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12. Options for Local Financing in Urban Agriculture

Irene S. Egyir, Olufunke O. Cofie and Marielle Dubbeling

Access to debt financing (credit) is crucial to the development of urban agricultural production, processing and marketing activities. This chapter is based on a 2009 study[1] *carried out in Accra to assess the practices of institutions and programs that could finance urban agriculture as well as the existing bottlenecks and opportunities in financing. Information is based on surveys involving 179 respondents sampled from financial institutions; urban farmers (not limited to vegetable farmers), traders and processors; literature reviews, stakeholder mapping; focus group discussions; key informant interviews; and a validation workshop.*

12.1 Financing Urban Agriculture – an Overview

Many studies in Ghana and other developing countries have shown that agricultural producers in general have only limited access to credit and finance (Hollinger 2004). The internal factors limiting credit access are lack of collateral due to lack of or poor quality of farm assets, lack of ownership of assets for women farmers, poor financial management, the risky nature of farming and the inability of clients to prepare viable project proposals. External factors are high interest rates, high cost of service delivery to the sector and perceptions that financial farming services providers afford high risk. Following the liberalisation of the financial sector in the early 1990s, the share of agricultural credit in total bank lending initially fell from the mandatory 25% to about 10% before recovering to 12% in 1998. According to the Bank of Ghana Statistical Bulletin, share of agriculture and forestry in the outstanding credit balance of money deposit banks (MDBs) in December 2005 and 2006 were 7% and 5% respectively. This is an indication of a low and deteriorating level of credit supply to the agricultural sector (MoFA, 2007).

The situation is worse in urban areas; this is where all the different types of financing institutions are, yet the available financing products/services are not adapted to the specific conditions of poor urban producers. Moreover, most available loans and subsidies are primarily focused on the production phase of the urban agriculture cycle – growing crops or

[1] Egyir, I.S. 2010. Applied study on local finance for poor urban and peri-urban producers in Accra, Ghana. Report submitted to the International Water Management Institute (IWMI/RUAF), Accra www.ruaf.org/sites/default/files/Applied%20study%20on%20local%20finance%20for%20urban%20producers%20in%20Accra%20Ghana.pdf

raising animals – and few instances are found in subsequent phases such as (value-adding) processing and marketing of agro-products (for conventional markets as well as for innovative market niches such as ‘fair-trade’ or ‘biological products or by direct sales to consumers (farmers’ markets, pick-your-own fruit, home delivery schemes).

Several studies carried out in Ghana to understand why people are marginalized in the financial system discuss the case of women and how to improve access (Akudugu et al. 2009; Egyir 2009; CMA 2008; and Onumah 2003). Limited access to credit is a key source of inefficiency that hampers trade and productivity enhancement. All the research mentions lack of collateral as the major contributor to the access problem. Other factors mentioned are lack of efficient storage facilities, poor transport, poorly developed systems of standard grades and measures and unreliable market information systems (Onumah, ibid).

Due to the profit maximization goal of formal financial institutions any strategy that will not show a physical gain in the future is likely to be avoided. Lending to the entrepreneurial poor in urban agriculture may not be an option if the producers are not able to demonstrate that they have adequate capacity to mobilize resources for sufficient levels of production. Without support, such people remain under-empowered, both economically and socially. Economically, such people when engaged in agriculture rely mainly on natural resources such as rainfall. In the urban areas where treated water is expensive farmers who cannot afford it use wastewater as the key input for production; they have scant recourse to sophisticated machinery and improved seed; the quality of packaging materials is poor; and efficient postharvest handling and distribution processes are absent. Their sales are low so they have low income generation and cannot accumulate adequate savings, acquire assets or contribute to cooperatives when they join one. As they cannot contribute when they become members of cooperatives (or community-based organizations), they shy away from such groups and thus diminish their social empowerment. If urban producers would join legitimate and functional producer organizations they would improve their social capital and eventually obtain easier access to finance.

