THE CHALLENGE OF AGRICULTURE IN GHANA: WHAT IS TO BE DONE?

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0. Introduction

Agriculture, to many, is basic and unexciting. In the development literature as the oil needed to run the engine, but not the engine itself. Arthur Lewis recognized its role as a supplier of labor and food to the rest of the economy; but he believed the real action lay in the new urban manufacturing sector.

But this picture of agriculture is changing. Kofi Annan ,who chairs the Alliance for a Green Revolution in Africa (AGRA), has recently said: "The advancement of agriculture, with a focus on small holder farmers, is central to progress in the developing countries of Africa". (2008)

Food riots have recently racked through countries like Senegal, Burkina Faso, Cameroon, Mozambique, Haiti and Bangladesh.. Foreign investors from land-scarce countries are suddenly seeking to develop agri-business projects in Sudan and Angola. Concerns about African agricultural productivity growth have led NEPAD to set up the CAADP (Comprehensive African Agricultural Development Plan). The Rockefeller and Gates Foundations have supported, under Kofi Annan's overall leadership, the new AGRA initiative. The World Bank in 2007 dedicated its annual world development report to Agriculture.

What does this mean for Ghana? Should we accept the current trajectory of agriculture with complacency? Accepting recent annual growth of 5.2% as evidence of its resilience? Or should we be reexamining its role?

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My main message is : Agriculture has a central role to play in promoting growth and poverty reduction in the Ghanaian economy at this stage of our development and Ghana needs an agricultural revolution based on productivity growth; this will raise almost a million more Ghanaians out of poverty by 2015, improve rural livelihoods significantly, and make a dent in the poverty of the rural savannah, especially in the North. However, this will require that civil society organizations, the private sector and the media, and especially our leadership to play critical roles in carving a way forward.

In support of my message, I will address three questions:

1. **Why** is agriculture so important? Why does it make sense for Ghana to focus on agriculture?

2. **What** is to be done? What key factors will help Ghana usher in an agricultural revolution?

3. **How** is it to be done? What political economy challenges will this policy agenda pose?

I. Agriculture: Why is it important? Why does a pro-agriculture policy make sense for Ghana's Development?

Agricultural policy is important for Ghana's development for five reasons. First, it is the most efficacious way to reduce poverty; second, it is a powerful source of growth; third, it is a key element in food security policy; fourth, the oil find could end up strangling the agricultural sector; and fifth, climate change is expected to be especially threatening to African, including Ghanaian, agriculture. Addressing the policy challenges they raise will have a major impact on living standards among Ghanaians.

Agriculture as Pro-poor Development:

Agriculture plays a strong role in reducing poverty. The most compelling evidence for this comes from comparing China and Africa. China's poverty rate fell from more than 50 percent in 1981 to about 20 percent in 1991 and 5 percent in 2005. In 1981, China's poor outnumbered Africa's by almost 4:1. Yet by 1996, SSA had more poor people than China: 500 million Chinese moved above the poverty line, between 1981 and 2004, whilst 130 million more Africans moved below the poverty line in the same period. What caused this great achievement in China?

A combination of crisis, political leadership, reforms, supportive conditions and managing the stakes between potential gainers and losers, all played their role. The reform was the introduction of the Household Responsibility System (HRS) in 1980, in which the collectives were dismantled and virtually all farmland was allocated to individual farmers, quite equitably. Farmers could keep any excess over their quotas, thus empowering them to control their own labor and land. As is

often the case, these reforms grew out of a crisis of food insecurity, through which the leadership managed to carefully make a case for reform.

Important preconditions assisted the process: prior investments in rural infrastructure and the high level of literacy among China's peasants helped. Resistance from local cadres, whose power and privileges were under threat, was managed by giving them a stake in the new system: they became the new entrepreneurs for rural non-farm enterprises (ie the Township and Village Enterprises or TVAs). Making the reforms stick was aided by the fact that the center avoided imposing a single model, but rather gave farmers and cadres a choice among broad options. China's experience is fully consistent with the view that promoting agricultural and rural development is crucial to pro-poor growth, particularly at the early stages, given the potential for smallholder farming to rapidly absorb unskilled labor.

