0.22, 0.01 ↑	FML 17.80, 0.0	GCB 4.30, 0.0	GGBL 2.55, 0.0	GLD 38.80, 0.0	GOBL 4.91, 0.0
0	0	0	0	100	0	50



IV. MOBILIZING CAPITAL MARKETS TOWARD AGRIBUSINESS INVESTMENT

CONTEXT

Programs to expand development finance are required in developing country contexts due to market failure in service provision from the financial industry, and when capital markets are underdeveloped. USAID FinGAP was designed by USAID to address the market failure posed by Ghana's financial sector not adequately serving one of its country's largest economic sectors (agriculture) while concurrently improving the broader enabling environment for SME growth through Ghana's participation in the Partnership for Growth (PFG) Initiative.

FinGAP was financed by Feed the Future, USAID, and USG's PFG, a bilateral initiative designed by the White House to help developing countries sustain and broaden their economic growth by addressing key constraints that inhibit private sector development and participation in the economy. The constraints called out in the GoG and USG developed Joint Country Action Plan (JCAP) included unreliable and inadequate supply of electric power and lack of access to credit.

Under PFG, USAID FinGAP was meant to help the GoG implement the JCAP to address policy constraints restricting Ghana's economic growth, specifically supporting actions to further the third and fifth sub-goals of the plan:

- Develop financial sector infrastructure
- Encourage development finance and support SME access to finance

Technical assistance provided under PFG was also meant to support USAID FinGAP's broader technical objective to build the capacity of the financial sector to expand financing to agribusinesses via new products that best serve their needs, and to the rice, maize, and soy value chains in particular.

WHAT WE DID

Eighteen percent of USAID FinGAP's budget was financed with PFG resources, which allowed Ghana to make considerable progress under JCAP. Over the course of the project, and through open dialogue between USAID, GoG, and project

BID VOLUME	LAST PRICE	PRICE
0	0.05	
0	0.42	
14900	0.65	
0	35	
50	1.18	
500	0.41	
3000	2.18	0.0
700	0.02	
800000	0.05	
0	0.3	
300	17.14	
0	6	
3000	0.03	
0	16.9	
22800		

VOLUME LEADERS			
Symbol	Price	Change	Volume
ETT	0.22	0.008	24600
ALW	0.08	-0.001	21000
BOPP	7.19	0	12000
CAL	1.97	0.003	1300
GOIL	4.9	-0.008	770

representatives, the USAID FinGAP team designed a suite of activities to support the PFG Action Plan, including:

Technical assistance to the GoG’s JCAP Credit Team to evaluate their progress against the Access to Credit First Year Work Plan, develop a scorecard to share at a future meeting, and shape the GoG’s message at future bilateral PFG meetings in 2014.

Technical assistance to the GoG to develop a strategy and work plan for a comprehensive and integrated system to support Ghanaian SMEs modeled after the U.S. Small Business Administration (SBA).

Technical assistance to the SEC to strengthen its capacity for surveillance, regulation, and enforcement, as well as compliance with the newly introduced Securities Industry Law. In addition to providing training on how to inspect the Ghana Stock Exchange (GSE), Central Securities Depository (CSD), and brokerage firms, USAID FinGAP helped the SEC draft or analyze 76 administrative procedures. Perhaps most important, it propelled advancement and modernization of the SEC’s risk-based surveillance, first helping to draft the Risk-Based Supervisory Manual and later introducing electronic risk-based supervision to streamline paperwork and improve the efficiency of the regulatory system—the impact of which applies beyond agribusiness and to all of Ghana’s capital markets.

Technical assistance to the GAX. The GSE introduced the GAX in 2013 to target SMEs looking to raise debt or equity, and to remove some of the challenges SMEs faced when attempting to list securities. At the start of USAID FinGAP, however, the GAX had existed for several months, and had yet to list any SMEs⁶. By the end of USAID FinGAP, five firms listed securities on the GAX, one of which was a SMiLE agribusiness supported by a BAS provider in USAID FinGAP’s network.

To support SMEs to list securities on the GAX, USAID FinGAP convened stakeholders—the National Pensions Regulatory Authority (NPRA), Ministry of Finance, stock brokers, listed companies, and potential companies for listing—to discuss issues and devise solutions. At the time, the GSE did not recognize proactive marketing to attract SMEs to list securities on the GAX as its responsibility. The USAID FinGAP team convinced the GSE to develop a strategic marketing plan to market the nascent GAX to SMEs, establish the GAX as a separate marketplace, and reallocate resources toward this effort. USAID FinGAP circulated listing criteria describing companies the GSE thought should list on the GAX among SMEs and broker dealers. The criteria were subsequently published on the GSE’s website and publicized through a series of “roadshows” that USAID FinGAP and the GSE jointly conducted to raise awareness and visibility of the GAX and entice SMiLE agribusinesses to list securities. Capacity building and technical assistance continued throughout all 5 years of USAID FinGAP, culminating in joint development of a 3-year strategic plan for the GAX

“ The future is bright for capital markets. FinGAP contributed to that road, silently supplying education and strategic development...FinGAP contributed to what is happening now, and soon we will see a lot more [activity] as a result.”

*Ekow Afedzie, Deputy
Managing Director, GSE*

⁶ The first SME successfully listed securities on the GAX 16 months after the GSE introduced the GAX in May 2013.

in USAID FinGAP’s final year. USAID FinGAP also encouraged and facilitated collaboration between the GSE and CSD, and they signed a memorandum of understanding (MOU) to continue collaboration, especially related to IT training and implementation.

Working in tandem to bolster the institutional marketing of the GAX, USAID FinGAP sparked interest among SMiLEs to consider listing, sought out BAS providers with experience listing firms for equity/debt, familiarized them with the needs of agribusinesses, and extended training to other network BAS providers on listing SMiLEs. Over time, USAID FinGAP was able to generate significant interest on the supply side, with over 50 SMiLEs expressing interest in listing securities on the GAX. USAID FinGAP has profiled those most ready to list, connected them with BAS providers, and supported creation of a database of interested SMiLEs for the GAX to continue tracking and connecting with investment advisors.

Training and technical assistance to SMEs to consider equity investment in addition to debt. On the demand side, USAID FinGAP did significant legwork with BAS providers and SMiLEs to change the conversation around agribusiness investments from only debt to one that included debt, equity, and other forms of investment. The project incentivized BAS providers to encourage SMEs to list securities on the GAX by becoming brokers, and had a licensed broker train BAS providers on the benefits of equity investing, how to structure an equity investment deal, and concurrently ran a series of promotional activities to pique the interest of institutional investors (including pension funds) to raise their risk appetite, diversify their portfolios beyond T-bills, and increase trading. This effort resulted in the first-ever involvement of a pension fund in an agribusiness investment—a \$90 million line of credit for cocoa exporting firm Produce Buying



Harold Otabil and Sydney Casely-Hayford ring the bell to signify listing HORDS on GAX



Joyce Boakye, Head of Listing Department, GSE presents ops of GAX to RCBs at mini summit in Tamale

Company (PBC)⁷—opening a door to significant volumes of capital that had been difficult for the private sector to tap.

Conducting a study for the GoG on the demand and supply sides for capital market instruments and a feasibility study of infrastructure bond issuances in Ghana.

To provide the above technical assistance, USAID FinGAP employed a roster of trusted and seasoned advisors, Ghanaian and international, with niche expertise to provide high-quality and tailored technical assistance to the capital market institutions of Ghana. These short-term advisors formed an important part of the USAID FinGAP team, and their assignments, which stretched across organizational development, human resources, IT, and other topics related to capital market development, were sometimes multi-year or multi-stage given the length of time required to achieve policy and institutional behavior change.