12.2 The Current Situation of Financial Institutions in Accra

In Accra, universal banks dominate the operations of the financial system; there are also savings and loans companies, financial NGOs and projects, credit unions and rural/community banks. According to the register of licensed institutions, the Bank of Ghana showed in 2013 that after two decades of the Financial Sector Adjustment Programme

(FINSAP), there are twenty-seven (27) universal banks (also referred to as the traditional commercial/development banks), 135 rural banks, and 58 non-bank financial institutions, which include 25 finance companies, 24 savings and loans companies, 3 credit reference bureau, 2 leasing, 3 finance and leasing and 1 mortgage finance company (http://www.bog.gov.gh/).

The Ghana Microfinance Institutions Network (GHAMFIN) was established in 1998 to act as an umbrella organisation for currently about 80 regulated and non-regulated microcredit institutions which is however only a small fraction of the various microfinance institutions in the country. Most financial institutions were established between the 1980s and 2000s, especially after FINSAP was inaugurated in 1987. The vision, mission and objectives of all the financial institutions point to “provision of efficient service and stakeholder satisfaction”. However, the financial NGOs and rural banks specify that their core business is to contribute to the development of the marginalized[2] and poor (Box 12.1) although there is expected economic return on any loan offered. "Institutions with microfinance products are not charities; the funds they operate belong to share holders who expect returns on their investments" (Bank Manager, La Community Bank).

Box 12.1: Generally, microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. It includes loans, savings, insurance, transfer services and other financial products and services. Microcredit is thus one of the critical dimensions of the broad range of financial tools for the poor (Asiama and Osei 2007).

Clearly, the major objective of the banking institution is to minimize risk as much as possible. Rawlinson and Fehr (2002) observed that there is conflict between achieving maximum development impact and attaining profit. “As with any company, the bottom line of sustainability through profit comes first, and development must take second place as a priority” (ibid). It is noted that many of the institutions do not have any external support in the form of finance or infrastructure development. Funds are obtained from “shareholders, the bigger banks or Bank of Ghana or generated from deposits, savings and interest on loans and

[2] An example is ECLOF (Ecumenical Church Loan Fund) with its Ghana office in Accra which is the practical arm of the ecumenical community and reaches out through its network of churches with a focus on financing the development of people who have been economically and socially marginalized, independently of their particular faith (www.eclof.org).

on-lent to clients (Manager, UniCredit)”. There are a few (10%) institutions with external support but they also believe that “in order to sustain oneself in the competitive market and improve the life of clients consistently we need to strive to become the preferred ‘bank’ of choice in future” (Executive Director, ECLOF Ghana).

All the financing institutions are conscious of the riskiness of small businesses; business related to primary agriculture – the cultivation of crops, rearing of livestock and fishing – are deemed the riskiest. Some stakeholders believe that, "our company has suffered greatly by lending funds to pineapple farmers in Nsawam. A large percentage of that loan remained unpaid for a long time and was written off. The farmers claimed the weather failed, they had poor yield, their buyers failed to pay back and they just will not make any effort to also pay the bank” (Manager, Women’s World Banking, Madina, Accra).

Agriculture in Ghana is perceived to be the highest-risk business because the management of water, soil fertility, pests and diseases is rarely dependent on improved technology. Dependence on natural rainfall and climatic elements makes production seasonal and the fresh produce highly perishable. Without effective soil fertility, weed, insect, disease and other pest control management, yields and the quality of produce remain low. This situation results in low farm income, particularly when the market prices cannot be controlled by farmers themselves and the amounts offered are low. In the survey, although all the microfinance institution (MFIs) (i.e. the savings and loans companies, credit unions and financial NGOs) agreed that they do not discriminate against farmers, they also added that farmers were not their preferred choice. They give loans to farmers who have title to land and can show regular flow of income. Indeed, about 90% of the universal banks (Agricultural Development Bank, Ghana Commercial Bank, Barclays Bank, etc.) located in and around Accra admitted that they have never given any loans to smallholder farmers in the area. Most microfunds have been lent to traders of food commodities – retailers of eggs, vegetables and grains.

