

Economic Growth in Northern Ghana

**Revised Report for DFID Ghana
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October, 2005

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The report has been commissioned by the UK Department for International Development, but the contents are entirely the team’s responsibility and do not reflect the policy or intentions of DFID.

Abbreviations and Acronyms

ADB	Agricultural Development Bank
AGI	Association of Ghana Industries
CDC	Commonwealth Development Corporation
CSR	Corporate Social Responsibility
CWIQ	Core Welfare Indicators Questionnaire
GIPC	Ghana Investment Promotion Council
GLSS	Ghana Living Standards Survey
GPRS	Ghana Poverty Reduction Strategy
HACCP	Hazard Analysis and Critical Control Points
IFC	International Finance Corporation
LRDP	Lowland Rice Development Project
MoFA	Ministry of Food and Agriculture
MoPSD	Ministry of Private Sector Development
MoTI	Ministry of Trade and Industry
NR	Northern Region
PSI	Presidential Special Initiative
SWAp	Sector Wide Approach
TRIPs	Trade Related Aspects of Intellectual Property
UE	Upper East
UW	Upper West
USAID	US Agency for International Development
WATH	West Africa Trade Hub

Executive Summary

This report is the principal output of an investigation into how northern Ghana can contribute to the growth experienced by much of the rest of the country. If northern Ghana had grown at the country's average rate during the 1990s, it would have added substantially to Ghana's average income and foreign exchange earnings, whilst continued lack of growth threatens to undermine national stability. The study asks whether there is growth potential in the north and if so, how to stimulate it. It also asks what the alternative is, and what is necessary to allow the poorest to participate in growth.

Northern Ghana has not produced the key export commodities, has received much lower inflows of remittances, and participated much less in trading activities compared to the south. These are the major factors explaining the poor growth performance of Northern Ghana. A significant proportion (around half or more) of its population is extremely vulnerable and food insecure. A substantial majority remains poor. On the positive side, some infrastructure has greatly improved in much of the north, though less so than elsewhere in the country; human development outcomes have started to improve; and a number of medium sized companies have established operations in the north.

For what reasons might northern Ghana be attractive to investors, compared to other regions of the country? There are several intrinsic reasons: (i) the north's climate is hotter and drier, and its natural resource base is different, such that a different range of commodities can be produced there; (ii) the north is Ghana's land gateway to the Sahel, and therefore critical to Ghana's participation in regional trade; and (iii) the distinct tourist potential of the north which complements that in the south.

Changing global markets are likely to continue to be a prime source of additional demand for goods produced and processed in northern Ghana. The second source is the growing demand from Ghana's and West Africa's urban areas. While demand for what northern Ghana can produce is there, making connections with these markets is an increasingly sophisticated business, requiring, for the most part, medium scale enterprises with professional management and technical expertise. The scarcest factors are risk capital, or equity, and the entrepreneurs willing and able to develop and manage such businesses in the north. Government and donors will have to persuade venture capital companies to take northern Ghana seriously. Banks will need to be willing to lend to companies which have adequate risk capital. The key sectors where investment makes sense are: agriculture, especially the development of outgrower schemes; tourism, especially the development of the Mole game reserve, but also sufficient well developed tourist sites around the north to encourage visitors to stay for a week; and possibly mining. Existing private sector companies and business associations have a key role to play in attracting businesses to these key sectors. Effective investment in irrigation also needs to play a key role in this strategy, and furthermore, will help in reducing vulnerability and broadening participation in growth. Removing barriers to internal and cross-border trade will also substantially promote growth, as will developing the infrastructure for cross-border trade.

The study argues that growth needs to be broad based and as inclusive as possible. The best prospects for sustained growth will arise from a diversified approach. The study identifies key *pre-conditions* for growth,¹ which are (i) peace; (ii) better road infrastructure, especially in border and under-served areas; and (iii) a 'transitional' food and livelihood security strategy for food insecure households. It also identifies core *strategies* for pro-poor growth around agriculture, tourism and

¹ A further pre-condition is macro-economic and political stability. However, these 'risks' are not particularly specific to northern Ghana.

trade. Within agriculture, several sub-sectors and commodities should receive priority appropriate attention from policy makers, including shea nuts and shea butter, oilseeds (especially soya), cotton, guineafowl and yams. There are potentials in other agricultural sub-sectors (e.g. horticulture or livestock), but these are more speculative or require a greater number of pre-conditions to be in place.

