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African Footprint

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Audit / Tax / Advisory

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Doing Business in Ghana

Ghana's strategic location as the “Centre of the World” makes it a prime location for investors to get access to the African market and beyond. As a democratic republic, the country's policies are well-coordinated to ensure that investors, both local and foreign, benefit from rewarding returns.

Ghana has world-class industries in technology, agriculture, manufacturing, mining, energy, financial services, oil & gas and the vigorous industrialization efforts and policies foster a business-friendly environment where investors thrive. In this article, we shall explore the preliminary requirements of doing business in Ghana and this will include registration with the Registrar of Companies, registration with Ghana Investment Promotion Centre (GIPC) and its benefits to investors and other statutory necessities.

Registration of Businesses with the Registrar of Companies

In Ghana, the operations of companies are regulated by the Companies Act 2019, the Ghana Investment Promotion Act 2013 (Act 865), Income Tax Act 2015 (Act 896) as Amended and related tax laws, the National Pension Act 2008 (Act 766) as Amended, the Labour Act 2003 (Act 651) and other legislation depending on the industry. Thus, any Investor intending to set up a business in Ghana must first register the business with the Registrar of Companies either as a company limited by shares, an unlimited company, a company limited by guarantee or an external company in accordance with the provisions of the Companies Act. The type of company to be registered/incorporated depends on the nature/object of business of the company and industrial laws.

The basic requirements to register a company in Ghana are the name of the proposed company, the object of the business, details of shareholder(s) which can be a natural person or a corporate body, authorized shares and stated capital of the proposed company, tax identification number (TIN) in Ghana for proposed shareholders, Company Secretary and directors of the company.

It is important to note that unlike shareholders and company secretary of a company, Ghana's Company law does not permit corporate bodies to act as director(s) of a company. Also, the minimum number of directors of a company must at all times be kept at two with one being ordinarily resident in Ghana. Other information to be provided by the proposed company is postal and physical addresses of the proposed registered place of business, details of auditors and identity of officers of the proposed company among others. Having satisfied the Registrar of Companies with the required information for incorporation/registration of business, and after payment of the statutory fees of filing and stamp duty on the proposed stated capital, the Registrar will then issue to the company a certificate of incorporation.

Capital Requirement

The capital requirement of an entity depends on the nature of business, the level of local/foreign participation and Industrial setup. Generally, in the case of a joint venture/enterprise with Ghanaian citizen, the foreign equity capital contribution must not be less than two hundred thousand United States Dollars (US $200 000) and the equity of the local partner not less than ten percent (10%) of the equity participation. Similarly, where the enterprise is wholly owned by a non-citizen of Ghana, the foreign equity capital must not be less than five hundred thousand United States Dollars (US $500 000). Nonetheless, the equity capital can be paid for in cash or capital goods relevant to the investment or a combination of both.

The amount of stated capital requirement, equity capital contribution by a non-Ghanaian citizen and the level of local participation in an enterprise may differ from industry to industry, the nature of business of the entity and the local content regulations applicable to the operations of the company.

Other Statutory Registrations and Requirements

Subsequent to incorporation/registration with the Registrar of Companies, an entity is mandated to also register with the Ghana Revenue Authority (GRA), create bank accounts with a preferred authorized bank in the country for the remittance of equity capital, and register with Social Security and National Insurance Trust (SSNIT) for the payment of pension contributions for its staff when the entity engages the employment of workers. Additional licenses/permits will be required before commencement of business by the incorporated entity depending on the industry of operation.

Registration with Ghana Investment Promotion Centre (GIPC)

Any enterprise/business entity with foreign investment participation, after incorporation/registration, is mandated to register with the Ghana Investment Promotion Centre (GIPC) before commencement of business. The Ghana Investment Promotion Centre (GIPC) is a statutory agency responsible for attracting and promoting investment in Ghana with the added mandate of encouraging and facilitating valuable investments that drive economic growth, unlock opportunities, and create employment in Ghana.

Security of Investment and the Benefits of Registration with GIPC

The Ghana investment Promotion laws ensure that foreign investors are protected and provide an enabling environment for remittance of profits and capital invested after liquidation. A foreign investor is subject to the same laws that apply to domestic enterprises, particularly in relation to licenses/ permits required of enterprises for conducting specific business activities; maintenance of business books and records in accordance with the recognized accounting standards; insurance requirements that apply to similar enterprises; and taxes required to be paid by enterprises which engage in similar activity.