Many of the firms preferred to finance urban agricultural commerce – sale of vegetables, foodstuffs and eggs under their ‘microfinance schemes’. They avoid primary agriculture. Only three out of the 37 financial institutions surveyed had special loan products for agricultural activities in the city (Table 12.1). The three institutions that offered credit to urban producers included ECLOF Ghana, ProCredit Ltd. and the Micro Finance and Consultancy Services (MFCS) project. The producers were vegetable and livestock farmers and fish processors. Two of the three provided figures for the 2009 financial year. The total value of credit provided by them was about USD49 643 (GH₵[3] 69,500) and served only 46 farmers.

TABLE 12.1. Agroloan products of financial institutions.

Financial institution	Name of product	Value of loans in 2009 (GH₵)	Value of loans in 2009 (GH₵)	Type of producer	Number of producers
ECLOF Ghana	Akuapa	10,714	15,000	Poultry farmers and fish processors	20
MFCS project	Multi-agro loan	13,929	19,500	Vegetable and poultry farmers	26
Total		24,643	34,500		46

Source: Survey data, 2009 (USD1.00 = GH₵ 1.40 at time of survey).

ECLOF's Akuapa loan

The Akuapa loan was created in 2009 and it served next to many other farmers and traders also 20 urban farmers in Accra. The lowest loan offered was GH₵200 and the highest was GH₵800 (USD 570). All the clients were given seven months to pay back the loan, they paid 4% per month as interest and another 3% per month as insurance. Each of them belonged to a group of five. At the time of discussion, 60% of the loan had been paid, about 30% had defaulted on repayment for one month; as the period of repayment was not up delinquency was not anticipated. Part of the principal loan amount and interest was collected each fortnight (range = GH₵20-80). About 50% of the clients did not keep to the scheduled payment dates but paid at their own convenience.

The MFCS Multiple Agroloan

The MFCS agroloan was offered to two groups of farmers in 2009 – the Dzorwulu Vegetable Farmers Cooperative Society and Sowutuom Poultry Farmers Group. The project specified a loan ceiling of GH₵500 (USD 357) per person, therefore members could not apply for any higher amount. However, if a member applied for an amount lower than the ceiling figure the balance could be given to a group member who had requested more. Each of the group

[3] The Ghana cedi (currency sign: GH₵; currency code: GHS is the unit of currency of Ghana. The new Ghana cedi was introduced on 1 July 2007 at a rate equal to 10,000 old cedis. In the literature both abbreviations (GH₵ and GHS) can be found.

members was given a one-month moratorium, six-month repayment period, one-month default deferment after the six months and reprieve for 'within-period defaults'. The latter means that if one did not make payments on due dates, no penalties were considered. The project required group guarantee, individual guarantors and records of key activities (production volume and expenditure, sale, key purchasers, key market centers) of the past year.

A special product was developed for poultry farmers because the GH₵500 was deemed inadequate in the context of the procurement cost anticipated for the end-of-year season. In October 2009, they were granted GH₵1,000 each for a three-month (no moratorium) period. They were required to show evidence of bank savings or checking accounts apart from the personal guarantors provided. Only two out of the six parties did not default on repayment; two of them defaulted throughout the period and made the total payment a fortnight after the expected final repayment date.

Other Financial Services

Savings, insurance and remittance finance services are available; savings is well-known and critical to micro-entrepreneurs, including urban agricultural producers. There is no indication of the practice among urban producers. There is minimum barrier to savings in both the formal and informal sectors. Apart from financing NGOs, all the financial institutions surveyed offered savings, insurance and money transfer services.

12.3 Bottlenecks in Financing Poor Urban Farmers

There are three constraints that slow down or stop urban farmers from easy access to financial services, especially loans from the formal financial sector: farmer characteristics, organizational capacity of financial institutions and the macro-environment. The study found that irrespective of whether short- or longer-term financial support was required, farmer characteristics are the primary constraint to financing.

Personal Characteristics of Urban Farmers

Urban vegetable farming in Accra is dominated by adults of between 24 and 68 years of age. Men (95%) dominated farming and women (99%) dominated commerce. Many have religious affiliations (Christianity or Islam) and many are migrants (Table 12.2). With respect to residential location, many urban producers are tenants in low-income areas of city suburbs.

A few who claim they live in their own accommodation described incomplete buildings or makeshift (wooden) structures on parcels of land that belong to the government or families in the diaspora; some of the structures are on lands under dispute.