Agricultural growth will deliver the *broadest based* growth. However, the *fastest* growth is likely to come from tourism and trade, and possibly mining. All of these are likely to produce a more concentrated pattern of benefits – concentrated geographically and in terms of the groups who can derive sufficient benefits to emerge from poverty. This has two implications: inequality within the north may well increase in the short-medium term, with certain groups left behind or unable to participate at least in the fastest growing activities; and geographical areas or ethnic groups left out of growth processes may well feel actively relatively deprived, with consequences for political stability. The growth strategy needs to recognise that there are winners and losers, and that the income growth achieved by some may not amount to very much, especially in the short term. It therefore needs to develop approaches not only to achieve the maximum level of inclusion, but also to provide some protection to ensure a basic minimum quality of life in places and for people where inclusion in growth remains a distant hope.

Prioritising the three pre-conditions mentioned already will help to make growth as inclusive as possible. Peace (or its absence) blights the whole north, although the geographic areas without peace are limited. Enhancing road infrastructure in under-served and border areas will encourage trade, including cross-border trade, and will help to benefit Ghana as a whole, as well as trade along the specific routes improved or opened up. The widest inclusion can be achieved through a food and livelihoods security strategy, which, once in place and operating, would give poor and vulnerable people the security they need in order to take some risks and participate in growth. This would focus on risk reducing components of agriculture and livelihoods, such as irrigation, small livestock, savings and insurance schemes, all of which would have significant growth enhancing effects for the vulnerable.

The proportion of the population who will *not* be able to participate in growth *immediately* or even in the medium term, and in spite of the kinds of initiatives mentioned above, is substantial. These people are located in areas which will remain without infrastructure for some time, in resource-poor households. For these people, an alternative combination of policies is needed: the development of a social protection package, including a basic cash transfer scheme; an emphasis on widespread post-primary technical education enabling a search for better jobs; and a public debate on migration leading to new policy initiatives to increase the benefits and reduce the costs of migration.

Government has to play a critical role in creating the basic conditions for steady growth: to ensure a permanent peace in the Yendi skin crisis – though the facilitation of this may best be done by parties other than government; to develop a more solid approach to improving the communications infrastructure, especially key main roads, which can be supported by donors; to develop a package of measures, including an approach to social protection, which will ensure improved functioning of basic food markets for the substantial proportion of the northern population, which is food insecure. Reducing vulnerability through social protection, combined with *irrigation*, is an important factor which can contribute to growth, as well as making growth more broadly based.

Economic governance needs to be de-concentrated (a one-stop window with all the relevant agencies somewhere in the north), and local economic development planned in economic zones where a number of District Assemblies would co-operate with regional planners and other key agencies to ensure the key enabling factors for business development are in place. The district level is too small an area to plan economic development coherently.

Government is formulating the second Ghana Poverty Reduction Strategy: this should be a key tool for developing sets of priority policies for Ghana's persistently poorest regions, and for articulating how a national growth strategy could be adapted to include these regions. Further work on this issue would be an obvious way forwards.

The Ministry of Private Sector Development has a Private Sector Development Strategy. This has not been developed with any underpinning analysis of the constraints to private sector development in Ghana's poor regions: this study could prompt such a re-appraisal.

If PSIs can be shown to work, implementation of promised PSIs in cotton, cashew and sorghum would signal greater government interest in the north's economic growth, and a cotton PSI focused on opening up new areas for production once the necessary institutional changes are in place could have substantial impact. A new PSI on guineafowl development would have enormous growth *and* food security benefits.

Greater co-operation with Burkina Faso in particular, and neighbouring countries in general, on the issues of trade promotion, joint development – in tourism, research, especially on shea nuts/shear butter and horticulture, for example, would help Ghana catch up with these countries. This could be in exchange for making the Hamile-Tema road more useful to Sahelian long distance traffic.