An enterprise registered with the Ghana Investment Promotion Centre (GIPC) has an additional advantage of protection against expropriation by the Government of Ghana and shall not be compelled by law to cede that person/entity's capital to another person. In addition, an enterprise through an authorized dealer bank shall be guaranteed unconditional transferability in freely convertible currency of dividends or net profits attributable to the investment made in the enterprise; payments in respect of loan servicing where a foreign loan has been obtained; fees and charges in respect of a technology transfer agreement; and the remittance of proceeds, net of all taxes and other obligations, in the event of sale or liquidation of the enterprise or any interest attributable to the investment in the enterprise.

Employment and Immigration matters

An incorporated entity is permitted to engage in the services/employment of a foreign national having complied with the industrial compliance requirements such as the local content laws which may vary from one industry to another. Companies registered with the Ghana Investment Promotion Centre are permitted to employ key expatriate personnel in accordance with the level of investment. Consequently, the GIPC grants foreign immigration quota to companies for the employment of foreign nationals to work in the company as managers, supervisors or experts. The number of immigrant quotas issued to a company depends on the stated capital/equity contribution of the company.

Why Choose Crowe Veritas?

As a firm that upholds integrity and quality, we are committed to providing high-quality professional services to help businesses make Smart Decisions that have Lasting Value.

We have over the past 20 years, dedicated our time and resources to providing high-quality professional services in audit and assurance, accounting, tax consulting, company secretarial, and advisory before, during and after incorporation/registration of businesses.

Our team of seasoned Auditors, Accountants, Tax experts and Advisors are deeply invested in building lasting connections and strive to uphold strong values in all aspects of our work, ensuring that our clients feel confident and supported in their journey towards business success.

Mary Asabea and Racheal Appiah
Crowe Veritas
Ghana

Crowe UAE: Interview with Managing Partner Zayd Khalid Maniar

A few months ago, Zayd Khalid Maniar of Crowe UAE was interviewed by a leadership magazine as one of the 10 most visionary leaders of the Middle East creating a global impact in 2024. The following questions were asked -

Who are you?

I am the Managing Partner of Crowe UAE and have been a member of Crowe's UAE Management Team for over 15 years.

As Managing Partner my duties include executive responsibility for the firm's strategy, overseeing its membership affairs at Crowe Global, and managing the expectations of stakeholders and regulators.

Tell us something more about your company and its mission and vision.

It's simple. Every day, we help our clients make smart decisions that bring lasting value, with an environmentally friendly approach.

Where do you envision yourself to be in the long run, and what are your future goals for your company?

Our leadership team has a clear vision for the future. To enable all our colleagues to enjoy sustainable robust growth. My goal is to support my colleagues and ensure the firm has robust policies and procedures to support the next level of growth.

Looking ahead, what are your main goals and aspirations for your company's future?

Looking ahead, we aim to be an important support system for government policy.

What inspired the vision that drives your company's strategies and innovations?

I am inspired by my family and the great leaders of this prosperous country.

How do you foster a culture of innovation within the organizations you lead?

By having an attitude that's adept to change. Only then may we embrace innovation.

What strategies have you found effective in building a diverse and successful career?

The strategy for diversity and success is the ability to adapt to changing market and regulatory norms.

What advice would you offer to emerging business leaders striving to make a positive impact in the Middle East?

We live in exciting times, so ask yourself what you can contribute not what you can get out!

Where do you see the business landscape in the Middle East heading in the next 5-10 years, and how do you plan to stay at the forefront of these developments?

The Middle East market and in particular Dubai is robust and an engine for growth. We need to use our core competencies to ensure robust development.

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Zayd Khalid Maniar

Crowe JHB Announces Leadership Transition After 26 Years

After 26 years of dedicated service Mark Watson has announced that he will be stepping down as CEO of Crowe JHB, effective 1 March 2025. Since 1998, Mark Watson has led the firm with vision and expertise, driving growth and success.