TABLE 12.2. Summary of specific conditions of poor urban farmers.

Characteristics	General situation		Remark
	Frequency	Percentage	
Residential status			Diverse
Migrant	76	65	
Indigenous	41	35	
Major occupation			Urban agricultural producer
Agriculture only	105	90	
Agriculture plus other	12	10	
Technologies employed			Mixed technology
Traditional inputs	117	100	
Modern inputs	97	83	
Mobile phone	117	100	
Both traditional/modern	97	83	
Scale of operation			Micro-enterprise
Micro	116	99	
Small	1	1	
Type of business (%)			Business depends solely on one person
Sole owner	116	99	
Partnership	1	1	
Membership of formal producer organization (%)			Weak networking / interdependencies
Yes	20	17	
No	97	83	
Gross income/month (USD)			Low to moderate compared to the minimum wage of USD 470 per month
140-400	88	75	
400-500	25	22	
>500	4	3	
Access to finance (2008/2009)			Informal finance
% Formal savings	6	5	
% Informal savings	12	10	
% Received formal credit	6	5	
% Received informal credit	70	60	
% Engaged in insurance	0	0	
% Received remittance	6	5	

Source: Survey data, 2009 (Egyir, 2010).

Even though many of them owned mobile phones, indicating that they could be reached at any time, there is a growing phenomenon that can be described as *if you do not want to be* *disturbed by those you owe, change your mobile phone chip*. It is very easy to do this in Ghana; chips are not registered and it costs less than USD1.00 to replace one.

In short, the urban agricultural producers, like many urban poor workers, have no permanent address. Agricultural production was the full-time occupation of a significant share of the respondents, while others had small side jobs, depending on traditional technologies with few associated benefits. Although exotic vegetables can lift them out of poverty (see chapter 4) others earn less than the minimum daily wage of USD2.91 (May 2013). Such low earnings are partly because many urban agricultural producers are not involved in wholesale trade. Many of the farmers sell on farm and depend on prices offered by their client traders (see chapter 3).

This implies that urban agricultural producers are high-risk cases. They have no permanent address, inconsistent flow of income and operate in weak networks. Aryeetey (2005) observed that projects with high repayment rates often include an appropriate sociocultural environment, that is, the population is not transient, which helps to reduce default as social sanctions are strongest in a stable population.

Urban farmers mostly associate with the informal financial sector. In 2008/2009, many (60%) respondents received credit from informal sources, usually, friends, relatives and trading partners. Danso and Drechsel (2003) observed that "while many agricultural activities in Ghana are financed either by the government or by external aid, the urban farmers producing for the market usually have to rely on self-financing (own funds) to start their businesses, or rely on credit from market women for the purchase of inputs (especially seeds and agrochemicals; see chapter 3).

In the 2009 study only six (5% of) respondents confirmed that they received credit from formal sources of finance such as savings and loans companies and microfinance NGOs. They obtained GH₵500; about 30% required more than 50% of the amounts they obtained but they were rationed. Lenders of credit are cautious about default so apart from sharing only what is available, some borrowers are denied the total amount applied for to minimize risks.

The precautionary measures that lenders adopt in order to minimize the risks of default include screening of borrowers to ensure that those who cannot repay are excluded; creating incentives for successful borrowers to be able to repay; and developing various enforcement strategies to ensure that those who are able to repay do so (Nathan et al. 2004). Indeed, the six producers mentioned earlier were successful because they were prepared to save before the credit offer; they showed evidence of permanent business premises and provided guarantors whose income-generating capacity was high. In communities where micro-entrepreneurs have shown a high level of discipline and credit worthiness a higher access rate has been recorded. Akudugu et al. (2009) reported that about 81% of rural women farmers who applied for or demanded credit from rural banks in the Upper East region of Ghana were successful in their credit applications or demand.