Christianson and Demery (2007) have argued that an African development strategy that is firmly grounded in agricultural and rural development can result in a more sustained impact on poverty. Just as in China, there will be a time when the emphasis in Africa will shift to secondary and tertiary sectors. But with land abundance in Africa, an agriculture based strategy must for now be at the core of any effective route out of poverty, just as it was in China in the 1980s.

Agriculture as a Lever for Growth

As the recent World Development Report indicates, agriculture and growth differ across groups of countries: agriculture-based, transforming and urbanized. In agriculture-based countries in SSA, like Ghana, agriculture accounts for 32 percent of GDP growth, mainly because it already is a large share of GDP. In transforming countries, agriculture is no longer a major source of growth, contributing on average 7 percent of GDP growth. This group includes countries like China, India, Indonesia, and Morocco. In urbanized countries, agriculture contributes even less, about 5 percent of GDP growth, and this group includes most of Latin America.

Countries typically move through these three phases from agriculture-based, to transforming and to urbanized: China and India have moved from being agriculture-based to transforming in the last 20 years. In addition, many countries have deep inter-regional differences—Bihar in India, Chiapas in Mexico, and Piaui in Brazil, are all examples of agriculture-based regions within transforming or urbanized countries.

The main point to note is that agriculture can be a lead sector for overall growth in the agriculture-based countries. Rapid agricultural growth in China, India and Vietnam was the precursor to the rise of industry and services. This is because their comparative advantage lay initially in their primary activities (agriculture and mining), because of resource endowments and the difficult environment for manufactures. Growth in agriculture also induces strong growth in other sectors of the economy, such as transport, processing, etc. through multiplier effects. Agriculture has thus helped generate growth in the rural non-farm sectors of China, India and Vietnam. The basic ingredients of a dynamic rural non-farm economy are a rapidly growing agriculture and a good

investment climate, where the latter includes infrastructure, business services and market intelligence. Agro-based clusters have been effective in the San Francisco valley of Brazil, and in dairy production in India, Peru and Ecuador, for example.

Agriculture for Food Security

The 2008 food price crisis drew attention once more to food security questions. Prices of commonly traded foods such as rice and wheat rose by **50 to 75** percent over a matter of weeks. Countries such as Argentina, India and Thailand restricted exports of foods, as other countries like the US increased demand through subsidies on biofuels. Food security had become a live political issue again.

Food security is a wide concept, ranging from the household to the national level. It is not the same as food self-sufficiency. It allows for production to be undertaken where the comparative advantage is greatest, and for trade to complement domestic food production. While this is not the place for a comprehensive discussion of food security, three points are noteworthy**:**

First, for Ghana, and most African countries, with a comparative advantage in agriculture, increasing agricultural production based on productivity growth is a necessary condition for food security.

Second, trade in food items needs to be increased, to complement food production in countries. Unfortunately trade has been distorted by many indefensible public interventions, such as subsidies in the EU and the US as well as in many developing countries, such as India. There is a need to streamline these public interventions, leaving in place only those minimum interventions that are justified by market failures.

Third, the recent food crisis has reminded countries that some residual capacity to deal with crises may be warranted, much as the East Asia crisis in 1997 led to countries building up larger foreign exchange reserves, which are coming in handy in today's financial crisis. What such residual capacity might be has to be based on country specifics. For Ghana, there is clearly an impetus here for finding a way to support greater private investments in food processing to permit better storage, as well as to possibly maintain larger buffer stocks than in the past.

Agriculture and Oil-driven Dutch Disease

Agriculture has been negatively affected in most oil-exporting countries by what is termed "Dutch" disease ie when the resulting appreciation of the exchange rate leads to traditional exports such as agricultural cash crops and foods becoming less competitive in international markets, and food imports becoming cheaper at home. Nigeria is the prime example of a country whose booming agricultural sector went into decline after its discovery of oil. There is a severe risk that, unless compensatory measures are taken, the same will begin to happen to Ghana after oil exports commence.