RESULTS

Over the project life, USAID FinGAP closed over \$7 million in equity investment deals and mobilized \$91.1 million in alternate financing from the capital markets for two SMiLEs: \$1.1 million for HORDS Ltd. (equity) and a \$90 million line of credit for PBC (debt).

USAID FinGAP, using PFG resources, improved development of Ghana’s capital markets, specifically by boosting the capacity of relevant institutions, generating dialogue on both the demand and supply sides, and facilitating listings of SMiLE agribusinesses and other non-agricultural SMEs on the GAX and on the Ghana Fixed Income Market. Though arguably less visible than the value of agribusiness loans facilitated under USAID FinGAP, the support provided under PFG for capital markets development was no less significant in terms of transformational impact—through technical assistance and a multi-pronged approach, USAID FinGAP helped build a solid foundation from which Ghanaian capital markets can continue to grow and flourish.

LESSONS LEARNED

1. Barriers remain to listing SMEs’ securities on the GAX. Even with modifications to the process, BAS providers found it challenging to help SMiLEs list. On the demand side, the process is still considered so onerous that a few owners chose to let their businesses fail rather than invest the time and energy into listing securities. Poor accounting and financial management of SMiLEs remains a common problem, and many SMiLEs desire to list but

⁷ This \$90 million line of credit is in addition to the \$158 million total of financing facilitated for staple food value chains, as cocoa is not considered a staple food. This means USAID FinGAP actually facilitated more than \$248 million in financing and investment in Ghana’s agriculture sector over the project life.

“ The PBC listing was a phenomenal transaction in terms of being relevant to an agribusiness. The way the financing is structured in the cocoa industry requires buyers to arrange financing with the banks every 4 months. The Note Program provides a stable line of financing. It is cheaper, less cumbersome, and efficient. With falling interest rates, PBC can call back the facility in 9 months to retire the investment and revise the terms. PBC does not need to renew their credit lines with the banks.”

Armah Akotey, Databank’s
Head of Brokerage

are unwilling to disclose earnings for fear of tax implications. On the enabling environment side, there is more to be done to boost education related to capital markets. Less than a dozen BAS providers are fully qualified to list SMiLEs' securities on the GAX, and listings are too few to foster healthy trading. Last, and an issue that will require additional attention in the absence of USAID FinGAP, is that funders are not ready or financially capable to underwrite deals for SMEs interested in listing on the GAX. The minimum offer must be fully underwritten (usually by 20%) to ensure a successful initial public offering (IPO), but potential underwriters remain uninterested in taking long-term positions. The SEC's recent push to create issuing houses that can sponsor companies desiring to list could alleviate this last barrier and serve as a useful future step in Ghana's capital markets development.

2. As with all types of policy development, Ghana's political cycle impacted the speed of progress. Recommendations on creating the SME infrastructure that emanated from the study supported by USAID FinGAP in 2014 made it to the President's cabinet, but stayed there during a period of presidential transition, and are now reportedly with the Ministry of Trade, where "low hanging fruit" recommendations are being implemented. A push to make Ghana into a hub for financial services and agricultural credit began in 2008 under one government that went out of power in 2009, but is now back in and returning to this agenda.
3. USAID FinGAP changed the conversation in Ghana for SMEs from solely debt financing to alternative financing options, facilitating \$7.7 million in equity over the life of the project among Ghana's SMEs, and obtaining pension fund involvement for the first time in an agribusiness investment on the capital markets. Saddling SMiLEs with high-interest debt is not always the best option to stimulate business growth, and USAID FinGAP stakeholders helped expand the local BAS market to consider impact investment and equity or debt raised through capital markets as a viable option for SME clients.



V. USING PAY FOR RESULTS METHODOLOGIES TO DRIVE IMPACT

CONTEXT

“Pay for results” is an umbrella term for initiatives that pay implementers upon accomplishment of results rather than mere efforts to accomplish them. While PFR is not new (it is commonly used in the private sector) there is growing interest among USAID, governments, and other donors to apply it to accomplish development outcomes, especially given the increasing need to do “more with less”. While a number of USAID programs globally have used PFR on development contracts and to support the growth of transaction assistance and business services, applying it to USAID’s work with FIs and paying them upon success in expanding their financing to key sectors had never been done before in Ghana. USAID FinGAP proves beyond a doubt that placing FIs on PFR can be a powerful tool to rapidly expand development finance to underserved sectors, yet many within the donor community still question this methodology.

WHAT WE DID

Palladium designed a suite of “smart incentives” for USAID FinGAP based on more than 15 years of experience applying PFR in competitiveness, SME development, regional economic development, and export development programs for USAID in Latin America, Europe, and West Africa to address limited agricultural finance on both the demand and supply sides.

On the demand side, USAID FinGAP competitively selected and placed 56 Ghanaian BAS providers on performance-based contracts to identify, develop, and close financial transactions on behalf of SMiLEs in the maize, rice, and soy value chains. On the supply side, Palladium designed a new grant mechanism, ultimately placing 39 private Ghanaian FIs (savings and loans, MFIs, commercial banks, RCBs, impact investors, and other NBFIs) on performance-based grants, compensating FIs as they met pre-determined financing targets to the target SMiLEs within the value chains.

Palladium’s design of PFR rewarded “first-mover” FIs and BAS providers, and penalized those that did not make quick use of USAID sub-award resources. USAID FinGAP’s team complemented these two principal PFR strategies by placing two other supply-side entities on PFR grant agreements: GAIP, to expand use of agricultural insurance, and Eximguaranty, then a private guarantee fund,



to guarantee bank loan portfolios to reduce FI risk in expanding lending to underserved sectors of the economy.

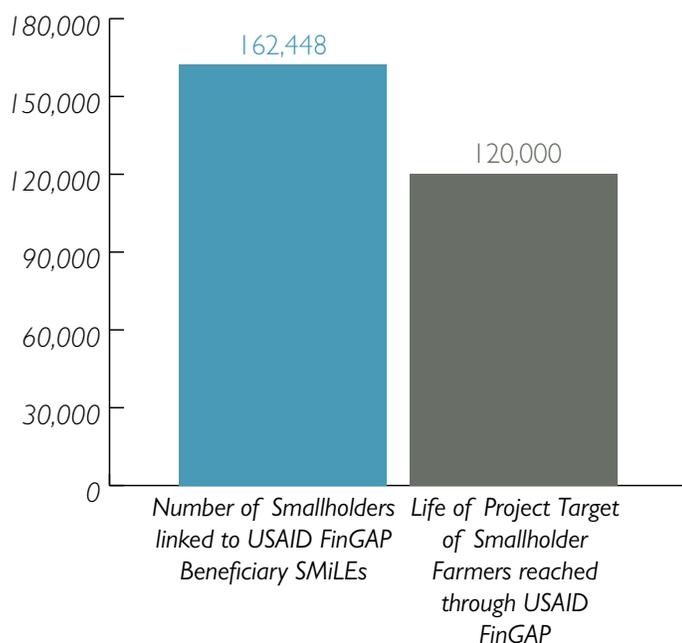
RESULTS

Of the three types of PfR tools used (one on the demand side and two on the supply side), the most effective at expanding financing quickly to the maize, rice, and soy sectors was the performance-based grant to FIs. Second in effectiveness was the performance-based contract for BAS providers to develop a pipeline of deals and to close them. The least effective incentive was the PfR grants to risk-mitigation entities, which were hardly used. In terms of impact of these PfR tools, about half of all financing deals closed involved 151 medium-sized companies (\$81 million), followed by \$47.9 million in financing to 2,670 small-sized enterprises. Twenty-five large companies also benefitted from USAID FinGAP, with \$29 million in financing deals closed. Most financing went toward actors in the maize value chain (\$67 million), followed by soy (\$58 million), and rice (\$33 million). Forty percent of all financing facilitated under the program was directed toward female-led enterprises.