Donors can support this process in a number of ways. First there is a need to reconsider some past practices in relation to the north. Donors can accept that the development discourse on the north should move from a distributionist to a growth-oriented focus. They can accept that agriculture has a prominent role to play in leading that growth. They can help alert venture capital companies to the potential. They can work with government to prepare a number of SWAs (though not district wide approaches – this is too low a level of government) focused on the north – on agriculture, on infrastructure, on pro-poor tourism. They can work with government to monitor the spatial flows of budget support and government expenditure. Adjacent donor supported local governments need to link their efforts up with those of regional planners and other agencies to promote economic (as opposed to human) development: the geographical scale of a district is typically too small for economic planning. The donors and government could consider supporting a long term cash transfer scheme for the vulnerable.

The key economic growth priorities for the north, in summary, are: to achieve a lasting peace in the Yendi skin dispute; to attract investors, and with them risk capital especially, but not only, into agribusiness; to step up the rate of infrastructure development with particular reference to the less well connected Upper West; and to significantly increase the level of government and donor support for these processes. Food markets need to be made to function more securely; the social protection strategy needs to be designed with the interests of northern vulnerable households strongly in mind; and a national debate on migration could be followed by the design of a policy which would ensure migrants and migrants' households achieve better livelihoods. There are also important aspects of a growth strategy where further information is urgently required: the potential of horticulture (especially organic); cost-effective ways of developing and managing irrigation; ways of enhancing net returns to migration; and an appropriate minerals development strategy for a region where international capital has been reluctant to enter.

Introduction

This study was commissioned by DFID in order to inform its internal discussion and programming on how to increase the effectiveness of growth in reducing poverty in Ghana, implying a particular focus on northern Ghana where high levels of poverty have persisted accompanied by a failure to achieve economic growth. The Terms of Reference (Annex 1) suggested a broad study with stakeholder consultation. Inevitably the stakeholder consultation has raised considerable interest, including media interest, and raised expectations. The broad focus was somewhat narrowed to two key hypotheses and associated questions which were tested out in a preliminary workshop in Accra. These were hypothesis (a) there is growth potential in northern Ghana, and (b) the best hope for northern Ghana is ‘better’ out-migration, and growth through remittances.

A first challenge for this study is the lack of data on growth at a regional level since the most recent GLSS survey in 1998/99, which showed only very modest growth over the 1990s. No firm evidence exists on growth rates since then, although there have been significant developments at least in the growth of the city of Tamale. The 2003 CWIQ survey reports reduced dependence on agricultural employment since 1997 which may also be an indirect indicator of growth. Having more regionally disaggregated statistics in relation to growth, investment and other indicators is an important priority in order to monitor the issues discussed here.

1.1 Objectives

The principal objective was to analyse the challenges and potential sources of economic growth in Ghana’s three northern regions, and to provide the results to relevant policy makers through workshops and dissemination of the report. After some time, and as confidence grew that economic growth is indeed possible, the team felt that in practice there was an additional unwritten objective, which was to contribute to moving the policy discourse about regional development from one highlighting the need for distribution and redistribution by the central state, to one which acknowledged that *sustained* regional development would have to come through economic growth in northern Ghana. The challenge remained to identify the sources of and processes which would lead to growth.

Why is this important for Ghana? There are several reasons: (i) In the 1990s northern Ghana grew at a very low rate. If instead income had grown at the average rate for Ghana (around 5%) this would have added 0.7% annually to Ghana’s per capita economic growth rate. Over the 7 years between household surveys this would have added 5% to national average per capita income. (ii) Northern Ghana will increasingly contribute to exports and foreign exchange – a key resource for Ghana’s development. Shea nuts exports are increasingly being replaced by higher value shea butter exports, and there are possibilities for downstream manufacturing, some of which are already being exploited. Mango exports will come on stream from next year. There is potential for other horticultural exports, but these will take longer to materialise. Cotton and cotton goods have been, and could again be, exported. Livestock, guinea fowl, groundnuts and maize all offer potential for export. Food crops are already exported into the sub-region, and this could be expanded. There is considerable possibility for expanding tourism in the north, and there may be substantial opportunities in mining. Several of these opportunities are unique to Northern Ghana, others complement opportunities elsewhere in the country. (iii) Northern Ghana can also be a conduit for trade from landlocked Sahelian countries to ports in the south, increasing its role on the region as well as exporting to neighbouring countries. And (v) civil conflict frequently maps on to poor/remote regions. Under-development provides time and motivations for civil conflict and there is the example of neighbouring Côte d’Ivoire. Conflict is importable, if there is already localised

conflict, as already observed in recent West African history. Economic growth in the north is vital to bind the country together and provide opportunities for youth who could otherwise become disaffected.