Mark Watson and Raakesh Khandoo

The partners of Crowe are pleased to announce that Raakesh Khandoo CA(SA) has been unanimously selected to succeed as CEO. Raakesh joined the firm in 2004, served his articles of clerkship, qualified as a CA(SA) and was appointed as a partner in 2008. His leadership and expertise will propel Crowe JHB into its next chapter.

"We are grateful for Mark Watson's tireless efforts and dedication to Crowe JHB success," said the partners. " We welcome Raakesh Khandoo as our new CEO and look forward to his leadership in driving growth and collaboration."

Mark Watson expressed his gratitude to the team for their support over the years, saying, *"I am proud of what we have achieved together, and I am confident that Raakesh will lead Crowe to even greater heights."*

As Raakesh Khandoo assumes the role of CEO on 1 March 2025, he will be at the helm of a driven team, poised to support him in shaping the company's future. The partners and team congratulate Raakesh and look forward to his leadership in writing the next chapter of success.

Sheena Indhul
Crowe JHB
Johannesburg, South Africa

South Africa: Coronation tackles SARS in the Constitutional Court and Wins

The Constitutional Court (CC), on 21 June 2024, handed down judgment in an application for leave to appeal and an application for leave to cross-appeal against a judgment and order of the Supreme Court of Appeal (SCA) dated 7 February 2023, which had set aside a judgment and order of the Tax Court (TC).

The main issue before the SCA was whether the net income of a controlled foreign company (CFC) should be included in the taxable income of its parent company, which is resident in South Africa (SA), in terms of the Income Tax Act, 1962 (the ITA); or whether the CFC is a foreign business establishment (FBE) tax exempt in terms of the ITA. This determination required an interpretation of the terms “the business of that controlled foreign company” and “the primary operations of that business” in the FBE definition.

Coronation Investment Management SA (Pty) Ltd (Coronation) is the applicant in the main application and the respondent in the cross-appeal. Coronation is a private company incorporated and registered in SA and a South African taxpayer. Coronation has various subsidiaries, including Coronation Global Fund Managers (Ireland) Ltd (CGFM) in Ireland, Coronation Asset Management (Pty) Ltd (CAM) in SA and Coronation International Ltd (CIL) in the United Kingdom. CGFM was established as a fund management company and it delegates investment management trading activities to CAM and CIL.

SARS included the net income of CGFM (a CFC) in Coronation's taxable income and imposed an understatement penalty, an underestimation penalty for provisional tax, and interest. Coronation objected on the basis that the FBE exemption applies to CGFM and that its net income should not be included in Coronation's taxable income, and the penalties and interest due to SARS do not arise.

On appeal, the TC ruled in favour of Coronation. It distinguished between the functions of fund management and investment management, and understood CGFM's primary operations to be fund management (which it conducts in Ireland) and not investment management (which it delegates outside of Ireland). The TC held that CGFM meets the requirements of the FBE tax exemption. The TC dismissed SARS' claims for penalties and interest.

SARS appealed to the SCA which reversed the TC's decision. It understood CGFM's primary operations to include fund management and investment management (conducted outside of Ireland). The SCA held that CGFM does not meet the requirements of an FBE and Coronation is required to pay tax on CGFM's net income. The SCA dismissed SARS' claim for penalties.
Coronation appealed to the CC. Coronation argued that the SCA incorrectly interpreted the term FBE. Coronation argued that the SCA employed a "notional-business interpretation," under which the business and primary operations of a CFC must be determined by having regard to the operations that the company could perform, and not what it does perform. Coronation maintained that the correct interpretation is the "actual-business interpretation," under which the business and primary operations of a CFC must be determined with reference to what the company does, and not what it could do. Coronation submitted that it cannot perform operations that are not part of its chosen, or authorised, licensed business and that the FBE definition does not use the word "outsource" and its focus is squarely on economic substance.

SARS submitted that CGFM outsources all its licensed functions as a management company, including its primary function of investment management, to offshore entities – CIL and CAM. SARS argued that the proviso to the FBE definition permits outsourcing of the location permanence and the economic substance of a CFC, provided the requirements of the proviso are met. SARS maintained that CGFM's delegation of functions to CIL and CAM do not meet the requirements in the proviso and CGFM does not meet the requirements of the FBE definition.