“ Mainly FinGAP has generated more competition in the agribusiness lending field, which has motivated us more...management is now totally bought into agribusiness whether there is a grant or not.”

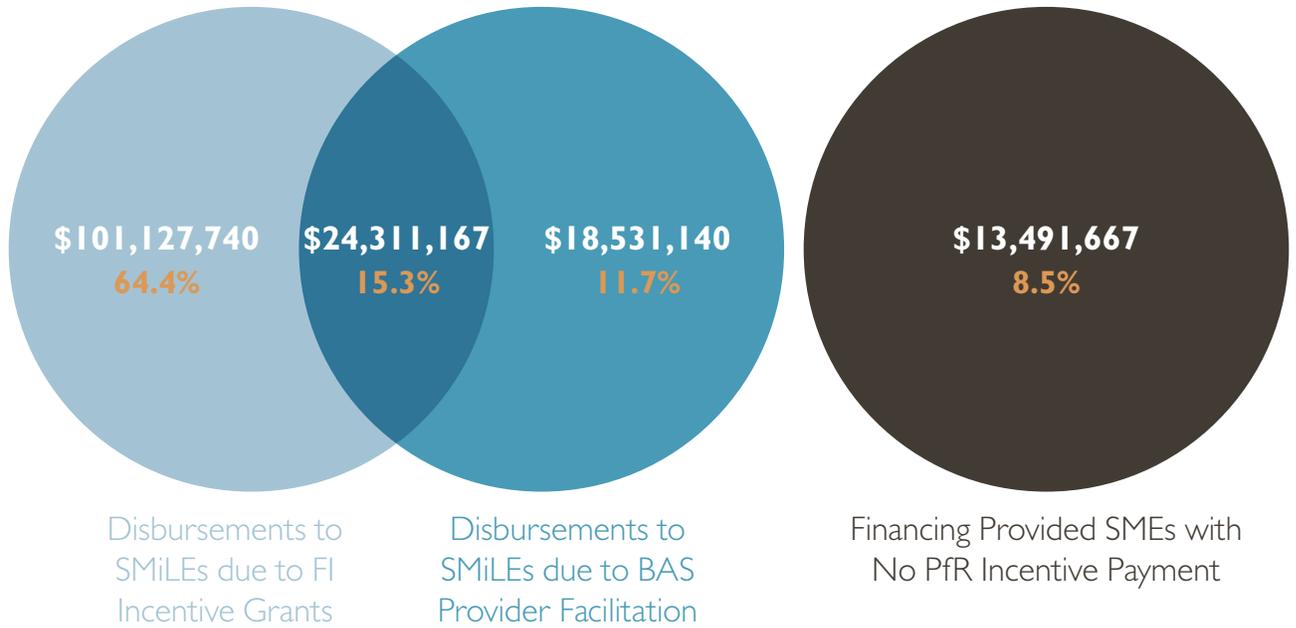
James Oraca Tetteh, Manager of Strategic Partnerships at Fidelity Bank

Number of Smallholder Farmers Reached by USAID FinGAP

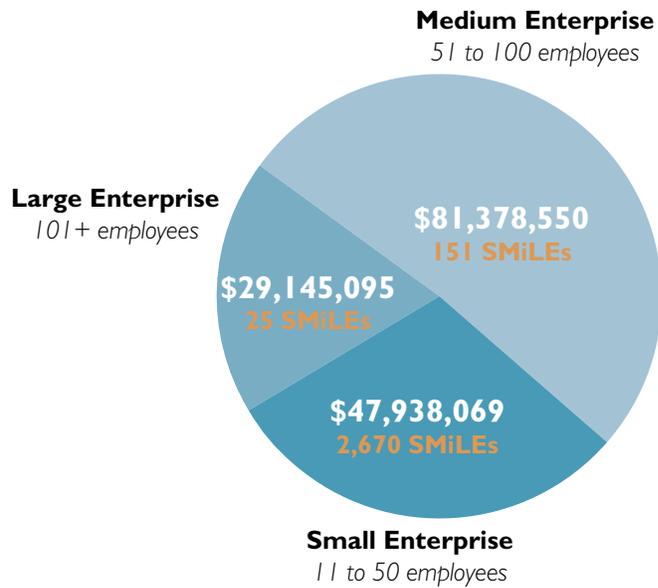


Prior to USAID FinGAP, the Tumu Cooperative Credit Union’s NPL rate was 27%. After working with USAID FinGAP and focusing lending on agriculture, it is 2.7%. Kintampo Rural Bank had 50% repayment of its loan portfolio prior to USAID FinGAP; now repayment is at 93%, deposits have increased by 20%, and the bank’s agricultural portfolio has grown by 95%.

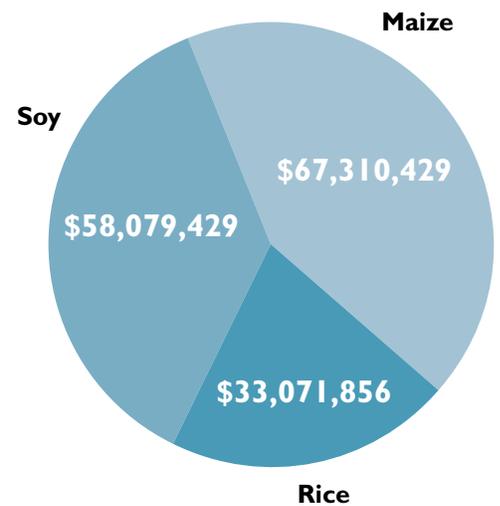
Breakdown of USAID FinGAP Financing Facilitated as a result of Each PFR Grant/Subsidy



Financing to SMiLES Based on Company Size



Financing Facilitated by Value Chain (\$)



There are several reasons behind these results. FIs interviewed for this study believe the performance-based grants served as a flexible instrument that did not mandate “the how”; rather, it gave FIs the breathing room to make changes deemed necessary internally to expand their financing portfolios into new economic sectors and geographies, and helped mitigate both the risk and cost associated with rapid expansion. Now that the FIs have learned how to successfully finance the target sectors, they report little need for continued subsidy. In fact, none of the FIs interviewed asked for more FI grant resources, demonstrating that the perceived moral hazard of this PfR strategy is actually quite limited.

LESSONS LEARNED

Although the results achieved by using PfR to expand agricultural finance in Ghana were surprising to all involved, the USAID FinGAP experience confirms that well-designed incentives using PfR methodologies can quickly mobilize development finance at scale, and in sustainable ways. In addition to traditional strategies to expand development finance to new sectors, target populations, and geographies (e.g., leveraging guarantees, pipeline development, transaction assistance, bank training) future program designers should consider incentives to FIs via PfR methods if they are interested in achieving rapid financing results at scale. In addition, implementation of the program found:

- Initial worries about moral hazard in implementing a PfR program for FIs were misplaced; none of the participating FIs interviewed desire future incentive grants to continue financing agriculture. All FIs interviewed save one will continue with agribusiness financing after USAID FinGAP closure. In the words of one bank representative, “Agribusiness lending is here to stay.”
- The flexibility of the PfR grant instrument to FIs allowed the FIs themselves to decide what actions they needed to take to reduce transaction costs and mitigate risks to expand their financing portfolios (e.g., creating an agriculture desk, focusing more on monitoring, putting in place new risk management systems, creating new loan products) rather than having this dictated to them by a donor or non-bank employees. FIs innovated based on their own growth plans and at their own trajectories, leading to their development of dozens of new products and new practices to improve both lending and financial performance.
- The design of the PfR instruments on both the supply and demand sides helped first-mover BAS providers and FIs succeed by accessing more project resources, while those lagging in performance had their sub-award budgets cut and resources re-allocated, allowing for more efficient and effective use of USAID resources among successful implementers.
- Speed in loan placement due to use of PfR to incentivize financing did not negatively affect loan quality. In fact, NPLs among transactions generated