1.2 Approach

Having scoured the literature on regional development, the team identified that in order to grow, and reduce the gap with the rest of their country; underdeveloped regions need to find ways of moving from being the periphery to being centres of economic activity in some areas. While this undoubtedly requires considerable public investment, the key process is one of ‘cumulative causation’, where successive firms entering a location make it more attractive to subsequent ones. In order to get pro-poor or widely shared growth, the key firms to attract would be those with strong upstream and downstream multipliers. In the Ghanaian context, and especially in the north, this would have to involve agriculture (the ‘downstream’ for most Ghanaians) and agricultural processing, but we were mindful that non-agricultural activities were likely to provide considerable economic stimulus, especially for the development of a skilled and higher waged labour market, so we included significant work on the non-farm economy, especially trading (commerce), tourism and mining where the obvious current opportunities seem to be..

1.3 Key hypotheses and questions

Under the two hypotheses mentioned above, the study was framed by a series of questions.

(a) There is growth potential in northern Ghana

- What is the geographic capital of the north: financial, physical (including infrastructure, natural endowments), human (including labour)?
- What are the perceptions of the north as a place to invest of investors, traders, migrants, FDI? The underlying idea here is that growth would require a considerable step up in investment.
- What is the ‘agricultural story’: agriculture is the leading sector capable of generating growth, but what is the evidence? What are the constraints and barriers to agricultural trade and the functioning of markets? Institutional development was considered to be key: what is and should be the role of the state and other actors in economic co-ordination and redistribution, especially in agri-business?
- The Non-farm economy: is diversification the route out of poverty?
- The trade story: where do (could) northern Ghana’s products go? Constraints, barriers; can value be added?
- Risks and risk management. Major risks: political (conflict); climate (drought, in the absence of irrigation)

(b) The best hope for northern Ghana is ‘better’ out-migration, and growth through remittances

- Invest in human capital: are current investments enough to permit migrants enhanced life chances?
- What can be done to reduce stigmatisation of migrants, which may be growing?
- What practical measures to increase the returns and reduce the costs of migration?

- What are the social protection policies for those staying put, as well as for those left out of growth?

In practice the study focused far more on hypothesis (a) and its associated questions, since it was concluded early on (i) that there is growth potential, even if this is heavily constrained in some locations; and (ii) that the scope for migration to generate adequate returns was limited since the gap between north and south in basic education would take too long to bridge, and in any case, post-basic education is needed to make a dent in poverty.

1.3.1 Opportunities

The study attempted to identify what opportunities are currently within reach, either because they have been tried and succeeded on a small scale, or tried and failed but the failure can be rectified, or because the potential was confirmed from a number of different sources. A visit to neighbouring Burkina Faso's southern region was made to give the team a relevant comparator region. This was useful in identifying approaches Ghana could try as well as areas for co-operation with Burkina.

1.3.2 Constraints

A conventional view is that a combination of infrastructure, basic services and an enabling environment will produce growth. The study confirmed the importance of these. But the team took the view that inducing significant sustained growth in a long term underdeveloped region is not so simple, and focused on the nature of the market institutional arrangements as well as the nature of likely investors and conditions required for investment. These issues were thought to be more powerful in constraining growth in northern Ghana than resource scarcity. This calls for an important role for government while recognising that the investment will have to come from the private sector. Raising private investment in Northern Ghana, as in the rest of the country, will require substantial progress towards achieving greater macroeconomic stability at the national level.

1.3.3 Ways forward and basic assumptions

The study attempts to identify ways forward for a broad group of stakeholders – government (local, regional and national), donors, the private sector and civil society, including business associations. Certain assumptions were made: (i) widespread subsidies will not be available (e.g. on fertiliser); (ii) the banking system will remain unable to support medium term or more risky investment; (iii) the political and governance framework will remain as it is; (iv) any strategy will be largely private sector led, with government playing a supportive role.

