

The Potential for Japanese Companies Harnessing Technology for the Expansion of Investment in Ghana's Agri-Business



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Ambassador of the Republic of Ghana to Japan

Genevieve Edna Apaloo was appointed as Ambassador of Ghana to Japan in January 2022. She is Ghana's first female Ambassador to Japan. Before Tokyo, she was the Deputy Chief of Mission and Head of Chancery of the Embassy of Ghana in US. She has also served as the Director of the Asia and Pacific Bureau of the Ministry of Foreign Affairs and Regional Integration from September 2017 to October 2019, during which time she was very instrumental in the implementation of Ghana's Foreign Policy, vis-à-vis the Asian Pacific Region, and, notably, facilitated a number of visits by the President of the Republic of Ghana to some key countries of the Region, including, Japan.

Introduction

Ghana, a dynamic and diverse nation located on the West coast of Africa, with over 32 million people, is a land of rich culture, abundant resources, and endless possibilities. In addition to its rich resource wealth, Ghana is widely recognised as one of the most politically stable countries in Africa, with a democratic system that has remained consistent for over three decades. Its unwavering commitment to democratic values and principles continues to reinforce its position as a beacon of stability on the continent, attracting businesses and tourists seeking the safety and security it provides.

Ghana's strategic location as the closest country to the "Centre of the World" makes it a prime location for firms looking for quick access to the African market and beyond. As the secretariat of the African Continental Free Trade Area, Ghana is ideally positioned to serve as a gateway to Africa's rapidly growing market. The country's strategic location, combined with recent economic reforms aimed at promoting private sector growth and foreign investment, make Ghana one of the most promising economies in sub-Saharan Africa.

Ghana's economy is one of the most diversified on the continent with a strong agricultural sector and a thriving manufacturing industry. The country is one of the world's largest producers of cocoa beans and is also involved in the production of gold, oil, and other minerals. Services such as telecommunications, finance, and tourism have been growing in significance. The Government has taken steps to improve infrastructure

and promote foreign investment. The country attracts tourists with its historical sites, cultural festivals, and natural beauty. The Cape Coast Castle and Elmina Castle, both UNESCO World Heritage Sites, are notable for their connection to the transatlantic slave trade. Ghana's diverse culture is showcased through colourful festivals, traditional music, and dance.

Trade and Investment Opportunities (Priority Sectors)

Ghana has been a country of increasing interest for trade and investment opportunities in West Africa. The country has a stable political environment, a diversified economy, and rich, natural resources. The following are some of the major potential trade and investment opportunities in the country, investors are however, free to invest in any sector of their choice:

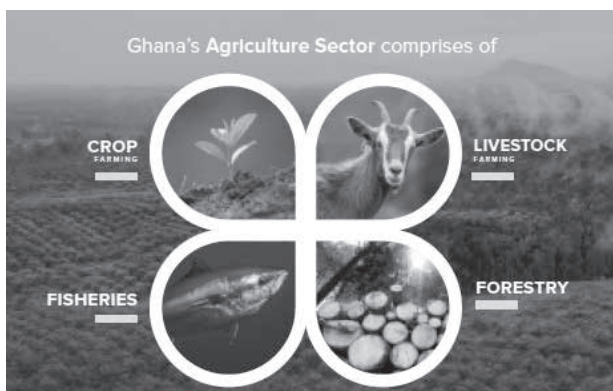
- **Natural Resources and Mining:** Ghana is one of the world's top producers of gold and cocoa. The mining sector offers opportunities for investors interested in mineral extraction and processing.
- **Oil and Gas:** The country has discovered offshore oil and gas reserves in recent years. The oil and gas industry presents significant investment potential, particularly in exploration, drilling, and related services. The sector has many opportunities for Japanese companies in the oil and gas space.
- **Infrastructure Development:** Ghana has been working on improving its infrastructure, including

roads, ports, and energy. Investment in infrastructure projects could be attractive for companies specializing in construction, transportation, and energy.

- **Renewable Energy:** With a growing focus on sustainable energy, Ghana offers opportunities for renewable energy projects such as solar, wind, and hydroelectric power.
- **Information and Communication Technology (ICT):** The ICT sector is gaining momentum in Ghana, with a growing number of tech startups and a rising demand for digital services. The focus of Ghana for this sector is in Business Process Outsourcing, where back-office jobs can be processed in Ghana for Japanese companies.
- **Tourism and Hospitality:** Ghana's rich cultural heritage and historical significance make it a potential hub for tourism. Opportunities exist in areas like eco-tourism, hospitality services, and cultural events.
- **Manufacturing:** There is potential for value-added manufacturing, such as textiles, clothing, and processed agricultural products.
- **Financial Services:** Ghana's financial sector is expanding, creating opportunities for investment in banking, insurance, and fintech.
- **Real Estate:** As the economy grows, there has been an increased demand for residential, commercial, and industrial properties.