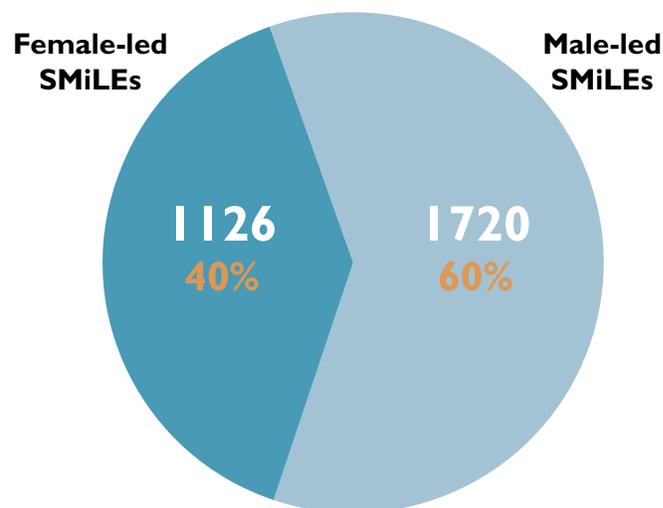
“ The [FI] grant was...more like a pat on the back. The benefit to the bank from USAID FinGAP was much more about expanding our business in the long run, taking the step to understand the right way to do agribusiness financing.”

*Patrick Mortey of Ghana
Commercial Bank*

through USAID FinGAP are reported to be 4.8%, while the average NPL reported by participating FIs was reported as 15% at the end of 2017.

- Both FIs and SMiLEs believe the BAS they received were invaluable to their business expansion. BAS providers facilitated \$42 million in deals principally to the small and medium actors of the supply chains, ultimately helping 257 enterprises to access financing, of which 20% were female-led. Had Palladium only focused PFR incentives on the demand/transaction side, and exclusively on deals valued at \$200,000 as originally desired, BAS providers through this one PFR incentive could have conceivably met the original target of \$75 million in financing to the target value chains over the 5 years of project life. In other words, focusing PFR incentives on the demand side alone can be effective in mobilizing finance, but the strategy takes longer, and scale in results is more limited than if PFR is applied on both the supply and demand sides.
- Focusing exclusively on facilitating higher deal sizes effectively excludes direct support to female entrepreneurs. A gender impact study conducted by Palladium in 2014 found that most women in the maize, rice, and soy value chains are located upstream in the supply chains. A shift in strategy to allow BAS providers to bundle loans for FI consideration lowered the average deal size facilitated by USAID FinGAP to \$55,679 by March 2018. However, it greatly expanded the number of women-led enterprises directly supported by the program to 1,126 of the 2,846 enterprises receiving loans, or 40%, by March 2018.

Gender of SMiLES Receiving Financing via USiD FinGAP



- USAID FinGAP proved the connection between increased access to finance and SME growth. SMiLEs supported by the program increased gross revenues by 30% between 2013 and 2018, increased employment by 85%, and improved women’s decision making across SMiLEs by 60%.

- Vulnerable farming families also demonstrated better social outcomes because of their connection to USAID FinGAP and receiving finance. Supported families in Northern Ghana suffered fewer days without eating (from 4.2% in 2013 to 2.9% in 2018), and 48% saved more and invested 30% more in improved sanitation, health, and education for their children and families. Due to project support, smallholder families in all value chains increased their gross revenues by 57%. USAID FinGAP ultimately helped 162,448 farming families improve their economic lives and social situations.
- Some of the FIs and BAS providers from the program are adopting the USAID FinGAP PfR model for their own business purposes. Several FIs (such as Barclays) are hiring transaction consultants directly using PfR contracts. Some BAS providers are pitching payment schemes to new clients based on the PfR model they used under USAID FinGAP.
- Not all FI partners or BAS providers equally benefitted from the PfR incentives offered under USAID FinGAP. PfR contracts served as a “weeder” to separate the actors truly committed to the program’s objectives from those more interested in benefitting from donor resources, either financially or reputationally.
- The power of the demonstration effect in development finance is real. New commercial FIs are now emerging in Ghana (e.g., Heritage Bank and IFS Financial Services) that are committed to agriculture as a principal focus of their lending, which would have been inconceivable prior to USAID FinGAP.
- PfR incentives need not be limited to agricultural financing; they can conceivably be applied to any sector, geography, or target population (e.g., health, education, environment, sanitation).
- Several RCBs (such as Kintampo Rural Bank) have figured out how to put in place successful models to expand financing to smallholder farmers profitably. As lack of smallholder finance continues to depress agricultural growth overall in Ghana, these pilots can be replicated in other RCBs and MFIs, and can be expanded by RCBs obtaining needed expansion capital.
- One area FIs complained about was the administrative burden of participating in USAID FinGAP. It was a challenge for FIs to set up reporting systems or methods to track each loan for the program separate from their existing management information systems (MIS). Future programs requiring similar reporting should help FIs design one system to track loans made with project support to reduce this administrative burden.
- FIs insist it was not just the grants resources that were effective; without the excellent, proactive USAID FinGAP team members on the ground in Accra and Tamale serving as an additional risk mitigator, they believe the program would have been far less effective. All FIs praised the high level of customer service provided by the team, which helped them obtain high levels of repayment. FIs

and BAS providers also commended the team for playing an honest broker role, and always being available to problem-solve as needed.

- The management style of the USAID Ghana technical team greatly assisted the success of USAID FinGAP, and the ease with which PfR tools were applied. A series of finance experts served in the technical manager role within USAID for most of program implementation. The USAID technical team put in place close communication protocols, simplified priorities for the project team, and focused on providing rapid approvals to Palladium technical requests. The USAID technical team also managed the overall program in a PfR manner, providing maximum flexibility to the Palladium led project implementation team. When PfR methodologies began to bear results, the Palladium-led USAID technical team provided the USAID FinGAP team with sufficient “rope” to continue to innovate in program design, always supporting the implementer’s decision making.
- USAID Ghana’s compliance team greatly assisted the efficiency of Palladium’s management of the contract by delegating full authority to Palladium to set consultant and staff compensation rates, allowing Palladium maximum flexibility in budget management, and in equipment procurement, while ensuring that labor hired and budgets were managed in line with the contract and USG requirements. The contracts office also approved with great speed and with few questions the many sub-award innovations proposed by the implementing team upon determination they were in line with the contract and USG rules.
- Many USAID financing programs dictate bank training and loan product design as critical strategies in achieving lending results over less prescriptive PfR methodologies. Per FIs, these tools further contributed to their success in expanding lending, but the way training and loan product development were provided on USAID FinGAP made a great difference in terms of FI acceptance and adaptation of these new skills and tools. BAS providers co-designed new loan products jointly with specific FIs on a demand-driven basis and based on actual opportunities in the geographic catchment area the FI covered, rather than developing one loan product and then attempting to convince FIs of its uptake. Demand-driven, institution-specific trainings for FIs provided by a local training firm were similarly higher rated by FIs than the more general trainings provided initially by an international subcontractor in the program’s implementation.



