Food and Agriculture Organization of the United Nations

LEVERAGING SMALL AND MEDIUM-SIZED ENTERPRISES FOR NUTRITION-SENSITIVE FOOD SYSTEMS IN GHANA

The Food and Agriculture Organization of the United Nations (FAO) is implementing the project *Strengthening capacities for nutrition-sensitive food systems through a multistakeholder approach* in Ghana, Kenya and Viet Nam. Supported by the Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF), the project targets small and medium-sized enterprises (SMEs) operating in the agrifood sector, while also including academia and civil society as agents of change.

Produced as part of the project, this policy brief outlines challenges and opportunities for small and medium-sized enterprises to build more equitable, sustainable and nutrition-sensitive food systems in Ghana.

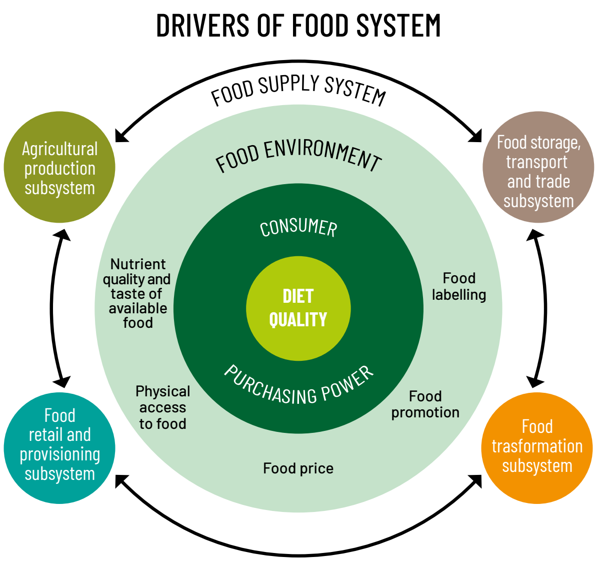
KEY DATA ON NUTRITION IN GHANA	
Prevalence of stunting in children under 5 years of age: 22.8% (2012) – 17.5% (2019)***	*Prevalence of wasting in children under 5 years of age: 6.2% (2019)**
*Prevalence of overweight in children under 5 years of age: 2.6% (2012)*** – 1.4% (2019)**	*Prevalence of obesity in adults (18 years and older): 9.4% (2012) – 10.9% (2016)*
Prevalence of anaemia in women of reproductive age (15–49 years): 48.6% (2012) – 46.4% (2016)	

*Notes: *Based on latest data available from 2014 to 2019.*
***Based on latest data available from 2005 to 2012.*
Source: FAO *et al.*, 2020, Annex 1A, Table A1.1.

1. THE IMPORTANCE OF A FOOD SYSTEMS APPROACH TO DELIVERING HEALTHY DIETS

Despite significant improvement over the last decade, Ghana faces multiple nutrition challenges – from undernutrition to overnutrition – due, in part, to poor diets (FAO and IFPRI, forthcoming). The 2020 edition of *The State of Food Security and Nutrition in the World* confirms this trend (FAO *et al.*, 2020). Food systems contribute significantly to improving diet quality, as they encompass people and institutions involved across various processes and activities – including food production, processing, storage, transportation, trade, transformation and retail. It is therefore crucial to ensure that "all parts of food systems work together to deliver high-quality diets" (Global Panel on Agriculture and Food Systems for Nutrition, 2016).

Figure 1. Conceptual framework for the links between diet quality and food systems



Source: Global Panel on Agriculture and Food Systems for Nutrition, 2016, Figure 1.4.

Among private sector actors, there is considerable potential for SMEs to contribute to improving diets. Small and medium-sized enterprises are closely linked to producers and are familiar with the tastes and preferences of local consumers. They can therefore play a crucial role in the evolution of the nutrition landscape and in the transformation of food systems – particularly in terms of food environments (where food is sold and accessed by consumers). Food environments may be inequitable for several reasons, including with regard to accessibility for different consumers, affordability, marketing and food quality (Development Initiatives, 2020). SMEs can contribute to improved nutrition by increasing the availability of nutritious food in food environments, and by promoting informed and healthy consumer choices. They can also increase food accessibility by driving job creation, income generation and innovation in rural areas (FAO, 2018a).

Before expanding on the potential of SMEs to improving nutrition in Ghana, it is important to understand the context in which they operate.

2. NUTRITION CHALLENGES ACROSS THE FOOD SUPPLY CHAIN

Farming and agroprocessing in Ghana is traditionally small-scale. The agriculture sector is undergoing significant structural changes, driven by decades of high economic growth and urbanization. Such a context creates opportunities for improving food security and nutrition across the country, but also poses multiple challenges.

Current social and economic trends have impacted the country's nutrition landscape and its food system. While food insecurity, hunger and undernutrition have been decreasing, overweight and obesity are rising. (Aberman *et al.*, 2018; FAO and IFPRI, forthcoming). And although national data averages show improvement in reducing stunting, wasting and underweight, a closer look reveals variations across population groups and regions, as well as between rural and urban areas. (FAO, 2018b). Key factors contributing to the various challenges for improved nutrition in Ghana include inadequate food/nutrient intake, low dietary diversity, high rates of infectious diseases among children, limited access to resources and healthcare for women, and the negative effects on national food security due to poverty, periodic flooding and droughts. At the same time, the rapid transformation of food value chains is also causing changes in diets, as multinational agribusinesses, food manufacturers, retailers and food service companies influence food production and consumption trends. And finally, rising income levels and urbanization are leading to increases in the consumption of animal-source foods, sugar, fats and oils, as well as of refined grains and processed foods (FAO, 2018b).