When producers were asked to list obstacles to formal credit access, they listed elements that showed that improvement in the system lies primarily with the producers themselves: poor business management skills and returns, inadequate knowledge of the financing system, high number of dependents and expenditure points, illiteracy, wrong perceptions about financial institutions and compulsory participation in producer organizations (Table 12.3). The 'difficult financing terms' (long processing period, group membership, short repayment period and in particular high interest rates between 10 and 60% per annum, average 37.6% in 2009**)** can be attributed to financial institutions. Nonetheless, high-risk borrowers cannot be given easy terms (Arnoud et al. 1991). At other times clients give erroneous information which needs to be clarified before the process is completed.

TABLE 12.3. Obstacles to accessing formal credit for poor urban producers.

Obstacle	Rank (perception of researcher)
Poor business management skills and returns	1
High number of dependents and expenditure points	2
Inadequate knowledge of the financing system	3
Illiteracy of producers	4
Difficult financing terms offered by institutions	5
Wrong perceptions about financial institutions	6
Refusal to join or contribute to group dynamics	7

Source: Survey data, 2009.

The general indication is that even informal units deal with specific groups of people, ensuring that only those who can satisfy distinct selection criteria are able to either deposit with or borrow from them (Aryeetey 2005). Projects with high repayment rates often include many procedures: training programs for participants; nonsubsidized interest rates; integrated formal written membership requirements and screening measures; criteria in their bylaws to ensure discipline among members; a savings program concomitantly accompanies lending; and an appropriate sociocultural environment, for example a fixed population, which helps to reduce default as social sanctions are strongest in a stable population (Aryeetey 2005).

Organizational Capacity of Financial Institutions

Financial institutions are profit-making ventures. This means that they monitor phases such as return on investment, return on equity, turn over, debt, growth, success and sustainability. Projects with high repayment rates will be preferred. If high repayment is to be achieved among poor urban agricultural producers then activities such as training programs for participants and facilitation of producer groups to ensure that they integrate formal written membership requirements and screening measures in their bylaws to ensure discipline among members are introduced.

The default rates recorded by financial institutions that have micro-credit schemes are high at about 29% (Table 12.4); those with high recovery rates (say 75%) use the collateral or cash guarantee system. They follow the principle of high outreach activities and drive towards self-sustainability (Aryeetey 2005). Financial self-sustainability is achieved when the return on equity, net of any subsidy received, equals or exceeds the opportunity costs. Outreach is measured on the basis of the types of clientele served and the variety of financial services offered, including the value and number of loans extended, value and number of savings accounts, type of financial services offered, number of branches and village sub-branches, percentage of the total rural population served, real annual growth of the institution’s assets over recent years and participation of women as clients.

Most of the financial institutions have the technical capacity to train and carry out the facilitation processes. However, the cost of sustaining such programs which is expected to be fee-free cannot be sustained by the institutions. Many of the institutions that provide these facilities have grants and other social support for a brief period. If that external support is lacking the only option left is rationing – full or partial. Most of the financial institutions admitted that less than 70% of what clients demand is granted. The reasons are numerous (also observed by CMA 2008) (see Figure 12.1): that the expected return on clients' investments was lower than declared; low savings capacity of clients; poor repayment history; poor social record; low show of client commitment to financial education and counseling prior to loan supply and refusal to show all necessary documents requested.

TABLE 12.4. Distribution of loan recovery and default rates of financial institutions.

Variable	Frequency	Percentage
Loan recovery rate		
40-50	3	8.1
51-60	2	5.4
61-70	1	5.4
71-80	12	32.5
81-90	10	27.0
90-100	8	21.6
Mode	75%	
Mean	79.8%	
Standard deviation	15.5%	
Minimum	40%	
Maximum	100%	
Default rate		
<21	19	51.4
21-40	7	18.9
41-60	9	24.3
61-80	2	5.4
Mode	10%	
Mean	29.0%	
Standard deviation	20.6%	
Minimum	0%	
Maximum	72%	

Source: Survey data, 2009.

When clients are not able to show in full all the necessary documents required (pay slip, bank statement, guarantors' identity cards among others), firms reduce the risk of slow pay back by rationing. Formal financial institutions also ration credit when they are overwhelmed by applications. Each bank may lend an amount equal to its excess reserves and not more. When the applications are excessive or the amounts requested are high the bank naturally reduces the amount offered.