VI. ENSURING GENDER INCLUSION IN AGRIBUSINESS FINANCING

CONTEXT

Ensuring men and women have equal access to finance for agriculture remains a challenge throughout the developing world, and Ghana is no exception. Although Ghana leads its peers in the percentage of women as business owners (40%), women still lag behind men in terms of accessing finance. In the agriculture sector, women comprise 60% of Ghana's labor force, yet receive only an estimated 5% of the agricultural extension and financial literacy services offered. Per the International Finance Corporation (IFC), social and cultural norms underlying gender biases continue to obstruct women's ability to access requisite finance to grow their businesses. In 2013, the large majority of Ghanaian FIs considered their investments to be gender-neutral. Ghana's FIs neither tracked the differences in performance of loans to male- or female-led businesses, nor considered that financial needs for women differed greatly from those of men, or that given women's unique situations, they deserved any differentiated treatment from FIs.

USAID FinGAP's scope required that Palladium promote gender equality as part of program implementation and incorporate gender considerations into all its activities, ensuring that:

- Women's participation is a criterion in the scoring matrix for assessing potential investments for support
- Technical assistance is provided to agribusiness clients to address gender challenges and promote equal opportunities for women they employ
- Assistance is directed toward providing financial inputs directly to women
- Investors are encouraged to set aside a certain amount of funds for women-owned or women-benefitting activities

WHAT WE DID

Within this context, USAID FinGAP developed a plan to incorporate gender into each of its program components as part of the annual work plan process. Gender activities within the original work plan were built on several premises, including: (1) engagement of female-led BAS providers would increase the program's reach



to female-led enterprises, (2) better repayment rates by women and more loans would help ensure the overall health of the USAID FinGAP portfolio, and (3) understanding the situation of female agribusinesses would strengthen program design and implementation.

Two years into USAID FinGAP implementation, Palladium began to see financing success among agribusinesses in terms of deal closures, but noted that the number of direct women recipients was quite low; of 26 closed deals, only 1 business receiving financing was female-led. Palladium decided to conduct a gender impact analysis of the program in April and May 2015. The analysis was designed to (1) analyze the environment for access to credit among project-supported, female-owned SMiLEs; (2) assess performance in implementing the gender activities outlined in the Year 2 work plan, and (3) develop recommendations to improve USAID FinGAP's ability to expand access to credit among female-led SMiLEs.

The analysis collected many findings about the situation of women and agribusiness finance in Ghana:

- Women were located principally upstream in the target value chains of maize, rice, and soy, nearer production, and mostly required loan sizes lower than the minimum sought under USAID FinGAP (\$25,000).
- Women faced the highest risks in accessing credit, demanded the smallest loan sizes, and were charged the highest interest rates.
- Financing demand among women in all segments of each value chain remained grossly unsatisfied. Female business owners (large, medium, and small) had many options for financing but struggled to obtain the amounts, interest rates, and terms favorable to business expansion.

Development of Financial Products for Women:

Bucobank nearly doubled its loans to SMiLEs in 2.5 years (\$256,522 in January 2015 to \$410,515 in May 2017) after reducing its interest rate from 35% to 30%, waiving commitment and processing fees, and accepting social guarantees in lieu of collateral for female-led SMiLEs.



Sharon Cromer, USAID Mission Director (3rd left) and Afisa Otiko Djaba, Ghana's Gender Minister with Aisha Batong Hor, General Manager of TCCU and female SMiLEs who received recognition awards during the FinGAP 2017 Women's Summit



A cross section of female-led agribusiness owners, representatives of FI and BAS provider firms at the USAID FinGAP 2017 Women's Summit

- Few female-led BAS providers were operating in Ghana.
- Some of Ghana’s FIs were expanding their service offerings, including new products, networking tools, and inclusive finance strategies, to female customers.
- Female-led SMiLEs in the target value chains reported needing different types of financing and technical assistance than their male peers, yet project-supported FIs were quickly expanding their market share in the agribusiness financing space without considering those differences.
- A large data gap existed for quantifying the level of access to finance among women, as few FIs strategically track agribusiness lending performance disaggregated by gender.

After completing this analysis, USAID FinGAP’s gender strategy evolved to more aggressively impact women by employing a suite of approaches to improve access to finance for women-led firms and farms, while the team fine-tuned its tracking and monitoring of gender-related data points. To increase its reach and impact on women in the target value chains, the USAID FinGAP team:

1. **Expanded loan bundling:** With more women upstream in the value chains, the initial target transaction value of \$25,000–\$50,000 inadvertently excluded most female-led SMiLEs from program consideration. USAID FinGAP asked interested BAS providers to expand the practice of bundling loans of multiple women to meet minimum loan size requirements of the program and FIs.
2. **Expanded the number of female-led BAS providers supporting the program:** In 2015, USAID FinGAP hired 7 BAS providers, of which 3 were female. The gender impact study motivated the USAID FinGAP team to more aggressively recruit female-led BAS providers as a strategy to find more female-led SMiLEs to support. By 2018, the program had hired 6 female-led BAS providers.
3. **Expanded its circle of FI partners to those interested in increasing their service offerings to women:** USAID FinGAP did not start and end with the same FI partners; rather, the number of partners increased each year. Following the gender impact study, the USAID FinGAP team actively sought new partnerships with FIs interested in targeting women with expanded financial services, and brought them into the project’s network.
4. **Held agribusiness summits closer to where the women were located:** The USAID FinGAP team designed a series of “mini summits” in the field to ensure smaller businesses located further upstream and led by women were included in the program. Mini summits in Techiman and Kumasi brought BAS providers and FIs together in the field with the specific aim to drive investments to predominantly female-led SMiLEs. The mini summits motivated SMiLEs and BAS providers to sign 55 engagement letters to support firms with access to financing. In addition, in 2018 and in

collaboration with female-led BAS provider MEL Consult, USAID FinGAP hosted the Women in Agribusiness Development Summit, which brought together female-led SMiLEs, BAS providers, and FIs, and resulted in \$4.1 million in new financing deals for 55 female-led SMiLEs.

- 5. Provided TA and training to FIs and BAS providers on gender and financial inclusion:** As part of its demand-driven training offering, USAID FinGAP provided 24 FIs with institution-specific training on how to further improve services for female clients. In March 2018, the team also engaged a seasoned, female-led BAS provider to provide tailored technical assistance to FIs on designing financial products for female-led enterprises.
- 6. Supported capitalization of FIs targeting women-led firms and farms:** RCBs and MFIs are more likely to serve women but face liquidity challenges limiting their expansion. During program implementation, the Bank of Ghana increased capitalization requirements for FIs nationally, disproportionately impacting FIs most critical to financing activities to upstream actors. To ensure continued financing to female-led SMiLEs, the USAID FinGAP team explored opportunities to help RCBs list on the GAX, and a BAS provider in USAID FinGAP's network helped a female-led MFI secure over \$300,000 in convertible debt to continue extending financial services to women in underserved communities.

Across all USAID FinGAP-supported SMiLEs, 60% of small, 78% of medium, and 67% of large enterprises increased the proportion of women in decision-making roles in management and board structures between 2013 and 2018.

RESULTS

By March 2018, USAID FinGAP had helped stimulate financing to women at every segment of the maize, rice, and soy value chains, dramatically increasing the financing disbursed by FIs directly to women-led enterprises year-over-year since project inception.