1.4 Study process

Having reviewed the literature,² defined the approach and research questions, and tested these out, the team set off to interview key informants in the north as well as Accra. Relevant secondary data was also collected and analysed and workshops were held in Tamale and Accra to explore preliminary findings. The first draft report was posted on the websites of both the Overseas Development Institute and the Centre for Policy Analysis, and as many key informants as possible

² Shepherd and Gyimah-Boadi, 2005; McKay, Shepherd and Plagerson, 2005

were asked for comments before producing this final report for circulation to government, the private sector and donors.

2 Brief situational analysis

2.1 The growth record

The picture of growth and poverty reduction in Ghana as a whole has been well drawn. What is strikingly clear from this is that Northern Ghana grew little during the 1990s with poverty levels remained unchanged, while the rest of the country benefited from the growth of Accra and the forest region. There has been no data on income poverty since 1999. But there is little reason to believe this picture has changed dramatically, though there have been a number of public and private (including NGO) investments since the mid-late 1990s in agri-business, tourism and the services sector, underpinned by road, electricity and water infrastructure and services which are beginning to make a difference in certain areas, principally in and around Tamale. It is likely that a process of agglomeration has already begun in this zone.

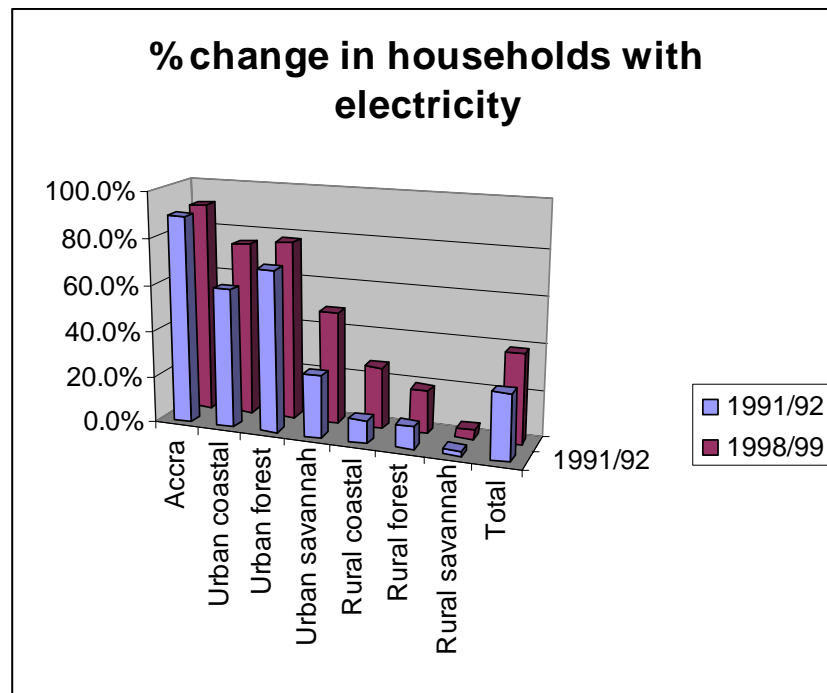
A tentative assessment of overall poverty trends since 1999 based on recent CWIQ surveys (Cavalcanti, 2005) reveals reduction in rural poverty between 1997 and 2003, and a slight increase in urban poverty. However, the regional pattern of change in poverty has not been estimated.

Key factors underlying growth in Ghana over the past fifteen years have been (i) greater openness, both through increased exports (cocoa and other agricultural products, gold and other minerals and timber) and increased imports; (ii) public spending, much of it aid financed; (iii) a significant increase in wholesale and retail trade, as well as transport and construction activity; (iv) increased receipts of remittances, from both outside and within Ghana. But these factors have been spatially concentrated and Northern Ghana has benefited much less from each. These are major factors explaining the poor growth performance of Northern Ghana. Another key issue has been relatively poor agricultural performance.