SARS brought a cross-appeal before the CC against the SCA's penalty findings, which Coronation opposed. SARS argued that Coronation was deliberate in claiming the FBE exemption and, even if the tax position taken by Coronation was in good faith, it was not unintentional and therefore falls outside the scope of "inadvertence", subjecting Coronation to the understatement penalty. Coronation submitted that SARS failed to engage with the evidence demonstrating that Coronation acted in good faith by relying on a tax expert opinion and did not deliberately misstate its tax liability or act with the intention to deceive. It also argued that SARS' approach in declaring that "inadvertence" requires only a "slip of the pen" as opposed to a tax position deliberately adopted is flawed.

The CC held that the matter fell in its jurisdiction as the proper interpretation of the business of the CFC and the primary operations of the business as provided for in the ITA for the purposes of applying the FBE exemption is a question of law, as it involves forming a view on the meaning of the relevant section in the ITA. The interests of justice required that leave be granted to attain certainty regarding a matter of significant importance to the SA economy given the diverging conclusions of the TC and the SCA.

The CC held that CGFM met all the requirements of an FBE and that its net income should be exempted from tax. The CC held that SARS misconceived the central issue, the distinction between fund management and investment management. The CC found that the SCA committed the same error leading to its incorrect conclusions. Per its business plan, presented as part of its licence application, CGFM employed a delegated business model through which it could conduct specified fund management functions, and would delegate investment management trading activities (which it is not authorised to do by its licence) to competent third parties, CAM and CIL, while retaining overall supervision of, and responsibility to the regulator for those functions.

CGFM performed a number of core licensed management functions, including the supervision of delegates like CAM and CIL as investment managers. Its day-to-day operations in Dublin in pursuit of these management functions met the "economic substance" requirements of an FBE, namely that the company must have a fixed place of business which is suitably staffed and equipped to conduct the primary operations of its business, namely the provision of fund management in terms of the delegation model. The CC held that the TC was correct that CGFM qualified for tax exemption.

The CC considered the flaws in the reasoning and outcome of the SCA that held that *"the regulations indicate that the purpose of delegation is to enhance the efficiency of the company's business. It does not detract from the business of the company, nor is it possible for delegation to alter that business."* The CC found that in adopting this *"notional business"* approach (so termed by CIMSA's counsel), the SCA erred in its holding that CGFM does not meet the requirements of an FBE exemption and, instead, the net income of CGFM is imputable to CIMSA. The CC explained that the SCA should have had regard to CGFM's business model (the manner in which it elects to do business) and its licensing conditions (what it may lawfully do). The CC also held that the SCA failed to distinguish between investment management in its wide sense and investment management trading, the narrower concept.

The ultimate effect of the SCA's erroneous *"notional business"* approach is that CGFM's primary business is that which it calculatedly chose not to do, did not apply to do and by law was not able to do, namely investment trading. The CC argued that it is inconceivable that the business of a CFC is everything that the CFC can in theory and notionally do in pursuing a commercial endeavour, even if that company does not actually do it. The CC then also had regard to the SCA's conclusions that *"the FBE definition is not aimed solely at advancing international competitiveness for offshore businesses. Nor is the legislation concerned only to prevent diversionary, passive or mobile income eroding the South African tax base. It is also to limit a situation where an exemption is obtained over earnings in a low tax jurisdiction when the primary operations for the business are not conducted there."* The CC found that these statements undermine the objects of the ITA to ensure that offshore companies remain competitive in relation to their foreign rivals. The SCA lost sight of the fact that a SA company is legally constrained to move offshore to service their investor clients who want to take up the opportunities created abroad after the relaxation of foreign exchange controls. The CC upheld the appeal and ordered that the SCA's order be set aside with costs (reliance for this article was placed on the Constitutional Court's Media release).