Indonesia provides a fine example of an oil exporting country that found a way to not lose its competitive edge in agriculture. It did this with two instruments: **first,** a massive devaluation in 1978, following a food crisis; and **second**, massive public investments in rural Indonesia, in rural infrastructure and in the provision of credit to agriculture. This is a large part of the explanation for Indonesia's success in reducing its poverty rate from over 45% to around 14% between the early 70s, and the late 90s. Indonesia's experience is worth studying carefully, especially for two reasons. **First,** its exchange rate management was seen as controversial, with many economists arguing that it is more appropriate to let the exchange rate appreciate with oil exports, and to let it depreciate as oil production declines. In this stance, Indonesia leant against the wind, in the same way as China, and before it, Korea, Taiwan etc., kept their exchange rates undervalued to give their exports a competitive edge until they established themselves in world markets. Today, China too is allowing its exchange rate to appreciate gradually. **Second**, it is interesting to ask why it was politically possible for Indonesia to favor the rural population over the urban. Suffice it to say here that a combination of a strong rural political class, and visionary leadership by Suharto explain this atypical phenomenon. Both observations, about the need for a heterodox exchange rate policy and for visionary leadership, are highly pertinent for Ghana if an agricultural revolution is not be still born on account of Ghana's recent oil find.

Agriculture and Climate Change

The climate is changing. There is now a consensus that the world is becoming a warmer place. This is visible in increases in average air and ocean temperatures, the widespread melting of snow and the rising average sea level. There are more heat waves. Globally, precipitations are rising, while some regions such as the Sahel and the Mediterranean see more frequent and intense droughts. Heavy rainfall and floods are becoming more frequent, and storms are more intense. There is also a consensus that the severest impacts of climate change will affect the developing countries the most. Climate change will rock the pillars of sustainable development: growth, poverty reduction and environmental sustainability.

This is not the place for a comprehensive treatment of climate change, but for its links to agriculture, especially for SSA and Ghana in particular. A recent review of global warming and agriculture by Cline (2007) makes the clearest case. He concludes that the risks to world agriculture stand out as among the most important. And that developing countries will lose more than industrial countries. The transmission mechanisms are many, but the bottom line is that climate change will gradually have a negative impact on agricultural productivity. And the closer a country is to the equator, the more likely it is that its agriculture will suffer. For Africa, there are large losses, with Nigeria's ranging from 6 to 19 percent, and South Africa's and Ethiopia's being much larger. (In Asia, India's losses could be as high as 30 to 40 percent, while China could be between a loss of 7 percent or a gain of 7 percent). For Ghana, the estimate is between 5% and 15%. And it will not be even, with the drier parts of the country in the poorer North likely to be more adversely affected. Ignoring the need for adaptation to climate change is not an option, even if it is not a short-term crisis.

Thus, agricultural policy must begin to take account of adaptation issues, the implications these have for policy, for public investments and their financing, and for technology transfers. Without

this additional focus, agricultural productivity gains made possible by other policies will be gradually compromised.

Agriculture: Potential Contributions to Ghana's Growth and Poverty Reduction

To understand what a pro-agriculture policy could do for Ghana, we develop the argument in three steps, drawing heavily from a recent IFPRI Study by Breisinger et. al. (2008) as well as from NEPAD's Comprehensive Approach to Agricultural Development Program (CAADP), and the World Bank's 2007 Country Economic Memorandum: first, what has Ghana's recent agricultural performance been like? Second, what is likely to happen if Ghana adopts a business-as –usual approach? And third, what would the benefits of a pro-agriculture policy approach be, and would Ghana meet the goals of 6% agricultural growth enshrined in the CAADP?

First, Ghana's recent agricultural performance has been impressive but raises questions of sustainability. In the period 2001-6, it has grown by 5.5% annually, with a lot of this growth occurring in crops—both cocoa and non-cocoa, including some new horticultural products such as fruits and vegetables. However, it is not seen as sustainable for two reasons. First, the historical average rate of agricultural growth has been lower: 2% for 1991-95, and 3.9% for 1996-2000. Second, and more importantly, the recent growth spurt has been driven largely by extension of the land under cultivation, and by little or no productivity growth. The scope for productivity growth is large: data on yield gaps between Ghanaian productivity levels for crops, compared to achievable yields, shows gaps in the range of 20% for oil palm, to 40% for maize and rice, to 60% for cocoa. Overall, therefore, complacency is ill advised.