The Macro-environment of Poor Urban Farmers

Ghana's macro-economy is characterized by high inflation (over 10% for the past decade), a falling cedi, high unemployment rates, high balance of payments deficits and low economic growth (about 6% in the last decade). The situation though said to be improving in the last few years, constrains financial institutional practice (Acemoglu et al. 2003). The current practices of local financial institutions can be traced to the liberalization of Ghana's financial sector in 1987.

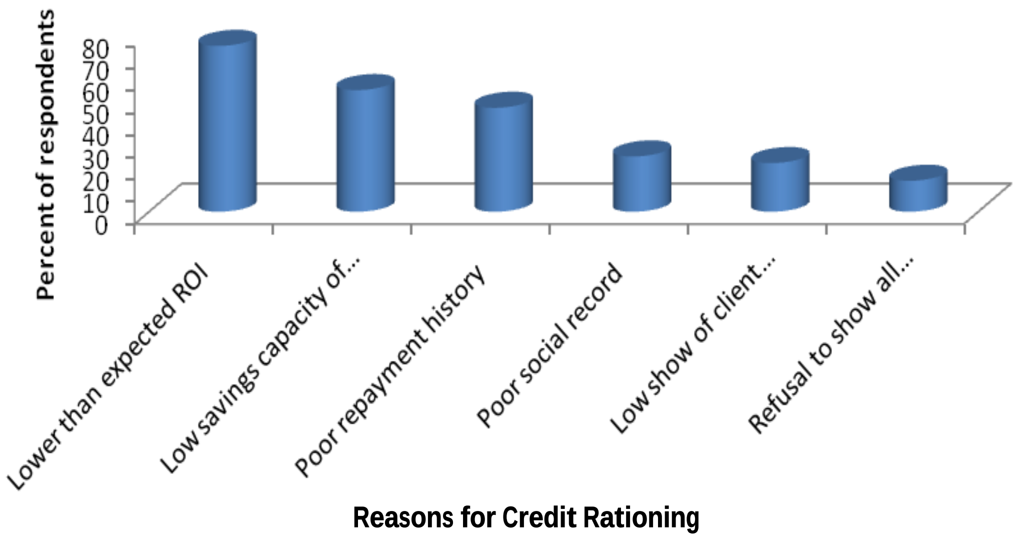

FIGURE 12.1. Reasons why financial institutions refuse full loans.
Source: CMA (2008).

The liberalization strategy was part of the broader FINSAP; it led to the entry of new banks and nonbank financial institutions (NBFIs). As part of FINSAP, controls on bank interest rates were removed; capital bases, management and accounting information systems were also strengthened. In addition a legal and regulatory framework with effective supervision by the central bank, Bank of Ghana (BoG) was put in place. This means that the minimum capital requirements of the bank and NBFIs are reviewed from time to time and this can affect the outreach of financial institutions; banks tend to be protective and minimize risk.

A key macro-environmental factor that serves as a bottleneck in credit access is poor road surface condition and inadequate road networks. This limits branch establishment and outreach. The mobile phone allows for information and communication technology (ICT)-based transactions but the registration system is not effective. The law stipulated that by July 2011, all individuals should have their phones registered. However, the cost of replacing a chip remains low.

12.4 Opportunities for Financing Urban Agriculture

The aforesaid factors suggest that there are opportunities for financing urban agricultural producers: financing institutions exist, producers' demand is expressed, political will is there, the macro-economic indicators are improving and the sociological and technological environment can be addressed.

Presence of financing institutions: There is a liberal financing system and there are several financing institutions with micro- and small financing schemes: all the financing institutions encountered have small and medium enterprise [SME] banking and microfinance desks (small loans units). A few have specific products for agriculture so with further sensitization and negotiation the special cases of urban agricultural producers can be packaged. The financial institutions recognize that as part of social responsibility well-organized urban producers' associations can be offered certain communal inputs as they often do towards the Farmers Awards Day in December each year.

Producer Financing Needs Can Be Determined

The financing needs of urban agricultural producers can be determined. The examples of vegetable farmers and poultry farmers are shown in Figures 12.2 and 12.3.