Ferdie Schneider
Crowe Tax & Advisory (JHB) (Pty) Ltd
Johannesburg, South Africa

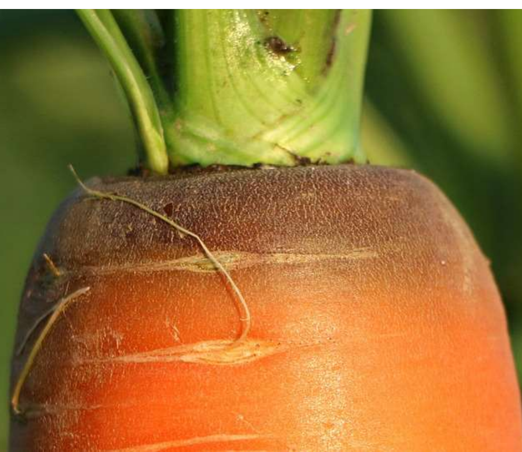
Investment in Agriculture Value Chains in Africa: Challenges and Opportunities

Crowe Infrastructure Africa's research and financial analysis of the agriculture sector in Africa shows that strategic investments targeting agribusiness and agro-processing, technology and agritech solutions, biofuel production, biogas and renewable energy, supply chain-related infrastructure, as well as tailored financial services, fintech solutions and insurance products, can drive sustainable growth and generate rates of return between 20% to 30%.

Agriculture accounts for about 35% of Africa's GDP and provides livelihoods for roughly 50% of the continent's population. However, Africa's trade balance with the rest of the world has been negative in recent years and Africa currently imports about $50 billion worth of agricultural products annually. Africa's trade balance in agricultural products shows a complex picture, influenced by various factors including export-import dynamics and regional trade policies.

The African Development Bank (AfDB) estimates, nonetheless, that the food and agriculture market alone has the potential to increase from $280 billion a year in 2023 to a staggering $1 trillion by 2030. Such growth rates are propelled by the African Continental Free Trade Area (AfCFTA), which is eliminating import tariffs and reducing trade barriers on the continent. Strengthening intra-African trade through AfCFTA will reduce dependency on imports from outside Africa and lead to a more balanced trade scenario by encouraging regional specializations and leveraging comparative advantages within the continent. Increased intra-African agricultural trade, projected to surge at a rate of 574% by 2030 as a direct effect of AfCFTA, will in turn attract investment in agriculture value chains and unlock new opportunities for exports from Africa.

Against the background of unparalleled growth projections and overall strategic economic importance of the sector for Africa at large, Crowe Infrastructure Africa (Crowe Infra) analysed emerging investment trends in agriculture in Africa. The evolving investment landscape and opportunities for agriculture finance in Africa are closely linked to infrastructure development and, consequently, our clients are looking at the drivers and characteristics of investment levels and outputs in key agricultural subsectors with the same interest as they are following opportunities in the energy, water, transport or ICT sectors.



As in infrastructure, opportunities in agriculture arise from challenges and being able to strategically address the gaps and weaknesses in value chains is what yields highest returns for investors and achieves maximum socio-economic impacts.

The agriculture sector in Africa is facing several specific challenges that are to large extent related to the fact that smallholder farmers are responsible for 80% of Africa's food production.

Crowe Infra's research and financial analysis indicate that strategic investments targeting agribusiness and agro-processing, technology and agritech solutions, biofuel production, biogas and renewable energy, supply chain-related infrastructure, as well as tailored financial services, fintech solutions and insurance products, can drive sustainable growth and generate rates of return between 20% to 30%.

Agribusiness and Agro-Processing

Africa is a net-importer not only of processed foods, meats, beverages, dairy products, etc., but also of seeds, fertilizers and pesticides.

Domestic, home-grown demand for processed foods is driven by a fast growing and predominantly young African population, rapid urbanization and a rising middle-class residing in African metropolitan mega cities.

Global demand for African processed foods, on the other hand, is propelled by comparatively lower production costs, but also limited by the ability of African suppliers to meet international quality targets and standards.