Second, Breisinger et. al. are able to address the question: what would an **optimistic business-as-usual agricultural approach** achieve for Ghana's growth and poverty reduction, and in particular also for the poorest rural Ghanaians who tend to be concentrated in the Northern Savannah. This assumes average agricultural growth of 4.2%, which is the average for 1990-2006. About 65% of growth is explained by increases in land, labor, capital; and only 35% by productivity growth. Productivity growth differs significantly across regions, with the highest levels in the Southern Savannah and the Coast (over 50%), the lowest in the Northern Savannah (15%), with the Forest in between (about 40%). The national level of headcount poverty falls from 24 percent in 2008 to 16 percent in 2015, with rural poverty declining from 34% to 23 % ie rural poverty falls by more than urban poverty. Poverty in the North falls from 59% to 49%, dropping also more than the national average, but still at close to 50% by 2015. The severity of poverty is much greater in the North, so even a robust growth rate lifts fewer people above the poverty line. Thus, an optimistic business as usual approach does quite well; however, it is not sustainable since it is based largely on extending the land frontier.

Third, a **more pro-agriculture policy** scenario is developed by aiming for a much higher level of agricultural growth at 6% (vrs. 4.2%), all of the increase being driven by higher

agricultural productivity growth rates or yields, supported by policies at many levels. These assumptions are consistent both with the targeted yields of the MoFA, and NEPAD's CAADP. Productivity growth differs again across regions in levels: it is greatest in the Southern Savannah and the Coast (60-70%), lowest in the Northern Savannah (under 50%), and in between in the Forest (about 55%). National poverty falls to 12% (vrs. 16% in the business as usual case); the rural poverty rate falls to 17% (substantially lower than 23 %). A key point is that an additional 850,000 people (mostly rural) would be lifted out of poverty! Another key point is that poverty reduction in the North also speeds up: among the rural households, income growth in the North is higher than that in the other regions:. Poverty in the North falls from 62 % in 2005 to 41% in this policy case, compared to 49% in the BAU case. Thus the additional poverty reduction in the policy case benefits the North and the rural populations much more than the rest of the country. This makes a major dent in the poverty problem in the North, but of course does not solve it: the North would have over three times the national headcount poverty index and additional policies would need to be developed to address that challenge.

The upshot of this discussion is three fold: **first,** agriculture has significant potential to grow beyond the levels seen in recent years, which may be unsustainable; **second**, such additional growth can only be attained by a strong pro-agriculture approach driven by productivity growth or yield growth, plus associated public investments; **third,** and most significantly, this pro-agriculture approach can **revolutionize** rural Ghana and change the face of poverty in the country as well as in the North. Business as usual cannot be a preferred option when this policy scenario offers so much more on growth, reduce poverty reduction and equity. We now turn to address the policy challenges.

II. What is to be done?

How can these additional benefits be garnered? What exactly is to be done in a pro-agriculture policy approach? In what follows, we draw from the lessons of international experience, and highlight what we believe are the key binding constraints for promoting growth and poverty-reducing productivity growth in agriculture, which we define to also include the non-farm rural economy.

The Ghana Government's Food and Agricultural Sector Development Policy (FASDEP II, 2007) also provides a comprehensive statement of the problems and approaches for attaining the goal of 6% growth in agriculture over the next 4 years. It is an impressive document in its diagnosis and its approach, and includes a 7 page matrix of Harmonized Monitoring and Evaluation Indicators. However, even though it fully recognizes that the **challenge of implementation has been the primary cause of past unsuccessful attempts**, it does not yet include a ranking of priorities, a clear mapping of results and responsibilities to itself and other Government agencies, and a time line for all the high priority actions.

Drawing from the literature on Ghana and on FASDEP II, we propose a set of **10 priority actions** below. And we begin to address **political economy of implementation** in the next section. The 2007 World Development Report develops a very useful framework for thinking about an agriculture-for-development agenda. Drawing on it, and customizing its recommendations to Ghana, we define the agenda for Ghana to have three building blocks each with three priorities: **assets, markets, and institutions**, and one cross-cutting issue—**gender**. As we go through these ten actions, please note that **each will require some changes in public policies, in actual public expenditures undertaken and in the way in which public services are organized and delivered**.

A. Assets: Many assets are important for small farmers: land, education, health, water, finance and knowledge. Here, we deal with what I believe are the three most important constraints for the Ghanaian farmer: land, education and finance.