Concerning recent trends in the financing of vulnerable groups in Ghana, since the era of women's empowerment in the early 1980s and that of inclusiveness in the first decade of the twenty-first century, micro-finance for the rural poor and women has increased. Women and the poor who belong to credible groups have benefited from public financing projects with relatively low interest rate such as the Governmental Micro Finance And Small Loans Centre (MASLOC) and the Support Programme For Enterprise Employment And Development (SPEED), NGOs such as Sinapi Aba Trust and savings and loans companies such as ProCredit Ltd.. Urban farming was assumed to be a hobby and insignificant in terms of business activity. With the study's demonstration of the income-generating capacity of the venture, like open-space vegetable farming, nothing should stop these activities from being assisted by financing institutions.

Improvement in the political, economic, sociological and technological environment in the past decade is an opportunity for improved financial systems. Countries pursuing poor macro-economic policies and with weak institutional capacity, including political institutions that do not constrain politicians and political elites, ineffective enforcement of property rights for investors, widespread corruption and a high degree of political instability suffer from slow growth (Acemoglu et al. 2003).

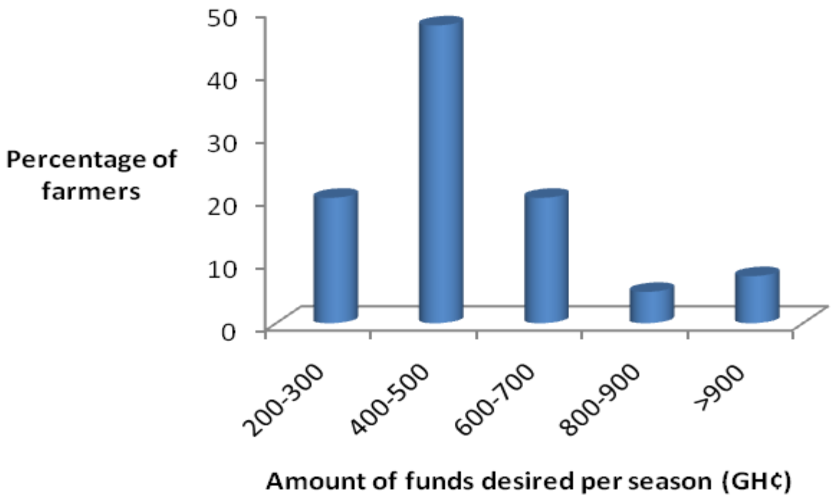

FIGURE 12.2. Seasonal demand for credit by vegetable farmers in Dzorwulu, Accra, in 2009.

Source: Survey data, 2009 (USD1.00 = GH₵1.40).

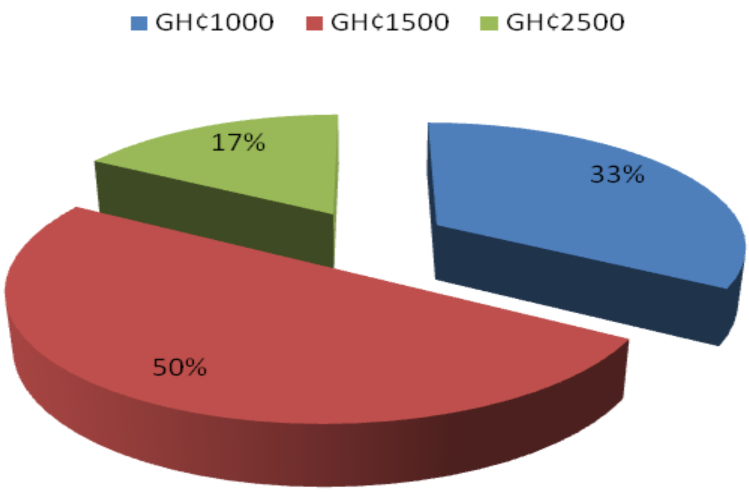

FIGURE 12.3. Demand for credit by poultry farmers in Sowutuom (Ga South District).

Source: Survey data, 2009 (USD1.00 = GH₵1.40).