Agri-businesses

For purposes of this piece, it is important to throw more light on this vital sector of the Ghanaian economy. Agri-businesses play a critical role in the growth and development transitions of a developing country like Ghana. Typically, these comprise business activities that contribute to the food security and nutrition of the population. Activities of agri-businesses include the



supply of agricultural inputs, the production and transformation of agricultural products, and their distribution to final consumers. Agri-businesses include firms in the agriculture sector and those in the industry and service sectors that contribute to the agriculture production value chain.

The agricultural sector in Ghana is estimated at USD 3.31 billion in 2023, and is expected to reach USD 3.77 billion by 2028. Agriculture is critical to Ghana's foreign exchange revenues and general economic prosperity. Ghana is gradually moving toward self-sufficiency by increasing agricultural productivity and profitability, increasing access to finance, promoting resilience, optimizing economic inclusion, improving nutrition, and advancing the country's competitive advantage through evidence-based interventions such as targeting food security interventions at the district level, promoting the production of diverse, nutrient-dense foods. The Agricultural sector in Ghana is also collaborating with commercial enterprises, particularly those in the agricultural industry, to develop their operations and enhance their services to meet national and global standards.

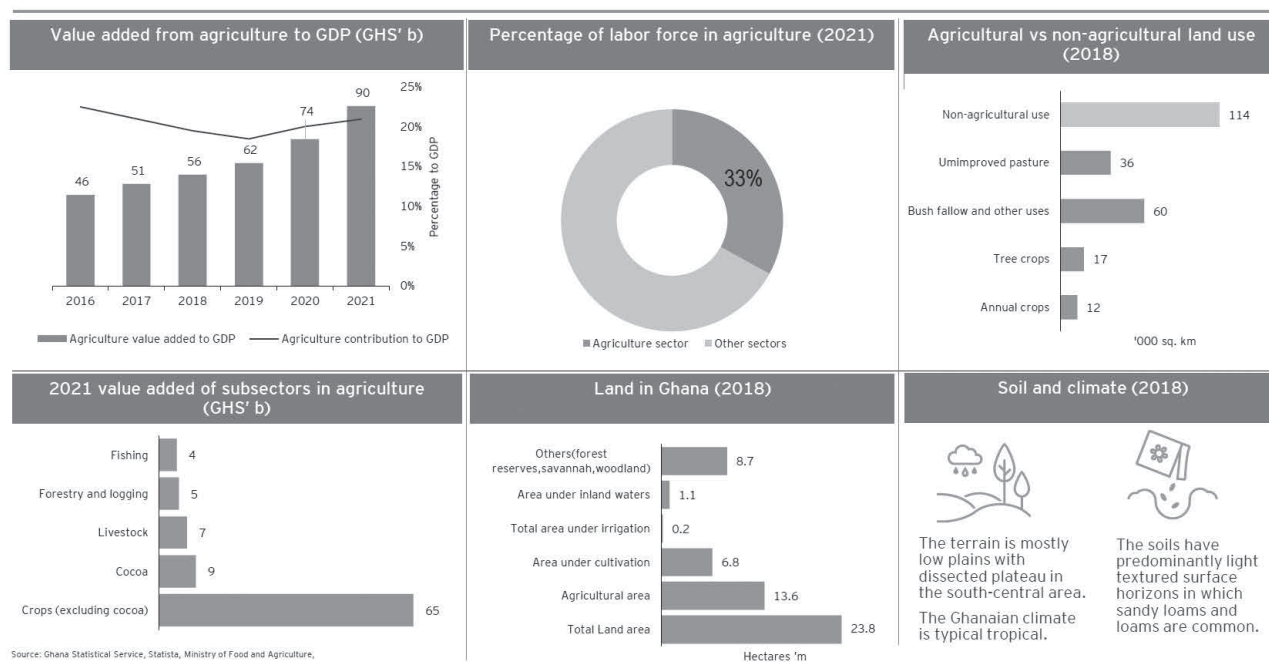
In order to further promote the stake of agriculture and agri-businesses as the catalyst for industrial productivity and economic growth in Ghana, Government through its investment policies and programmes seeking investments and partnerships in the agriculture and agri-businesses for the growth and development of the sector.

Japanese companies have a significant potential in harnessing technology for the expansion of investment in Ghana's agri-business. Ghana's agriculture sector has vast untapped potential, and technology can play a crucial role in unlocking these potentials and drive sustainable growth.

The following are some ways Japanese companies can leverage technology to expand their investments in Ghana's agri-business for the mutual benefit of both countries:

- **Precision Farming:** Japanese companies may consider introducing advanced precision farming techniques to increase agricultural productivity and efficiency. This may include the use of drones, satellite imagery, and machinery to optimize irrigation, fertilization, and pest control, leading to higher yields and reduced resource wastage. The promotion of

Agricultural sector overview



Source: Ghana Investment Promotion Center

community and cooperative-holder farming by Government would create the needed economies of scale to warrant Japanese investments in these precision farming techniques.