(**1)Land:** Land markets have played a fundamental role in facilitating agricultural revolutions. China's economic reform began with making possible private land use, and just recently, new land reforms have institutionalized longer term leases to allow for larger land holdings and migration. Vietnam's recent agricultural revolution was initiated with a major land reform. Complex and uncertain land tenurial relations seem to hamper private investments in Ghanaian agriculture as recent work by Goldstein and Udry (2008), and earlier by Besley, has suggested. Goldstein and Udry found, for example, that investment and hence productivity in agriculture in Akwapim was held back by farmers who lacked political power and were uncertain about their property's security during fallow periods; and that such restraints, if true for the whole country, would be worth some 2% of GDP. Estimates suggest also that the rate of return to land titles is about 39%, which also suggests that the economic potential from improved security is substantial. Some recent estimates suggest that as much as about 80% of Ghana's arable land is uncultivated, in part due to insecure property rights. Reform of land tenure systems under customary tenure is a sensitive issue and poses a severe long term challenge. There is much change occurring in land tenure systems currently, under the impetus of new interests and market pressures, and the Government has initiated a new Land Policy and a Land Administration project that seeks to address land issues comprehensively (Kasanga and Kotey, 2001). But these changes fall short of laying out an action plan or an implementing strategy. The general sense is that land is still a major constraint on agricultural investments, both for small farmers and for commercial investments. *There is a need to speed up the pace of reform here in a pro-agriculture policy approach.*

The 'land bank' proposal, broached by the Government, and also being tried in Tanzania and other African countries, promises to unleash a more immediate response, akin to what was seen in China and Vietnam. It deserves policy implementation attention, even as attempts are made to reinforce the Land Administration project's comprehensive goals.

(**2)Education**: Basic education is critical for small farmers who need to adopt new technologies, seeds and crops. While Ghana has made major strides in recent years in expanding gross enrolments in primary education, there remains a *major unfinished agenda here, relating to the quality of education, the need for a focus on vocational training as an integral part of the education system, the relative neglect of secondary education and programs of adult literacy that will help current farmers to absorb new methods of agriculture*. The single most important recent lesson on the quality of education is that involving local government, communities and parents in the running of schools can bring about radical changes in school performance, as exemplified by the El Salvador EDUCO experience, among others.

(3)Rural Finance: Financial constraints originate in the lack of asset ownership to serve as collateral, and in unclear land property rights or titling. Lack of credit, particularly for input purchases, was the most prevalent constraint to agricultural development in a 2007 MoFA survey. Agriculture is largely excluded from the formal banking system, with only 9% of credit going to the sector. The reliance on rural finance and micro finance credit means an average loan size of under $300. The micro finance revolution, providing credit without formal collateral, has made inroads into benefiting many poor farmers, including women. Yet, it remains limited in its scale and scope, reaching farmers engaged in producing cash crops, livestock and horticulture. Finance is increasingly provided through the contract farming approach by interlinked agents. Information technology is making loans less costly. But many of these innovations are still at a pilot stage or on a small scale. They require evaluation and scaling up to make a real difference to small farmers. This is the key challenge in Ghana, where the dynamism of the financial sector in recent years gives some hope. But *using approaches such as those of the Grameen Bank and BRAC from Bangladesh, as in Sierra Leone and other parts of Africa, is extremely necessary.*

B. Markets: Making markets work better for small farmers will require a major shift in the scope, efficiency and effectiveness of government programs. Three key challenges relate to: rural infrastructure, input and output markets.

(**4) Rural Infrastructure**: There is now a consensus in Ghana on the need for increased investments in infrastructure for development. But this has yet to pay heed to the lack of rural infrastructure. Again, the experiences of Indonesia, China, Vietnam and Bangladesh demonstrate the power of rural infrastructure such as roads, irrigation and electricity, to improve growth and reduce poverty. The impact on agricultural productivity and on the growth of the non farm rural economy can be profound. For example, Vietnamese experience suggests that living in a rural community with roads increased the probability of escaping poverty by about 70% compared to being in a non-road community. In China, a 1% increase in irrigation resulted in a 1.2% poverty reduction impact in the average community, through higher agricultural productivity. And irrigation investments are very low in African countries: only about 4% of land is irrigated, compared to 40% in South Asia.