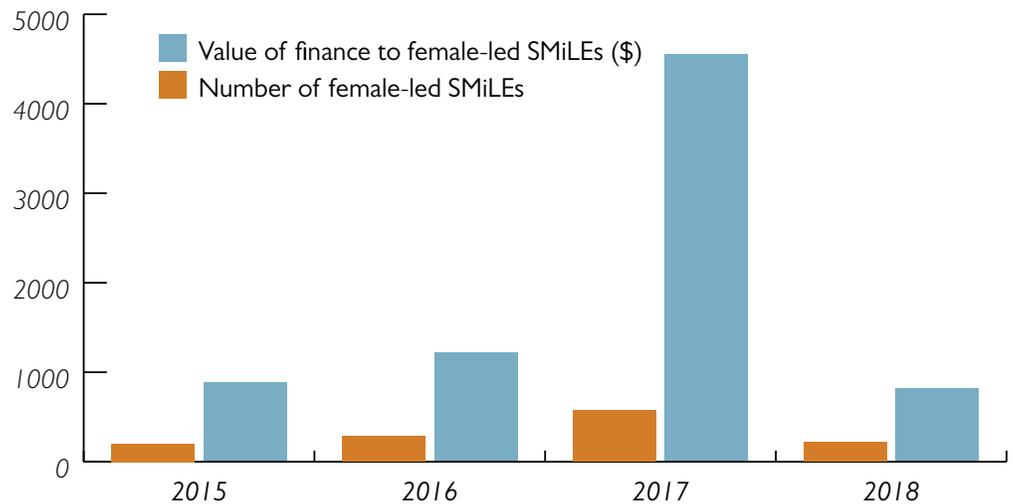
By March 2018, USAID FinGAP had helped 1,126 women-led businesses access financing directly by the program (40% of the total SMiLEs supported directly), and 68,937 women access financing and other agribusiness supports indirectly through other actors supported by FI financing.

Impact assessments conducted by Palladium in 2016 and 2018 found that USAID FinGAP increased the proportion of women-led SMiLES accessing financing from 12% in 2013 to 43% in 2018. Profits of women-led SMiLEs increased by 100% between 2013 and 2018 (and among men by 149%).

Among smallholders, female maize farmers supported by USAID FinGAP increased average crop sales by 48% between 2013 and 2018, and female rice farmers increased average sales by 481% in that period. Women smallholders also report increases in savings, from 36% to 44% between 2016 and 2018. While sales increased, women served under USAID FinGAP still struggle with yields

more than men; women rice and maize farmers produced 100,000 fewer bags of product in 2018 than in 2013, and increased sales of soy products only marginally.

Female Beneficiaries and Value of Finance Received



LESSONS LEARNED

1. While USAID FinGAP had significant impact on access to financing for women connected to the program, much work remains to meet financing demand among SMiLEs and women-led firms and farms in the target staple food value chains. FIs targeting women still are largely undercapitalized, and despite receiving training and developing new products, the large majority of Ghana's FIs still do not buy into the concept of gender-intelligent banking, continuing to insist their lending is gender-neutral and missing the large growth opportunity of more aggressively targeting female customers.
2. Serving female-led SMiLEs can be costly and challenging. BAS providers report that deficits in business management skills, poor financial data quality, and the cultural tendency of women to check in with families at every step made financial transaction services to female-led enterprises time-consuming and ultimately unattractive. Future programs could consider specific incentives to help BAS providers serve more challenged SMiLEs.

3. While USAID FinGAP helped many women access loans and join the formal financial sector, average loan sizes for women remained lower than men's (\$6,698 vs. \$87,774), limiting their enterprise growth potential.
4. Hiring female-led BAS providers had a direct impact on the number of women served through USAID FinGAP. This strategy should be continued by future programs facilitating financial transactions for SMiLEs.
5. Financing is just one aspect of growth for women-led businesses. In addition to helping more women access credit, USAID FinGAP helped them improve access to networks through attendance at mini summits, and some FIs provided training to female borrowers to improve their credit management skills. However, the broader offering of business growth services other than financial transaction assistance was limited under the program, and the results of average loan sizes and productivity among female smallholder farmers underscore this. Future programs can do more to help female-led businesses grow at a pace similar to their male peers.
6. Selection of the value chain can greatly improve targeting of women with financial services. Some BAS providers and FIs suggest that USAID FinGAP or similar projects can further improve financing results by targeting value chains where women are very active (e.g., shea), and on specific stages of each value chain (e.g., value addition).

“ We [now] have the opportunity to earn our own income and feed our families. Our daughters no longer migrate to urban areas to engage in menial jobs and live in squalor.”

*Amanda Issah, rice retailer,
at the Nasia tollbooth*





VII. USING STRATEGIC COMMUNICATIONS TO ACCELERATE PROGRESS

CONTEXT

In a project that aimed to transform how market actors behaved, communications to promote behavior change coupled with incentives were important elements in achieving results. In the financing world, success by one actor breeds further success among competitors. Ghana, however, had suffered multiple failures on the agricultural financing front, which meant there were few agricultural financing successes to market when USAID FinGAP began in 2013, and many misperceptions about the profitability and risk associated with agricultural financing to overcome among potential FI partners. In addition, lack of data and the inability of investors to visualize opportunities being created by the significant USAID and Feed the Future investments in the staple food value chains in Ghana was considered by USAID to represent a significant barrier to investment. Therefore, the need to widely advertise agricultural financing profitability and success, and to make data widely available to potential investors to incentivize further investments, were critical actions the USAID FinGAP team wrapped into its overall communications strategy.

WHAT WE DID

USAID FinGAP designed a communications strategy that went beyond basic reporting on project activities to push real changes in attitudes and perceptions toward Ghana's agriculture sector. Palladium intended for the strategy to help drive pipeline development and deal closure, and make the agriculture sector seem more attractive to both BAS providers and FIs, thereby facilitating financing successes that would continue beyond USAID FinGAP.

USAID FinGAP successfully used media to implement its communications strategy, specifically to promote agricultural financing. The team integrated two primary messages—(1) agribusiness financing is good business, and (2) agribusiness financing is not inherently risky—into its reporting. It wove threads through its high-profile events, success stories, public speaking, and all other communications. With this messaging, the program attempted to remove conscious and unconscious perceptions about agribusiness that had formerly deterred active participation in the sector, especially by FIs.



To kick off the project, USAID FinGAP organized a high-profile agricultural investment summit in Accra in 2014, with the goal of introducing the players in the agribusiness financing environment working on the supply, demand, and enabling environment sides of this field, and presenting information to excite them about the opportunities in agribusiness financing. The project team identified and published an initial set of two dozen agricultural finance “best bets” that actors (BAS providers and FIs) could immediately consider for financing, and handed out a deal book at the summit.



Cover and page from the deal book listing options available for financing

Following the success of the initial summit in 2014, the project team held agricultural investment summits in 2015, 2016, and 2017, publishing and marketing deal books in agricultural finance at each. To ensure inclusivity and that project communications were not solely focused Accra but on the project target zone of northern Ghana, the team took the idea of agricultural summits on the road to rural areas, holding mini summits in Kumasi (2015 and 2017), Sunyani (2017), Takoradi (2017), Tamale (2016 and 2017), and Techiman (2015).

As required by the project contract, the USAID FinGAP team developed two success stories for each quarter the project operated, for a total of 26 stories. The stories were mandated by USAID to highlight examples of how people and



stakeholders changed their behavior as a result of the project’s interventions, and improved their lives/businesses accordingly. USAID FinGAP also took advantage of these success stories to underscore key messages of how agricultural financing was good business.

At the request of USAID, the USAID FinGAP team designed an online, interactive tool called the Investment Mapping System (IMS) to help new investors fully understand the scale of staple food investment opportunities as a result of USAID and Feed the Future investments in boosting agricultural production in Ghana. USAID asked the USAID FinGAP team to design the tool under the scope of work of the project, and that it be free, available online, and easy for investors to manipulate data (i.e., growth in production of staple food crops), so that based on this growth, they could determine where new investments would be most needed in corresponding logistics (e.g., trucks, transport routes) and infrastructure (e.g., warehouses, processing facilities). The idea behind the IMS was that by making data more available to investors, they would be further enticed to invest in Ghana’s agribusiness sector.