To counterbalance this, Northern Ghana has benefited from increased spending, especially in the social sectors, by the public sector and NGOs, which has led to improved human development outcomes comparable to those achieved elsewhere in Ghana. Recent evidence shows child malnutrition rates fell or remained stable in the three northern regions between 1997 and 2003, in contrast to some other regions.³ These improvements in human development indicators offer potential benefits for longer term growth in Northern Ghana, as does progress made over the 1990s in improving some roads and expanding the electricity network (the latter principally in the urban areas of the north; little in the rural areas and from a much lower base - see Figure 1).

³ This evidence is based on recent CWIQ and DHS surveys conducted in 2003 using poverty predictors. Some caution is needed in interpreting the results of this method.

Figure 1- The Percentage change in Ghanaian households with electricity, according to area, between 1991/1992 and 1998/1999



2.2 Regional development

The *reasons* for long term regional under-development are contested. Some place the blame squarely on the northern elite for not investing at home, or, in the case of the northern political elite, for not being accountable to their constituents. Others blame history, and in particular the pre-colonial and colonial construction of northern Ghana as a periphery – providing labour to the mines and cocoa farms of the south. Apart from a brief episode of investment under the import substitution industrialisation strategy pursued in the 1960s, and especially the 1970s, the north has never become a centre for economic activity. The northern elite itself tends to blame the inadequate distribution of public investment by southern dominated governments. NGOs tend to blame structural adjustment and the neo-liberal economic model – reliance on the market – for the north's continued under-development.

Meanwhile, the NGO interventions and those of government have in fact laid a foundation for economic development: much of the north is now connected by road, and the main road network will be substantially complete within 5 years. The telecommunications and electricity networks have expanded considerably and continue to do so. Substantial investments in drinking water, sanitation, health and education have raised the north's human development level at a time when indicators for parts of the south have been faltering. However, while there has been some inward investment into the north, this has been dwarfed by the continued economic concentration in Accra (Table 1). Levels of investment remain very low nationally, with macroeconomic instability, and its consequences for other factors such as the exchange rate and the development of the financial sector, being a major culprit.

Risk capital (i.e. equity) is in major short supply for the Ghana economy as a whole, partly explaining why the banks will so rarely make medium term loans to business. The banker's complaint that there are not enough 'bankable projects' often refers to the inadequate equity companies have been able to obtain. This affects underdeveloped regions particularly, since the risk environment is likely to be worse and banks are even less likely to lend. In northern Ghana the

additional risks to be managed are those of weather, conflict, variability of supplies, lack of infrastructure and living conditions, and remoteness from key economic governance institutions. The upshot is that there are very few enterprises for which banks will lend. Trading, property development, and hotels are among the few; loans are typically short term and against physical collateral. Agriculture can only borrow when there are project funds to back it. The exception is the Agricultural Bank's support for the cotton industry.

Table 1 Registered GIPC Projects by Region, 2000 and 2005

Region	Greater Accra	Ashanti	Western	Central	Eastern	Volta	Northern	Brong Ahafo	Upper East	Upper West	Total
2000	911	89	58	35	32	17	11	4	2	1	1160
2005	1412	121	82	57	50	25	17	9	5	1	1779
Change	501	32	24	22	18	8	6	5	3	0	619

Source: GIPC, Accra

Note: This excludes investments in mining, petroleum, stock exchange and projects in the free zones area of Ghana.

The Ministry of Trade and Industry's Rural Enterprise Project attempt to solve this problem by allowing District Assemblies to inject capital into enterprises. Each district has identified up to three priority enterprises for the district. However, none have yet been developed or look likely in the north. There may be two reasons for this: serious businesses would definitely not appreciate local government contributions to decision-making – they would see it as interference; and most districts may have too few facilities to woo small or medium scale enterprise for even one, let alone three enterprises. The capacity of district level government in this area (in contrast to social sectors or agriculture) appears very limited at present, and this does not seem an appropriate role for them.

At the same time, global and sub-regional economic conditions have been changing. There is demand for new products, and greater value is accorded to the kind of unpolluted environment characteristic of much of Ghana, including the north. In particular the market for shea butter is expanding, as is the global market for horticultural products. Tourism is reaching into ever more remote regions, and mining companies are looking further afield for deposits. It may be changing global economic conditions which provide the major impetus for economic growth in northern Ghana. While the demand for efficiently produced African cotton is artificially depressed by rich country subsidies, relative success in cotton elsewhere in Africa indicate that cotton production can still be profitable on a sustainable basis provided the institutional arrangements are right.