In Ghana, the reliance on rain fed agriculture is overwhelming. Existing irrigation schemes include 10 small scale ones, 6 medium scale schemes and 6 large scale schemes, for a total of about 20,000 ha, compared to an estimate of cultivable land of 13.66 million ha.(about 7%). But even for this low level, utilization rates are extremely low with estimates of 64% (gravity), 8% (pump and gravity) and 40% (pump and sprinkler systems). Electricity has an impact on productivity similar to that of irrigation in Asia. Finally, project design and location are important: given scarce resources, it will be important to locate roads, provide irrigation and electricity, and increase rural investments in areas where the multiplier effect on economic activity and productivity will be highest. *The implied rebalancing of the infrastructure budget in favor of rural areas, selectively, will be politically difficult, given the strong urban bias in such expenditures.*

(5) Input Markets: Raising agricultural productivity will require the adoption of new seeds and the use of fertilizer. Access, knowledge and risks hinder the adoption of new technologies. Governments, using markets, have a role to play to streamline 'input' markets. There is growing interest, despite past failures, in experimenting with subsidies on seeds and fertilizers, *using a "smart subsidy" approach* that does not bypass the private sector. These must be used carefully because of the risk of political capture and of irreversibility. India introduced fertilizer and rural electricity subsidies decades ago to facilitate adoption of new technologies, and is still battling vested interests in trying to reverse these subsidies. *Subsidies must be part of a broad productivity growth strategy, and must have agreed exit benchmarks*.

(6) Output Markets: The participation of small farmers in high value markets, both domestic and global, including the supermarket revolution, offers a new opportunity. These are the fastest growing agricultural markets, led by livestock and horticulture. Fresh and processed fruits and vegetables, fish and fish products, meat, nuts, spices and floriculture now account for about 45% of agrofood exports from developing countries, worth about $140 billion in 2004. *Enhancing small farmer participation in high value markets depends on infrastructure, extension services and financial instruments. Doing this well depends on joint public and private efforts.*

C. **Institutions:** One of the casualties of fiscal adjustment programs in the 80s was the indiscriminate dismantling of state institutions in developing countries, including in Ghana, under the advice of the IMF and the World Bank, among others. We have now learnt that what developing countries need is a capable state, not just a small state. Three institutions are particularly important for a pro-agriculture policy approach: producer organizations, R & D, and extension services.

(7) Producer Organizations: For small farmers, producer organizations are essential to achieve competitiveness. They have expanded partly to fill the gap left by the closure of marketing boards and in response to democratization. Their growth has been spectacular in Senegal, Burkina Faso and historically in the diary industry in India. They are not problem free: they tend to have low managerial capacity and to be captured by elites. Contract farming or outgrower systems are another manifestation of this.

Cautiously promoting such organizations is now considered essential to support small farmers.

(8) **R & D**: Agricultural productivity growth is essentially driven by the adoption of new technology tailored to local conditions. R & D in SSA has grown only by about 20% in the last 20 years, while it has tripled in India and China. Brazil, with its research organization EMBRAPA, has grown to become a world class producer and exporter of agricultural products such as soybean, oranges, sugarcane-based ethanol and poultry. Ghana and other African countries have had national and regional R & D organizations for decades, but they are poorly staffed, resourced and managed. Not surprisingly, crop yields have been well below world standards, and the yield gap has been increasing. A further challenge is to narrow the gap between better and less good regions in the country. Because most of these technologies are location-specific, they need to be adopted through participatory and decentralized approaches. *A major effort to revamp R & D institutions will be indispensable, as the experience of Malaysia strongly shows. Experimentation with new varieties, including Genetically Modified crops (GM), has to be encouraged as part of the new policy.*

(9) Extension Services: A pro-agriculture stance will need to rest on a strong extension service capability, as part of the capable state Sanitary and phytosanitary standards for the export of high value agricultural products require the provision of extension support to small farmers either through the private or public sectors. The conditions of work of public extension officers, and the management of their efforts pose tremendous challenges relating to the broader question of public service reforms, which have been very slow for largely political reasons. *It is sufficient to note here that without a revamp of extension services, SSA countries including Ghana will be missing a key link in the chain to boost agricultural productivity.*