- **Digital Agricultural Platforms:** Relative to other marketing technologies such as the internet and specialized applications, agri-business firms mostly use digital platforms such as the use of audio-visual media, online, social media, and other digital tools more intensely to market their produce, especially in the wake of the pandemic. Japanese companies can develop or invest in digital platforms that connect farmers to markets, information, and financial services. Such platforms can enhance market access, provide real-time pricing information, and facilitate financial transactions, enabling farmers to make informed decisions and access essential resources.
- **Sustainable Farming Practices:** Implementing sustainable farming practices is crucial for preserving the environment and ensuring long-term productivity. Japanese companies may venture into introducing eco-friendly technologies, such as water-efficient irrigation systems, renewable energy solutions, and climate-smart agriculture practices to promote sustainable agri-business in Ghana.
- **Supply Chain Management:** Inputs and outputs for agri-businesses need to be transported before the value chain could be completed. In the case of firms engaged

in primary production, it is widely known that transportation has been a limiting factor to achieving higher value-added. Even before COVID-19, generally, only 58% of agri-business firms had easy access to transport, with as much as 42% reporting poor road network and irregular transportation. Technology can improve supply chain efficiency and traceability, which is essential for both local and international markets. Japanese companies may be attracted to invest in systems that track the movement of agricultural products from farm to market, ensuring quality control and reducing post-harvest losses.

- **Agricultural Research and Development:** Collaborating with local research institutions, Japanese companies could also invest in agricultural R&D to develop crop varieties that are better suited to local conditions and have higher yields or improved resistance to pests and diseases. The opportunities to work with state crop, soil and animal research institutions in Ghana abound and Japanese companies may consider collaborating with such research institutions for their mutual benefit
- **Financial Inclusion:** More than one in ten (11%) percent of agri-businesses in the agriculture sector reported a decrease in the supply of agriculture financing before the lockdown. About 31.5 percent of agribusinesses in the agriculture sector have recently reported a decrease in the supply of agriculture

financing. The main reasons given for the decrease in the supply of agriculture financing were as a result of the high interest rate and inaccessibility of financial products. Technology can play a vital role in enhancing financial inclusion for smallholder farmers in Ghana. Japanese companies can invest in fintech solutions that offer affordable and accessible financial services, such as mobile banking and microloans, empowering farmers with the necessary capital to invest in their businesses.

- **Training and Capacity Building:** Japanese companies can contribute to the development of the agri-business sector in Ghana by providing training and capacity building programmes for farmers. These programmes can focus on modern farming techniques, sustainable practices, and the efficient use of technology in agriculture.
- **Food Processing and Preservation:** Investing in food processing and preservation technologies can help reduce post-harvest losses and add value to agricultural products. Japanese companies can seize the opportunity to set up processing facilities to produce value-added products for both domestic consumption and export, taking advantage of the local content provisions under the AfCFTA, to enter the larger Africa market with their products.
- **Public-Private Partnerships:** Collaborating with the Ghanaian Government and local organizations through public-private partnerships can create a conducive environment for technology-driven agri-business expansion. Such partnerships can address regulatory challenges, infrastructure development, and knowledge sharing.

By harnessing technology and combining Japanese expertise with Ghana's agricultural potential, Japanese companies have vast investment opportunities in the country, and the existence of conducive investment laws in Ghana's agricultural sector could further enhance Japanese investment in the country's agri-business sector. Ghana on its part stands to also benefit from improved food security and to foster economic development in the country.

Key Investment Highlights

- i. **Human Resources:** Ghana's current literacy rate is reported to be 69.0% as of 2021, making it one of the

best in the West African sub region and in addition, Ghana has a youthful population, with about 67% of the labour force falling within the ages of 15 to 64 years.

- ii. **Tax Incentives:** The food and agriculture industry offer several incentives for companies and ready-to-go investors, which are (1) A 5-10-year tax holiday for companies in the agriculture sector (2) Concessionary corporate income tax rates (3) Tax losses for companies within the agriculture sector can be carried forward for up to 5 years. (4) Tax exemptions on the importation of machinery and equipment for manufacturing.
- iii. **Land Acquisition and Management:** Land ownership is legislated under the Land Act 2020, Act 1036. The Model Lease Agreement (MLA) for large-scale commercial transactions seeks to protect the interest of large-scale farmers' access to farming communities.
- iv. **Storage and Warehousing:** The Kotoka International Airport in Accra has a 10,000 square-meter of perishable cargo center, which provides cold room facilities for handling and temporary storage for perishable produce for export. Government has targeted the construction of 30 warehouses, each with a capacity of 1000 Metric Tonnes, under the one-district one-warehouse initiative.
- v. **Policy Initiatives:** (1) Savannah Investment Programme (SIP) - An initiative by government to reduce the importation of meat through increased commercial broiler production to enhance competitiveness of the poultry industry and contribute to improved nutrition security. (2) Youth in Agriculture- This is an initiative to motivate the youth to accept and appreciate farming/food production as a commercial venture, thereby taking up farming as a life time vocation.

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