Within the sub-region, the former powerhouse of West Africa, Côte d'Ivoire, has suffered massive disruption due to conflict, and Ghana has picked up some transit trade and service sector investments as a result. But there is scope for much more in this area; landlocked Sahelian countries are pressing Ghana to invest in its cross border infrastructure to enable such trade. In addition ECOWAS and UMOA are slowly seeking to create the conditions for a more integrated sub-regional economy, de-linked to a degree from the metropolises.

2.3 Vulnerability, incomes and crop production

Many studies, including different participatory poverty studies, highlight the extent of vulnerability throughout northern Ghana, particularly in the Upper East. A key dimension of central importance for this study is food insecurity. One indicator of this is the extent of extreme poverty identified in the most recent GLSS survey, defined as when a household's total consumption level fell below the level needed to attain a food consumption basket to satisfy minimum subsistence needs. Compared to 26.8% of the population falling into this category at the national level, the corresponding proportions for the Northern, Upper East and Upper West regions were respectively 57.4%, 79.6% and 68.3% in 1998/9.

Vulnerability is associated with two particular indicators: income and access to food. A quantitative analysis of income and employment (Annex 1) reveals that:

- The north remains dependent on low return food crop farming, and this is the main explanation of low economic growth and persistently low incomes. However, recent employment statistics (from the CWIQ) indicate that there has been a sharp drop in reported dependence on agriculture between 1997 and 2003.
- The share of household incomes deriving from non-farm activities remains significantly lower than the rest of the country, and is lowest in the most food insecure region (UE).
- The Northern Region is significantly more diversified in terms of income sources, and the proportion of households with remittances is close to the Ghana average; however, even here the *level* of remittances is not enough to permit accumulation.
- Brong Ahafo has done better than the three northern regions in terms of reducing poverty despite its overwhelmingly agrarian economic structure. The key difference is that a far higher proportion of households sell crops (Annex 2, Table A2.2). The key issue here appears to have been investment in increased productivity in food crops, which according to international evidence can provide the basis for increased diversification and income levels in the future.

A quantitative assessment of changes in crop production is not of the same order of reliability as the above, since the surveys on which the data is based have only become significantly more reliable during the last few years (see Annex 2). The positive changes recorded between 1995-7 and 2002-4 are summarised in Table 2 below.

Table 2 Growth in major food crops between mid 1990s and early 2000s

Region	Upper East	Upper West	Northern
Growth in area cultivated	Maize Groundnuts	Sorghum Yams Groundnuts Cowpeas	Rice Cassava Yams Cowpeas
Growth in yield	Maize Rice Sorghum Groundnuts	Rice Maize Groundnuts Cowpeas	Rice Cassava Groundnuts

Source: Annex 3

Note: small changes are omitted, given the low reliability particularly in the earlier period's figures.

While there are potentials for both area and yield increases, the widest potential has lain with groundnuts, and the least with millet (and sorghum). The potential of rice looks good, though markets have been highly problematic. The MoFA statistics only began to record soybean in 2004,

so there is as yet no trend data, but soyabean is similar in many ways to groundnuts. Livestock is also not included in this data (an important omission in relation to Northern Ghana), and nor is cotton, which was widely cultivated, with more than 35,000 tons being produced by small farmers in the late 1990s before slumping to around 15,000 more recently.

Farm households' engagement with the market varies considerably. Few sell millet and sorghum, especially in the two Upper regions. Groundnuts are the most widely sold common crop in all three regions; rice is often sold in the Northern and Upper West Regions. The level of market engagement is highest overall among Northern Region farm households, but this level is way below that achieved in Brong Ahafo. Vegetables are produced by most households but sold by few – something to be remembered when horticulture is assessed as a potential growth sub-sector.

Livestock are widely held, especially small ruminants and poultry, including guineafowl. Herds and flocks are generally small; production methods are simple, and sales are largely to finance consumption or working capital for farming. Along with charcoal production, livestock and poultry act principally as the rural households' savings bank.