3. THE ROLE OF AGRIFOOD SMEs

Food processing is an important segment of the Ghanaian economy and agricultural sector, and is dominated mainly by small and medium-sized firms that operate mostly in the informal sector. The predominant form of food processing in Ghana is agroprocessing, which occurs both at the domestic and factory level, as noted in 2015 by Quartey and Darkwah (cited in FAO, 2018b). From a nutrition perspective, food processing promotes food security and nutrition by improving shelf life and reducing food spoilage and wastage (FAO, 2018b).

The country's agroprocessing industry is currently at an early stage in its development, with a relatively low degree of value addition and few linkages with marketing and financial services. This is partly due to the lack of support to small-scale firms, which leads them to operate below capacity and rely on insufficient technological infrastructure (Afful-Koomson *et al.*, 2014). In general, SMEs are the backbone of the Ghanaian economy – they represent around 85 percent of businesses (largely within the private sector), and contribute around 70 percent of Ghana's GDP (ITC, 2016). However, the limited scale of production of agroprocessing firms in the country reflects the greater bureaucratic, legal and administrative challenges they have to face,

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compared to larger firms. Policies and initiatives are typically less tailored to the needs of SMEs within the country; therefore these firms are more often faced with overbearing regulations, delays and barriers (Owoo and Lambon-Quayefio, 2017).

SUPPORTING SMEs IN GHANA

Examples of policies and strategies (FAO, 2018b):

- Coordinated Programme of Economic and Social Development Policies (2017–2024);
- Ghana Shared Growth and Development Agenda II (2014–2017);
- Ghana Industrial Policy (2011);
- National Trade Policy (2005);
- Private Sector Development Strategy I (2005–2009) and II (2010–2015); and
- Food and Agriculture Sector Development Policy II (2007).

Examples of institutional and organizational support:

Institutions from the public and private sector support the growth of the industrial sector, including SMEs. Among them, the National Board for Small Scale Industries (NBSSI) under the Ministry of Trade and Industry (MoTI), the Association of Ghana Industries (AGI), the EMPRETEC Ghana Foundation, the Ghana Export Promotion Council (GEPC), the Private Enterprises Foundation (PEF), the Ghana National Chamber of Commerce and Industry, and local and international organizations.

Examples of the type of support provided (FAO, 2018b):

- facilitating access to a business-enabling environment for SMEs;
- promoting exports of goods made in Ghana;
- developing entrepreneurship skills;
- providing training on the application of quality standards to business development;
- sustaining the production and selling of agrifood processing infrastructure; and
- building an appropriate credit infrastructure.

Further development of the Ghanaian agroprocessing industry, and especially of SMEs, would be critically important for a number of reasons; for example for its potential contribution to reducing post-harvest losses and, on the nutrition side, for its potential to increase nutrition value and improve food security through reduction in food spoilage and wastage. The development of the agro-processing industry may also contribute to employment generation, enterprise development, import substitution and diversification of rural economies. Processed foods also enjoy greater price stability on the world market, and may therefore increase domestic and export opportunities, (Quartey and Darkwah, 2015, as quoted in Owoo and Lambon-Quayefio, 2017).

4. MAJOR CONSTRAINTS FOR AGRIFOOD SMEs

There are various challenges facing micro, small and medium-sized enterprises engaged in agroprocessing in Ghana (FAO and IFPRI, forthcoming). As part of the MAFF project, FAO conducted a study (FAO, 2018b) to explore the specific constraints faced by SMEs in Ghana, and identified the following:

- **Inadequate access to raw materials.**
- **Inadequate access to financing** resources and credit facilities.
- **Limited knowledge of food safety** and **quality** standards, and inadequate management and business skills.
- **Limited understanding of the nutrition landscape** in Ghana.
- **Limited access to basic infrastructure** (electricity, water, information and communication technology, internet services, storage facilities, etc.) (ITC, 2016).

5. OPPORTUNITIES FOR AGRIFOOD SMEs

A forthcoming paper, developed by FAO and the International Food Policy Research Institute (IFPRI), on improving diets in rural Ghana (forthcoming) highlights several opportunities for the public and private sector to further support Ghanaian SMEs, while promoting nutrition-sensitive approaches:

- **Promoting cost-effective innovations** in the processing and preserving of fresh fruits and vegetables to help bridge seasonal gaps (for example, solar-generated cold storage).
- **Supporting** the development of **alternative nutritious food** products according to consumer preferences.
- **Improving** the capacities of producers and traders to ensure **food quality and safety** so as to respond to consumers' food safety concerns.
- **Leveraging** the **role of women** in food processing and supporting them to scale up or utilize new technologies for processing or for other value addition to nutrient-rich food.
- **Improving knowledge and expertise** on nutritious and safe food among small-scale service providers.
- **Facilitating engagement with business associations** that can reach a large number of SMEs, to strengthen their understanding of nutrition.
- **Implementing public awareness campaigns** targeted at market consumers, to increase their trust in vendors and to facilitate demand for healthy food handling practices and reduced nutrient loss.

Additional opportunities (FAO, 2018b) may include:

- **Fostering policy coherence** through policy dialogue across sectors such as food and agriculture, trade and industry, nutrition, health, transport and finance. Coherence is critical to ensure that incentives coming from different policies reinforce one another.
- **Strengthening managerial and entrepreneurial skills** among SMEs.
- **Addressing** the challenges SMEs face in access to **financing**.
- **Strengthening** knowledge and capacities among **policymakers and value chain actors** with regard to developing nutrition-sensitive value chain strategies and policies.

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