Financing Local Sourcing Initiatives in Ghana -Partnerships that Work

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Executive Summary

Guinness Ghana Breweries limited (GGBL) is a member of the Diageo group of companies and the only listed total beverage (alcoholic and non-alcoholic) company operating in Ghana. The business has been involved in local raw material (LRM) sourcing for more than a decade and the single largest consumer of white sorghum in Ghana.

The local sourcing vision of the business is *to generate long-term value with locally and sustainably sourced raw materials which meet quality standards and have a positive impact on the communities and environment in which we operate.*

GGBL's local sourcing agenda is driven by the business' desire to:

- Shape national policy
- Reduce the pressure on Forex
- Create jobs and income
- Contribute to the growth of the local economy

However, the business desire to source increasing quantities has been hindered by the following factors:

- Low yields and rising cost of inputs especially fertilizers and cost of tractor services.
- Inadequate infrastructure –warehouses, scales, and cleaning equipments
- Access roads to growing centers
- High cost of credit.
- Land Ownership issues.
- Passive government support to the industry in terms of subsidies to the farmers.

To unlock the potential in local sourcing, GGBL entered into a strategic partnership with Barclays bank and Root Capital to provide credit for sorghum farmers and suppliers. Mindful of the fact that credit by itself is inadequate, the three institutions (Barclays, Root Capital and Guinness Ghana) brought on board AGRA to provide funding to address the technical and yield improvement programs. At the same time, the partners and the farmers met to brainstorm on winning ways of executing the program. It was the ideas from those sessions that guided the program execution which resulted in unprecedented growth in the history of our sourcing initiate. LRM increased from 12% in 2012 to 38% in 2014. Sorghum volumes doubled in one year (2013 to 2014) and grew from 7% in 2012 to 23% in 2014.

Lessons and results from the program have demonstrated that when a credit program is implemented in a way that addresses every entity of the value chain, the results can be worth the inputs. First of all, a genuine demonstration of the socioeconomic benefits of the value chain to the stakeholders is fundamental in attracting the needed resources for the development of the chain. In addition, reviewing and amending existing internal policies such as payment terms that hurt farmers and bureaucratic procedures that delay release of funds could contribute to make agric financing a profitable and

sustainable venture. Above all, a guaranteed market in the form of signed contracts is required by farmers, credit providers and donor agencies to make investments decisions. Going forward, GGBL and her partners will continue to invest in technologies that will increase yields, improve margins to farmers to attain 50% local sourcing by 2017.