Value addition through agro-processing, i.e. transforming raw agricultural products into finished goods, represents undoubtedly the biggest potential and opportunity for investment in agriculture in Africa. Considering Africa's rich biodiversity and wide range of agricultural products from animal husbandry and crop production, through to aquaculture, horticulture and floriculture, it is impossible to present an even nearly exhaustive list of opportunities in agro-processing. However, here we mention just a few specific value chains with a particularly high investment potential:

- Cocoa in West Africa: The global cocoa market is projected to reach $14.5 billion in 2025, and West Africa produces over 70% of the world's cocoa, with significant opportunities for investments in value addition and processing. Ghana and Côte d'Ivoire, the leading cocoa producers, are providing incentives for investing in local processing facilities to capture more value from their cocoa production.
- Horticulture in East Africa: The global horticulture market is growing at a CAGR of 6.7%, and East Africa's horticulture sector, particularly in countries like Kenya and Ethiopia, offers high returns on investment due to favourable climates and growing export markets.
- Livestock in Southern Africa: The global meat market is projected to reach $1.5 trillion by 2027, with growing demand for quality meat products, and the livestock sector in Southern Africa has significant potential for growth through investments in animal husbandry and meat processing.

While there is significant prospect for Africa's agro-processing industry, Africa's agro-bio industries and research sectors present similarly significant opportunities due to the continent's rich biodiversity, large agricultural base, and growing focus on sustainable and innovative farming practices.

Crowe Infra's assessment of the state of pertinent biotechnology and genetic research in Africa suggests that increased efforts and funding needs to be directed towards crop improvement through utilizing biotechnology to develop high-yield, pest-resistant, and drought-tolerant crop varieties that can significantly improve agricultural productivity. Genetic research has already helped create crops that are better suited to African climates and soils. And research in animal genetics has led to the development of breeds that are more productive and resilient to diseases, enhancing livestock farming across the continent.

In food biotechnology, investing in biotechnological processes to enhance food preservation, improve nutritional value, and develop new food products can boost the agro-processing industry. This includes fermentation technologies, enzyme applications, and probiotic developments.

There are ample case studies to attest that developing bio-fertilizers and bio-pesticides from locally available resources can reduce dependency on chemical inputs, lower costs for farmers, and promote sustainable farming practices by improving soil health and reducing environmental impact. There is also encouraging research into beneficial microbes that can enhance soil fertility and plant health offering significant potential for improving crop yields organically.

Crowe Infra estimates rates of return on investment (ROI) in the agribusiness and agro-processing subsector, including biotechnology and genetic research, to be at 15-25%, driven by value addition and market expansion.

Technology and Agritech Solutions

The adoption of modern agricultural technologies remains low in Africa mainly due to high costs, lack of awareness, and limited technical support. Mechanization rates in Africa are as low as 5%, compared to over 40% in South Asia.

There is a significant market for companies specialising in innovative approaches to increasing mechanization and providing agricultural machinery to African farmers at affordable rates and on demand. Hello Tractor, for example, successfully operates in Nigeria, Kenya and Uganda and uses a mobile phone app to connect owners of agricultural machinery and equipment with farmers who can book and rent equipment whenever they need it.

Digital Agriculture, i.e. the use of digital tools and platforms, such as mobile apps, has the potential to transform farming practices in Africa. Apps can provide access to services such as weather forecasting, market information, online trading as well as loans and financial services for African farmers. Agritech innovations like precision farming are using drone technology, sensors and IoT devices, as well as data analytics to optimize farming practices by helping farmers improve the use of resources, monitor crops, and enhance yields. These technologies improve efficiency, reduce costs, and increase access to information. Twiga Foods in Kenya provides another example for innovative agritech solutions. The company uses mobile technology to streamline supply chains and improve market access for smallholder farmers.

Crowe Infra estimates that tailored agritech solutions adapting technology and innovation for the African agriculture sector can realize ROIs between 20% and 30%, fuelled by efficiency gains and new market opportunities.

Biofuels, Biogas and Renewable Energy

With the vast agricultural residues available, Africa has the potential to develop a robust biofuel industry. Research and investment in converting agricultural waste into bioethanol or biodiesel can create alternative energy sources and reduce reliance on fossil fuels.

There are a number of biofuel projects across Africa that are using agricultural by-products to produce biofuels, such as Kenya's Mumias Sugar Company that operates a bioethanol plant that utilizes molasses, a by-product of sugar production, to produce ethanol. Other bioethanol plants using sugarcane as the primary feedstock include Addax Bioenergy's large-scale bioethanol and renewable electricity project in Sierra Leone, Sekab from Sweden producing bioethanol from sugarcane and other feedstocks in Tanzania, and Green Fuel in Zimbabwe. Sunbird Bioenergy is using cassava as the feedstock for its bioethanol project in Zambia and Eco-Energy World in Ghana produces biodiesel from jatropha plants. Some of these projects are creating a blend of ethanol and petrol (E10) to reduce local users' reliance on imported fossil fuels and some, such as Addax Bioenergy, are not only serving domestic markets but are also exporting bioethanol.