Accra is the capital of Ghana, and the nation's peace and stability are tied to it. Since 1992, constitutional rule has been maintained and the quality of governance has improved both in the city and all its surrounding districts, assuring peace. The economy is an open one, allowing for innovativeness, importation and exportation of inputs and outputs. Policy guidelines for all key sectors including the financing of businesses (agriculture as well) have been developed. A special document for micro-finance has been drafted for executive attention. The role of the Ministry of Food and Agriculture (MoFA) in the facilitation of credit for smallholders has been specified in the Food and Agriculture Sector Development Policy (FASDEP) as evidenced by the ministry's effort to establish the Export Development and Agricultural Investment Fund (www.edaifgh.org).

The sociological environment is suitable; there are no significant cultural barriers to savings and credit by any group of people. The financing institutions prefer economically active and business-minded clients. Many institutions have branches that are situated fairly close to the communities in which the poor live in and around Accra. This has improved (albeit slightly) the financing culture of the economy; the savings culture of the poor needs more work.

The ICT age allows the use of multimedia and gadgets to simplify the packaging of messages and training of groups and individuals whose literacy level is low. ICT is also improving the effectiveness of linkages of producers to markets. The openness of the economy allows importation of improved machinery, seeds/breeds, pesticides and fertilizers and other technologies to support intensive production.

The only environment that needs critical attention is the macro-economy: as economic indicators such as inflation become unfavorable (double digit), the financial system retards and narrows its credit clientele base to include more secured ones. The inflation rate of the past decade has been between 10 and 18%. It puts the Central Bank prime rate at 20% and commercial bank base rate at 25%.

Urban and peri-urban vegetable growers often use very intensive production systems to receive maximum outputs from small plots of land (FAO 2007, Obuobie et al. 2006). If not properly financed and advised farmers might miss the means needed to shift from improper use of maybe low-cost but harmful chemicals to safer products or invest in on-farm wastewater treatment.

All financial institutions involved in SME banking and/or micro-financing need to participate in the mobilization of such micro- and small enterprises for training in sound business management. Sound business management will ensure that resources – land, labor and capital – are planned and controlled in a sustainable way for consistent profit making. With consistent profit-making saving, excess cash will not be difficult to find; once this prerequisite of many financial institutions is met other areas of discipline can be worked at through the dynamics of the cooperative strategy.

12.5 Conclusion

This study has demonstrated that there is opportunity for providing financial support to poor urban farmers. There are different categories of financial institutions available in Accra and its environs. Many of the institutions have financial products that can serve the interest of the entrepreneurial poor so urban farmers can also benefit; much negotiation and learning is necessary. Key bottlenecks can be traced to the characteristics of the farmers, capacity of financial institutions and the macro-environment situation. In order to improve the access of small-scale urban producers to financial support, the following eight steps are recommended: they center on changes in attitudes of poor urban agricultural producers, policy changes of financial institutions and improvement of support by the District Assembly.

1. Agricultural producers should change their attitudes by participating in groups and associations formed to learn more about their trade (see chapter 11). They can then seek for sustainable external support once they obtain legitimization by registering with the Department of Cooperatives or the Registrar General's Department.
2. Urban farmers are squatters; they cannot own land so they should seek to obtain memoranda of understanding from their landlords. Partnering with them can generate confidence in the sustainability of their enterprises.
3. Urban agricultural producers should enrol in adult classes and improve their literacy status; exposure will improve their learning ability and information-seeking skills.
4. Urban farmers should secure permanent addresses to gain trustworthiness.
5. Financial institutions should involve urban agricultural producer groups during their outreach programs. The income-generating capacity of open-space vegetable farming is high enough to deserve any assistance by financing institutions.
6. Financial institutions should pilot urban agro-products. As part of the financial literacy training programs, modules on savings, insurance and money transfer operations should be prioritized.
7. Actions on conditioning of road surfaces by the Department of Feeder Roads should be expedited to make remote areas of urban centers and peri-urban communities more accessible to field officers of microfinance institutions and NGOs.
8. Additional resources should be provided to the statutory institutions of extension and group facilitation (the Ministry of Food and Agriculture, Department of Cooperatives and Community Development) to improve their group facilitation operations.