(10) There is a **tenth** issue that cuts across all of the others: **gender** disparities within agriculture are pervasive. Women are typically confined to food production, while men dominate cash crop production. Agricultural development, including efforts to diversify into marketable crop production and higher value crops will imply changes in the relative roles of women and men. Access to all inputs, to credit and to land tend to be biased in favor of men. Simulations for Burkina Faso suggest, for example, that equalizing access to inputs would increase output by 10-20% (Udry et. al., 1995). *Gender issues in agriculture will be central to any effort to raise agricultural productivity, and in addition, will advance gender equality which is a value in itself.*

The upshot of this section is that there is a clearly **identifiable set of ten critical tasks that need to be addressed to gain the advantages that a higher agricultural productivity growth trajectory can offer.** Let me turn to my concluding thoughts, in which I ask the question: **what has got in the way of implementing such policies in the past, and who should do what to help pave the way?**

III: How is it to be done? A Call to Action

Policy change is partly a technical issue of identifying what is to be done. For policies to actually change, the political economy also has to be right or made right: the policy environment and the implementation capacity have to be in place. In concluding, we discuss the political economy challenges facing agricultural policy reform.

It is impressive that the performance of agriculture has improved over the last 5-7 years. For this to be sustained, the changes identified—relating to areas such as land markets, rural infrastructure, extension services etc.—will require major changes in the behavior of many actors, and will certainly involve some gainers and some losers. As Aryeetey and McKay (2007) note: "the lack of policy focus on agriculture raises the question of the extent to which urban bias continues to affect policy making in Ghana". We also note that it is easier, organizationally and given their numbers, for urban groups to lobby more effectively than rural groups, to further their own interests.

Recent work by Acemoglu and Robinson (2008) has attempted to provide a framework for understanding the links between policy choices, economic institutions, and the underlying political institutions. Their argument, simply put, is that policy choices are made as a result of the interplay of interests mediated by the distribution of power in a society; ie that unless political institutions and their operation change, long standing policy choices remain unchanged. The rub is in the fact that we do not understand how institutions change. We know that they tend to persist. We also know that sometimes they change, often when crises are turned by leaders and societies into opportunities, as with the food security crisis in China in 1978. As we know, the symbol for crisis in Chinese is formed by putting two words together: danger and opportunity.

In trying to apply a similar mode of thinking to Ghana, Booth et. al. (2005) in their 2005 study, "What are the drivers of change in Ghana?" provide an excellent foundation for further work in this area. Similar conclusions have been arrived at by Saffu (2007) and by Keefer (2007). Drawing on their work, we can argue that a pro-agricultural policy stance would require: political leadership, more activism by key stakeholders such as Civil Society Organizations, the media and the diaspora, and taking advantage of regional/global and similar economic opportunities.

The basic point made by these authors is that, while the policy environment has been gradually improving, it falls far short of providing an investment climate that encourages doing business in a modern, competitive way within today's global system. Ghana, like many other African countries, today demonstrates the constraints of a neo-patrimonial political system: ie one in which the mechanisms of patron-client relationships conflict with formal political institutions and 'legal-rational' principles, thus compromising the state's political autonomy. Public service driven policies become constrained by the need to service patronage networks. The conflict between 'horizontal' associations such as those based on professions, economic activities (business, agriculture) etc., and 'vertical' relationships (patronage-based), stymies policy reforms or their implementation. Indeed, they argue that behind Ghana's moderate growth statistics, there is limited structural

economic change, especially in agriculture. The agriculture economy is largely untouched by technological progress, and more by extensive growth.

Of particular importance has been the limited ability of the government to offer an investment climate under which a strong and modern private sector can grow and flourish; to undertake public service reforms, especially in the civil service; and to steadily maintain macroeconomic stability. Both the current NPP, and the previous NDC, governments, have had difficulty with these three reform areas.

Instead, campaigns tend to emphasize past performance and clientelist promises, and make little reference to the programmatic stance of the party, especially at the local level. Pressures to spend revenues on targeted groups of voters have remained the same or increased relative to the pre-democratic period. For example, secondary school enrolment has increased over the period, but the percentage increase is small. In contrast, the share of the public sector wage bill has increased from 4.3 per cent of GDP in 1990 to 6.7 % in 2001 and to 9.3% in 2006. Ghana was a significant negative outlier with respect to secondary schooling and the public sector wage bill compared to other countries. On the other hand, public investment spending, often used to benefit targeted constituencies in the implementation of clientelistic political strategies, continues to be significantly above average. This leaves little room in current expenditures for operations and maintenance, increasing the risk of infrastructure deterioration and inadequate supplies to provide quality basic services in sectors like health and education.