We believe biogas production holds significant, yet largely untapped opportunities in Africa.

There are numerous initiatives and projects, both private sector (and donor) or government-driven, that use small scale biogas digesters for households, small farms, or institutions such as schools, prisons, and hospitals to produce energy for cooking and lighting. Examples are SimGas in Kenya and Tanzania, the National Biogas Programme in Ethiopia, the GIZ Biogas Project and the Kampala Institutional and Industrial Biogas Project in Uganda, or the African Clean Energy project in Malawi.

However, there are few large-scale commercial biogas plants that generate green base load electricity and feed into the national electricity grid. Bio2Watt in South Africa is operating one of the largest commercial-scale biogas plants, the Bronkhorstspruit Biogas Plant in Gauteng, since 2015. The grid-connected plant with an installed capacity of 4.6MW (to be upgraded to 9.8MW) uses cattle manure, food waste, and other organic waste to produce electricity. The company is developing a second 9.8MW plant in Western Cape Province and intends to build further plants in KwaZulu-Natal and neighbouring Mozambique.

There are also tremendous opportunities for the agriculture sector in Africa by integrating renewable energy sources with irrigation systems to improve agricultural productivity, ensure water sustainability and reduce reliance on non-renewable energy sources (e.g. for diesel-powered pumps) and, thus, environmental impact across Africa.

Research commissioned for the IFC in 2020 found that the continent's wind resources could supply its electricity demand 250 times over and, with more than 85% of the continent's landscape receiving a global solar horizontal irradiation at or over 2,000 kWh/(m^2year), Africa receives many more hours of bright sunshine during the course of the year than any other continent on the Earth.

Currently, solar and wind powered irrigation projects in Africa are to large extent funded and supported by governments and development finance institutions (DFIs) targeting organised smallholder farmers. However, there is ample opportunity for renewable energy projects to be integrated into industrial farming and food processing, both for irrigation systems and agro-processing industries.

We estimate that investors in biofuel production, biogas and renewable energy generation projects can expect rates of return in the range of 10% to 20%, supported by cost savings and sustainability benefits. Grid-connected biogas projects are likely to generate ROIs above 20%.

Supply Chain-related Infrastructure

Obviously, functioning multi-modal transportation networks, including roads, railways, and ports, are crucial for Africa's agriculture industry to thrive, as is access to reliable and affordable energy and water supply. Whether it is crop production or the livestock sector, fisheries and aquaculture, or horticulture - poor transport networks increase post-production losses and transportation costs, limit market access domestically and internationally, and disrupt supply chains. African governments have recognized the importance of road and railway networks as well as seaports and airports for their national economies. There are major initiatives underway to develop or improve intra-African transport corridors and strengthen ports linking Africa with the rest of the world, predominantly through public-private partnerships and with support from international DFIs.
In addition, animal husbandry and crop production in Africa could achieve significantly higher growth rates if supply-chain related infrastructure would be improved.

Developing modern storage and cold chain facilities, for example, would help reduce post-harvest losses and maintain the quality of perishable goods and enhance export potential.

The livestock sector has shown steady growth, driven by rising domestic demand for meat and dairy products. Countries like Ethiopia, Kenya, and Nigeria have reported encouraging growth rates due to improvements in animal health services, breeding practices, and feed availability. Nevertheless, the sector generally faces hurdles such as disease outbreaks and inadequate infrastructure, ranging from insufficient cold-chain facilities, lack of modern abattoirs and meat processing industries, through to inadequate access to veterinary services.

The experience of Botswana demonstrates how targeted investments in the beef value chain can enhance meat quality and expand export opportunities to lucrative markets like the European Union. The African highlands in Southern, Eastern and Central Africa with their green pastures hold considerable potential to replicate the success story of Botswana.

