

## COVID-19 PANDEMIC AND ITS IMPACT ON AGRICULTURE AND FOOD SECURITY



# Policy Response for Ghana

Ghana announced the country's first confirmed case of Covid-19 on March 12, 2020. According to the Ghana Health Service (GHS), as of June 19, 2020 12,929 people have tested positive to the virus with 66 deaths. Cases have been reported across the country (Greater Accra, Ashanti, Central, Eastern, Western, Volta, Northern, North East, Upper East, and Upper West). The government has now eased a three-week lockdown on Ghana's two main cities, Accra and Kumasi, amid fears of the impact of a prolonged lockdown on the economy.

## Impact of COVID-19 in Ghana

Ghana is a major regional travel hub, serving as a connector for most of the West African countries, and is largely an import-driven economy. The COVID-19 pandemic has had substantial negative impact on the country's international trade and reserves. The country's revenue has been affected adversely by the pandemic with travel restrictions, border closure, falling oil prices and a growing unemployment rate. Ghana like other countries in the region has tightened financial conditions with the exchange rate under pressure. The Ghana Ministry of Finance anticipates a shortfall in petroleum receipts, import duties, and tax revenues, with the economy slipping from a surplus of GH¢2,811 billion (0.7% of GDP) to a deficit position of GH¢5.6 billion (1.4% of GDP) in 2020.

As Ghana predicted a revenue shortfall, and with a growing budget deficit, in April 2020, the IMF Executive Board approved the disbursement of \$1 billion to be drawn under the Rapid Credit Facility. The World Bank approved \$100 million to Ghana with \$35 million earmarked for emergency support to help the country provide COVID-19 response systems to early detection of cases with real time disease surveillance and reporting systems of outbreaks. The government also created the Coronavirus Alleviation Programme (CAP) with 1 billion Ghana Cedis approved for protecting against job losses, protecting livelihoods, and to support small businesses.

## GDP and Economic Growth

According to Deloitte, Ghana's GDP growth for 2020 will slump from projected 6.8% to 2.6%. The Ministry of Finance estimates that even with the mitigating measures put in place by the government, there will be a deficit of 6.6% of a revised GDP, which is higher than the fiscal rule of 5% established by the Ghana Fiscal Responsibility Law<sup>1</sup>. To cushion the effect of the pandemic on production and consumption, the Bank of Ghana cut the key interest rate to an 8-year low from 16% to 14.5%, lowered reserve requirements for lenders from 10% to 8% to enhance liquidity support to critical sectors, and reduced the cost of fund transfers to increase the use of mobile payment options. The Bank of Ghana has also directed that no service suppliers should charge transaction costs on mobile money transferred below \$18 between April 1 and June 30.

<sup>1</sup> Economic Impact of the COVID-19 Pandemic on the Economy of Ghana – Summary of Fiscal Measures and Deloitte views.

## Impact on Agriculture

The lockdown in Ghana has led to disruption in transport and logistics, which has affected the agricultural supply chain and agribusiness activities. The three week long lockdown of some cities disrupted the food system and the markets. This created panic buying and food price hikes across the major urban areas. It also aggravated fears of lack of access to inputs for farmers such as seeds, fertilizers and insecticides thereby disrupting the planting season. There are fears though that the limited access to the export market could affect planting decisions by farmers and increase the chances of a food crisis after the COVID-19 pandemic has passed. However, the Ministry of Finance sees a positive side to the impact of the pandemic on production. The Ministry expects reduced demand for forex for imports of goods and services, which provides opportunities for import substitution, thereby enhancing local production. The government acknowledges that in the wake of export bans from countries that Ghana imports food from, it provides a compelling argument for Ghana to put strategic measures in place to ramp up production of all commodities while also intensifying agro processing, reducing post-harvest losses, and enhancing all-year round food availability while creating jobs.

## Increasing Food Security

The government has recognized agriculture as a core economic driver. The sector currently employs 44.7% of the population, who are involved in the production of crops, livestock, and fishing or in processing and marketing of agricultural produce (SRID, 2016) both on a formal and informal basis. The lockdown in Ghana led to disruption in transport and logistics, which affected the agricultural supply chain and agribusiness activities. The three week long lockdown of some cities disrupted the food system and the markets. This informed the decision of the government to ease restrictions on movement, which has affected the ability of rural farmers not only to access the inputs market, but also sell their products and earn income.

Outside the COVID-19 pandemic and its impact on the food system, the country is currently ravaged by the Fall armyworm (*Spodoptera frugiperda*). The Fall armyworm poses a serious threat to food security and the livelihood of smallholder farmers in districts including Ahafo, Ashanti, Bono, Bono East, Central, Eastern, Greater Accra and Western regions<sup>2</sup>. The government needs to mitigate the adverse economic effects of COVID-19 and the Fall armyworm to increase food security during this crisis period. For now, the government has put in place measures, which include:

1. A market surveillance system, (where market prices and food availability in the markets are monitored);
2. Provision of personal protective equipment (PPE) for extension agents, development of guidelines for production, and public education through video and print;
3. Facilitating inputs distribution, through extension workers and village based advisors;
4. Medium-term actions include facilitating access to credit for producers, aggregators and processors including targeted support for 15 selected rice millers and 20 soya processors;
5. Supporting the National Food Buffer Stock Company (NAFCO) to mop up strategic stocks for food security, re-establish early warning system to provide regular update on food situation;
6. Establishment of a COVID-19 Fund for Agriculture and Food Security;
7. Invest in the development of lowlands and harvesting machinery to scale up rice and soybean production.

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<sup>2</sup> Ministry of Food & Agriculture



## Policy Response Package for Ghana

The impact of COVID-19 on the food system has been huge, and this will be around for a while even after a vaccine is found. The government of Ghana needs to put in place social protection programs and as well strengthen safety nets that support farm households and other small agribusiness in building their resilience. Development and multi-lateral partners must also support the government towards building and strengthening a sustainable food system across the entire value chain.

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