While it is difficult to determine what might make possible a break with the past, *political leadership, CSOs and regional/global and similar opportunities provide the basis for a call to action.*

Political leadership is both bound by the constraints of neo-patrimonialism, and is well positioned to take advantage of opportunities to break away from its constraints. Crises are always also opportunities for reform. The most astute leaders have been those, like Deng Xiao Ping, Lee Kwan Yew, Khama etc., who have used crises to change the political equilibrium in their societies in favor of deeper economic reforms. As Ghana navigates its way through the current global crisis and its implications for food/fuel and finance, the drop in commodity prices, the increasing role of China in Ghana, and taps into the new oil discovery, it will face many crises and the opportunities to use these to change the 'rules of the game'. Will the next President rise up to the challenge by creating the opportunities, and rallying potential gainers to support the journey to a new, more dynamic economy for Ghana? Will he use this to support a pro-agriculture stance that will both increase growth and reduce poverty, especially in the rural areas and in the North? Will he improve the access to information on government programs and decisions, to allow for more analysis and reporting of government expenditures? Will he allow for a deepening of democratic institutions, which will allow for more of a rules-based approach to decisions?

Civil society organizations also have an important role to play, particularly given the increasing access to information and the freedom of the media. NGOs have a role to play

in analyzing the impact of public expenditures and policies; the media have a responsibility to encourage analytically grounded debates on the role of patronage networks, and the departures from more dynamic economic activities in agriculture and the private sector generally. The younger entrepreneurs, who are involved in horticulture, outsourcing, private educational services, etc. have a role to play in fostering a rules-based investment climate. Will CSOs also play their role increasingly in this vein?

Thirdly, **external influences** can play or be used to play a key role in fostering institutional change. The *diaspora* is the first and most important element here, being the repository of country and external knowledge and experience, and having the economic clout derived from its remittances which now account for a significant part of GDP. A second external influence, which can be brought to serve national needs, *comes from regional organizations such as ECOWAS and the AU.* By joining regional groupings like the EU, many former socialist states in Eastern Europe have been able to undergo rapid political, and hence, economic institutional changes in a few years. An opportunity may have been missed in not taking advantage of the ECOWAS –EU negotiations on the EPA issue, and instead going it alone. The third such influence comes from a link to *global actors*, such as countries like China and India; groups like the EU; or institutions like the G24 or other emerging market groups.. Such linkages can also be used to serve the interests of domestic reforms, if political leadership is alert to the opportunities they offer.

Finally, as Saffu (2007) has indirectly suggested, **decentralizing** *greater economic and political power to District assemblies,* which would require a Constitutional amendment, should be grasped by national leadership whenever an opportunity arises, if a more pro-rural agricultural policy stance is to be induced. The strongest incentive to promote agricultural productivity growth exists at the level of the small farmer, and leadership can play a role in creating the space for Ghanaian men and women farmers to lead the agricultural revolution at the grassroots level!

We conclude with a call to action: to the new political leadership; to NGOs, the media, the new entrepreneurs, the youth; to the stewards of our regional/global relationships; to the district assemblies; and finally, to each one of us Ghanaians. Ghana can make a break with the past, if each of us plays our part. Part of that break will make possible a frontal assault on the challenge of agriculture in Ghana. It will help unleash a stronger and more sustainable growth path; move almost a million more people above the poverty line by 2015; improve the lot of rural Ghanaians by a quantum leap; and finally make a real dent in the incidence of poverty in the North. Will we take advantage of the new interest in agriculture and the global and food crises, to create new pathways of reforms? Will we find ways to implement the 10-point agenda on agriculture? Will a new agricultural revolution for Ghana emerge from these efforts? Will Ghana's CSOs rise to the challenge? And most importantly, will our leadership lead by embracing and implementing the 10 steps that will unleash Ghana's agricultural revolution?

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