There is also a need to support African farmers and agribusinesses in obtaining certifications and complying with international standards to boost market access and competitiveness. Developing quality control infrastructure, such as testing laboratories and inspection services, ensures that agricultural exports meet required standards and single-window systems and electronic documentation can further enhance competitiveness and boost market access.

Sustainable certification also holds considerable opportunity for African farmers. By obtaining certifications such as “organic” or “fair-trade”, African agricultural products can meet the growing demand for sustainably produced products, opening up premium markets globally.

Crowe Infra's analysis suggests that specialised investment and private equity funds focusing on agricultural value chains in Africa, such as the Africa Agriculture Fund or the GroFin Africa Fund, typically generate rates of return in the range of 15% to 20% and above.

Financial Services, Fintech Solutions and Insurance Products

The African agricultural sector is experiencing growth driven by several key factors contributing to increased productivity, market access, and overall sector development.

However, hardly any other single driver of growth discussed here so far can claim to match the transformative impact of specialised financial services that provide access to agriculture finance for African farmers.

Africa's smallholder farmers, who constitute the majority of Africa's agricultural producers, lack access to financial services, which limits their ability to invest in modern farming techniques and inputs. For example, in Nigeria, less than 4% of bank lending goes to the agriculture sector, constraining farmers' ability to expand and improve productivity. And only 6% of rural households in sub-Saharan Africa have access to formal credit.

Traditional financial institutions, commercial banks, insurance companies and even cooperative agricultural banks have consistently failed to cater for the needs of the average African farmer. The lack of a nuanced understanding of the specific risk profiles underlying debt finance and insurance coverage in the agricultural sector has led to prohibitive costs of capital for smallholder farmers.

However, there is a new, emerging industry of African fintech companies that leverage mobile technology and data analytics, satellite data and artificial intelligence and reaches far beyond merely providing loans and insurance for African farmers. These homegrown innovation start-ups are embedding risk management tools into their financial products, thus, enabling farmers to invest in better inputs and technologies and to increase productivity and competitiveness. For example, understanding the actual risks associated with climate change through data analytics allows specialised underwriters to offer affordable and tailored crop and livestock insurance to mitigate risks associated with climate change and other uncertainties.

Pula, for example, is an innovative agri-insurance company that operates in Kenya, Nigeria and Zambia with support of the UN World Food Programme and uses technology to provide crop and livestock insurance to smallholder farmers. Pula provides yield index insurance products to protect farmers against a wide range of climate risks including drought, excessive rainfall, pests and diseases, and several other perils that negatively affect their yields. Pula's Index-Based Livestock Insurance (IBLI) is a comprehensive insurance cover that responds to the onset of severe droughts and loss of pasture and grazing reserves.

FarmDrive is a Kenyan fintech company that leverages mobile technology and data analytics to provide financial access to smallholder farmers. The platform collects data from farmers via mobile phones and other sources to create credit profiles, which are then used to facilitate loans from financial institutions.

Other examples for fintech firms using digital technology and providing optimised agricultural loans based on individual, risk adjusted assessments include Apollo Agriculture, or Kilimo Salama, an index-based insurance product that covers farmers' inputs in the event of drought or excessive rainfall.

These encouraging case studies and the impact they have been able to achieve in the past few years demonstrate the potential for digital financial products and fintech solutions for African farmers, addressing critical issues such as credit access, risk management, and technological adoption to enhance agricultural productivity and sustainability.

Crowe Infra estimates that, generally, financial services and insurance products for the agriculture sector in Africa generate rates of return between 12% to 18%, based on risk mitigation and increased investment capacity. However, we believe that digital, smart technology-based fintech solutions can achieve significantly higher returns.

Despite the challenges and obstacles facing African agriculture, the sector offers diverse and lucrative investment opportunities across various value chains. Addressing key issues such as climate change, access to finance, infrastructure, market access, and technological adoption will unlock the full potential of agriculture in Africa. Strategic investments in agribusiness, technology, renewable energy, and financial services will further unlock the sector's potential, making agriculture a key driver of economic transformation in Africa. As the global demand for agricultural products continues to rise, Africa stands poised to become a major player in the global agriculture market, provided the right investments and policies are put in place.

Crowe Infrastructure Africa is a consulting partner of choice to identify and structure investment projects in African agriculture with high impact and high profit returns.

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