Palladium hired two vendors to create the IMS. The first was a U.S. small business that conducted agribusiness data collection from existing data sources available in Ghana; the second was a U.S. software firm tasked to design the interactive platform. A beta version of the IMS was designed in a matter of months and unveiled at the first agribusiness investment summit in April 2014. Changes were made over the next few years to improve operability, user friendliness, and enable crowdsourcing. A link to the IMS was placed on the investment portal also designed by the project to facilitate investment by new actors in the maize, rice, and soy value chains. The project team designed and implemented a marketing strategy to roll out the IMS to potential users throughout Ghana via a series of meetings, events, system presentations, and email blasts. Over the years, the IMS was used mainly by BAS providers designing pitch decks for clients and FIs, grounding their presentations in geo-referenced data powered by Google.

With support from another U.S. business, Palladium designed an investment portal to serve as a one-stop shop for potential investors seeking investment projects, support to make new investments, and FI partners, which went online in 2015. At the time, with FIs such as Barclays aggressively expanding their agricultural financing and BAS providers suddenly competing for agribusiness clients thanks to the project’s PFR strategies, the USAID FinGAP team knew that encouraging healthy competition among FIs and BAS providers would only serve to build momentum and solidify deals. They began publicizing “leader boards” for both FIs and BAS providers via the portal, and by making awards to successful entities at annual agribusiness summits. The leader boards had the desired effect of motivating FIs that were lagging in results to contact the USAID FinGAP team to inquire what they could do differently, and pushing BAS providers to proactively seek out deals in addition to those put forward by the USAID FinGAP team.

The IMS is an interactive geospatial tool that provides investors information on potential agriculture investments (including their geographic location) and enables them to manipulate scenarios (e.g., productivity projections) to identify opportunities with high potential ROI. Its flexibility and real-time, crowd-sourced data also drives down their due-diligence costs helping them make informed investment decisions.

Screenshot of the investment portal at www.agrifinanceghana.org

The screenshot displays the investment portal interface. At the top, the 'FEED THE FUTURE' logo is visible, along with navigation links: HOME | ABOUT USAID FINGAP | NEWS & EVENTS | LET US HELP | SIGN UP. Below the logo, there are three tabs: 'Opportunity in Northern Ghana', 'For Investors', and 'For Agribusiness'. The main header features a photograph of a smiling man in a cornfield with the text 'FINANCING GHANAIAN AGRICULTURE' and 'Growing Opportunities in Ghana'.

The main content area shows a map of the Northern region of Ghana, titled 'Tolon Kumbungu, Northern'. The map includes a legend for 'Farms' (Maize, Soybeans, Rice) and 'Infrastructure Markers' (Agri-input Company, Business Advisory Services, Irrigation Site, Mechanisation Center, Processing Facility, Warehouses, Tractors, Haulage Station, Financial Institution, Commercial Farm). A 'Key' section lists 'Electricity', 'Rivers', and 'Roads'. The map also shows 'Region Labels' and 'District Labels'.

On the right side, there are data charts and tables. The 'CAGR Production from 2005 to 2013' table shows the following data:

Commodity	CAGR
Maize	5.4%
Soy	23.8%
Rice	13.0%
All	9.6%

The 'Production in 2013' section includes a line chart showing production in tonnes from 2006 to 2012. Below this, there are two smaller charts: 'Area' and 'Yield'. The 'Infrastructure' table shows the following data:

Type	Existing in 2013	Projected in 2013	# Change	% Change
Agri-input Company	5	5	0	N/A
Commercial Farm	1	1	0	N/A

Screenshot of the Investment Mapping System

Also as required by the contract, USAID FinGAP created 22 videos profiling project stakeholders who had successfully accessed agricultural finance. The videos were similarly shared with stakeholder audiences at agribusiness investment summits and via the investment portal.

Lastly, the USAID FinGAP team convinced FIs for the first time to attend pre-harvest events organized by a sister project that focused on boosting agricultural production. Now FIs attend these events every year.

RESULTS

- Over the course of the project, USAID FinGAP supported placement of 48 articles in local and international newspapers, created 22 videos of project successes, conducted 12 radio interviews in multiple languages, and held 5 mini and 6 Accra-based investment summits that attracted over 2,284 participants.
- Palladium designed an investment portal for the project, www.agrifinanceghana.com, a platform that enables enterprises seeking investment to market their opportunities, BAS providers to market their services, and FIs to advertise their agricultural financing services. The portal also links website users wishing to design their own investment opportunities with the IMS. The project team marketed the IMS at a series of investment summits, quarterly BAS provider meetings, and at other meetings with project stakeholders in the year after its design completion.
- In 2017, at USAID's recommendation and following a competitive procurement, USAID FinGAP transferred the IMS to Farmerline Ltd., which committed to continued development of the tool for maximum impact in attracting new agricultural investment to Ghana.

LESSONS LEARNED

- The communications strategy also helped USAID FinGAP develop a brand as a successful finance project, which had a domino effect on business relations for stakeholders. For the dozen or so highest performing BAS providers, the brand association with USAID FinGAP was good for business. Through participation in summits, media mentions, and referrals, they were able to mobilize more agricultural clients. These BAS providers also reported a shift in perception on behalf of FIs when they approached them about agricultural financing deals. Whereas in the past these deals would have been met with skepticism, upon hearing they were developed as part of the USAID FinGAP program, FIs began to give agricultural finance deals more attention. This brand recognition and quality assurance is something BAS providers hope to continue through BASPAG.



Mr. Isahaka Bagum narrating how his access to financing to acquire a tractor as a result of USAID FinGAP assistance is impacting his tractor service and farming business, the lives of smallholder farmers, women and children in his community.

At the same time, some FIs were wary about the visibility of their relationships with USAID FinGAP. Many expressed concern that too much publicity of their clients receiving financing facilitated by USAID FinGAP would trigger default. FIs feared SMiLEs could perceive the loans they were receiving as free money from another development project. BAS providers brushed aside these concerns, as those interviewed felt strongly that their clients were fully aware that it was bank funds being disbursed on commercial terms.

- The agricultural investment summits hosted by USAID FinGAP and project stakeholders are widely considered a worthwhile investment. BAS providers found the networking opportunities invaluable to their client development efforts. SMiLEs, particularly female-led SMiLEs, also reported great satisfaction with the content of the summits, which led many to innovate and expand their businesses after being inspired by their more successful peers. The summits also provided a platform for FIs to market their successes, further creating a competitive environment among FIs in agribusiness financing.
- Notwithstanding communications investments made and the high performance of agricultural loan portfolios of FIs participating in the program, USAID FinGAP was not able to change perceptions across the board related to risk in agricultural financing. Several FIs interviewed for this study still believe agricultural financing is risky, and this is further reflected by the high interest rates still charged by FIs to agribusiness clients. Those FIs that embraced USAID FinGAP's messaging that agricultural financing is not inherently risky did so by dually embracing USAID FinGAP's recommendations on value chain financing and risk mitigation in agriculture. RCBs and MFIs in particular, as well as some commercial banks, have argued that agribusiness lending is no riskier than lending to other sectors, provided it is done right. Some reasons why the message seems to have fallen short could be that the intended message was overly simplified, or the program did not invest enough resources in

Kintampo Rural Bank now serves a more proactive role forging partnerships among its clients, which stretch across all actors of a given value chain (from the smallholder farmer, to aggregators and processors), supporting client expansion, and a quality portfolio of loans.

changing long-held perceptions until too late in the program's implementation, when better data was available on NPLs in agricultural lending. More complex reasons outside of USAID FinGAP's control could also be behind this perception, such as lack of universal agricultural insurance, reliance on rain-fed crops, fickleness among FIs that experience a bad loan, driving FIs to maintain their high risk profiles for agricultural finance.

- USAID's original theory, that if relevant data was more widely accessible to investors they would invest more robustly in the staple foods sector, did not hold true. The IMS is widely considered an excellent tool by those who understand its features, but despite the project team completing a marketing campaign to promote its use, knowledge of the existence of the tool remains inconsistent among project stakeholders. When asked, many FIs could not recall ever hearing about the IMS, while others (even newcomers) had heard about the tool and loved it. Use of the IMS also remained limited among intended stakeholders, and even those who are fans of the system (mainly BAS providers) do not believe that by having better data alone, investors will flock to invest in the staple food sectors in Ghana. Rather, the USAID FinGAP team learned that informatic tools such as the IMS and the project's investment portal can be excellent, supportive tools in the required due-diligence process required for new investors in the staple food sectors. The project team also learned that as with any new product, similar levels of resources must be invested in marketing, roll-out, and evaluation of use of information systems as are invested in their design. USAID FinGAP similarly focused significant resources on investment portal website design, but did not invest enough resources in generating new content for the website or evaluating its use by investors.



VIII. MOVING FORWARD

Between 2013 and 2018, USAID FinGAP successfully supported the establishment of a vibrant and diverse market for agribusiness financing in Ghana, one that will continue to innovate and grow even after the project closes in September 2018. This reinvigorated market expanded financing for rural women and men, created new jobs for rural workers, increased profits for firms and farms, had significant impact in improving food security for northern Ghana, and empowered women to reach new heights in agribusiness management.

The innovative approaches utilizing PfR incentives undertaken by Palladium for USAID have shifted the paradigm for agribusiness financing in Ghana, and can be modified and implemented by development financing programs in other countries and economic sectors to achieve better results by significantly leveraging the private sector to drive development financing outcomes.

On the heels of USAID FinGAP, many opportunities exist for actors to continue advancing the industry and leverage its successes to propel Ghana's agriculture sector into a veritable growth engine. The USAID FinGAP team estimates annual agribusiness financing demand in Ghana at \$2 billion, so there is significant room for expansion of the strategies it employed to continue to chip away at this demand. Ghana's agribusinesses still face challenges to growth related to access to finance, and require ever-increasing dynamism on the supply side to pull these actors into their portfolios. Actors in Ghana, including development practitioners, should continue to think about how to use USAID FinGAP lessons to scale up successful strategies described in this report to further build on the results achieved.

Gaps still exist in FI understanding of the financing needs of agribusinesses, a frustration expressed by many SMiLEs. The gaps are often unique and require creativity to ensure successful repayment. While some FIs have fully embraced a value chain approach to financing agribusinesses, recognizing they serve clients at every stage of a value chain and have convening power to connect these clients to reduce risk and improve loan performance, others continue to approach agricultural lending as they would a typical commercial loan. Those FIs need continued exposure to better understand the needs of agriculture, and more specifically of the clients they serve. For instance, even some FIs who are at the top of USAID FinGAP's leader boards have trouble understanding trade financing and the unique challenges that come with importing goods such as agricultural inputs, the seasonality of production, and the critical need to make loans on time. The USAID FinGAP team attributes these gaps not to disinterest on part of the FIs to better understand their clientele, as doing so could exponentially increase their own revenues, but rather to the fact that many of the FIs who participated in the program are still new to agricultural financing in Ghana.

At the same time, high interest rates and the high cost of capital for FIs remain a great hindrance to realizing these opportunities and meeting the unmet demand that still exists. FIs must be able to access cheaper funds to bring down their interest rates, which would not only enable them to lend at lower rates to their clients but also enable them to greatly expand the number of clients they serve. This is especially critical for RCBs, some of which are borrowing from commercial banks, and the high costs of capital are transferred from lender to borrower through each level of the supply chain for finance.

FIs interviewed for this study also said USAID FinGAP could have been even more successful if it focused on additional value chains rather than just maize, rice, and soy. In particular, some RCBs that have expanded their focus and level of funding for agriculture felt the program's preference for those value chains may have skewed the progress they were able to make. Had the program focused on a broader range, including indigenous staples such as sorghum, the FIs might have expanded agricultural financing even more.

Continued growth of agribusiness financing in Ghana cannot be discussed without mentioning risk reduction. While USAID FinGAP did do some work to expand the use of risk mitigation tools, including its PfR grant to GAIP, its work on agricultural insurance was relatively limited. Agribusiness financing would greatly benefit from initiatives centered on further development of the agricultural insurance industry in Ghana, including sustainable capitalization and improved management of GAIP as well as significant adjustments in policy to enable market entry by other agricultural insurance providers. While some FIs would like to require clients to pursue agricultural insurance alongside their loan facilities, this would only serve to increase the cost of financing if not offset by reductions in interest rates to reflect the reduced risk that insurance would provide. In addition, another important risk mitigation tool to explore and expand in Ghana is irrigation for smallholder farmers available at relatively low cost. Irrigation can significantly transform Ghana's production levels while reducing risk in areas prone to drought or inconsistent rainfall.

Lastly, USAID FinGAP made great strides supporting development of Ghana's capital markets and encouraging investments, either debt or equity, to agribusinesses raising funds through capital markets. But the equity investment class, beyond just for agribusiness, is still chronically underdeveloped. USAID FinGAP began to build awareness, including among journalists in its final year, but continuous education is still needed to bring equity investments to light and encourage more interest among actors to participate. On the part of Ghanaian firms looking to list, more should be done to encourage companies to think critically about their capital structure and build in timelines for equity 5–10 years in advance with regard to their cash flow. Planning will be key to ensure firms listing are not all turning to equity when the situation is so dire that they are unable to access traditional finance through loans from FIs. In those cases, investors will be discouraged and unwilling to take equity positions in dying firms,

and it could even undermine further development of Ghana's capital markets more broadly.

In sum, more must be done to enable continued advancement of agribusiness financing in Ghana. The USAID FinGAP experience has been encouraging, proving that the financing market for agribusiness can be changed through strategic development projects that drive real growth in the ecosystem. The program has provided a pathway to continued expansion of financing for agriculture in Ghana, ultimately improving food security, incomes, and—most importantly—people's lives.

IX. KEY INDICATORS FROM USAID FINGAP⁸

Indicator	Target	Achieved
Number of SMiLEs receiving business development services	125	544
Number of BAS trained in dealmaking in agriculture	50	53
Number of SMiLEs paying fees for BAS	80	187
Number of SMiLEs receiving assistance to access loans	250	2,846
Total value of private capital deployed to target value chains	\$75 million	\$158,461,714
Number of successful investment opportunities funded	28	3,114
Value of incremental sales of maize, rice and soy as a result of U.S. government assistance along the value chain	\$231 million	\$565,319,314
Number of FIs receiving capacity assistance/competency strengthening	20	93
Number of PfR sub-awards and payments disbursed	130	1,231
Number of public-private partnerships formed	25	40
Financial recovery rates (on project-supported loans)	96%	87%
Percentage of loan portfolio in agriculture by participating FIs	13%	27%
Number of new financial products offered by participating FIs	30	31
Number of policy reforms drafted/enhanced to enhance governance and improve private sector participation	14	76
Score, in percent, of combined areas of organizational capacity among U.S. government direct and indirect local implementing partners	83%	77%

⁸ All data presented is as of March 31, 2018.



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