2.4 What can be learnt from Burkina Faso?

What can be learnt from the comparative experience of Burkina Faso (see Annex 5)? No comparison is fair, and comparing a region of one state with an entire state is certainly unfair. Although Ghana and Burkina share many characteristics and some history, there are signal (misspelling?) differences – Burkina's membership of the CFA zone, and its later and slower liberalisation. However, given that it has performed rather better than northern Ghana in recent years, and given a similar if not worse resource endowment, it is reasonable to ask how this has been achieved. The answer is as follows:

- With its slower economic reforms, and more consistently pro-farm household policies, Burkina Faso has achieved a balance between state, foreign and domestic – including local – capital and investment in a way which has eluded Ghana as a whole.
- Coordination of agricultural production is achieved through commodity-based producer associations working from the grassroots to the national level. These provide services (marketing, credit assessments) to members, complement technical staff of government or the private sector in service delivery, and form strong lobby groups which are politically powerful. Public sector support in the initial development of the product chain is crucial i.e. infrastructure, seed, organization of groups and so on.
- The cotton sector, liberalised particularly slowly, has benefited from continued state subsidies on agro-chemicals, and institutional arrangements (monopoly, and then oligopoly) which allow companies to profit and farmers to be relatively secure.
- Water resource management has been a high priority, with a comprehensive programme to expand irrigation nationwide, using rivers and aquifers. There is a long term target to have 30,000 hectares of irrigated land by 2015.
- Micro-credit delivery is linked to producer organisations, and microfinance institutions are linked to formal financial institutions and have become professional organisations.

3 Elements of a pro-poor growth strategy for northern Ghana

In this section the main argument that economic growth is possible in northern Ghana is developed. This requires attracting medium scale enterprises, which has already begun, especially in the Tamale urban agglomeration. A consideration of the area's comparative advantage is complemented by a brief discussion of what turns comparative into competitive advantage (3.1). It is argued that the process of investment leading to economic growth has started, but needs to be greatly strengthened. The key pre-conditions for economic growth are discussed (3.2), before turning to the investment strategy (3.3). The section concludes with a summary (3.4) of the feasibility of economic growth in Ghana's poorest regions, and identifies a number of economic zones in which there will need to be different sequences pursued.

Table 3 (overleaf) summarises the lessons from the recent study of pro-poor growth in 14 countries, and comments on their relevance to northern Ghana.

3.1 Is growth possible? Comparative and competitive advantage

Growth can be stimulated by the development of external or internal demand, or a combination of the two. Given Ghana's small size (in market terms – i.e. its population and income level) achieving a high rate of growth almost certainly requires exporting substantial and growing volumes and values. However, with a rapid rate of urbanisation, the growth in the domestic market can also be a source of growth.

Northern Ghana has an absolute advantage in producing a number of commodities – a range of sub-tropical or guinea savannah crops and wild products including the shea nut; and a range of minerals. Comparative advantage refers to the products which the country is *least bad* at producing – or, technically, where the ratio between domestic costs of production and those of the most efficient producer are lowest.⁴ Competitive advantage generally refers to producing goods at low cost, but also to managing supply chains so that goods delivered to the world market also meet all other required criteria, such as quality, consistency, delivery time and reliability. While costs of production could not be measured here (this would be too large an undertaking), Table 4 below summarises the possibilities of achieving competitive advantage across several sectors, as revealed by key informants. These are further discussed in the text of section 3.3, and the various annexes attached to it.

⁴ We are grateful to Steve Wiggins for this pithy distillation of Ricardo.

Table 3 Policy Messages from the Operationalising Pro-poor Growth Synthesis Study and their Relevance for Growth Policy for northern Ghana

OPPG Lesson	Relevance for Northern Ghana
<i>Making agricultural activities more productive for poor households:</i>	
1. Reduce transactions costs, particularly for households in remote areas through investments in infrastructure packages, regulatory reforms and innovative marketing arrangements;	Transactions costs and lack of access to markets is a major issue; farmers that sell often have to sell on unfavourable terms to traders from the south, especially in remote areas. Improved transport infrastructure very important, and out-grower schemes.
2. Improve the functioning and transparency of rural land markets to ensure tenure security and investment incentives and facilitate access to land (often via rental markets) for women and poor households;	This is not a major issue for northern Ghana where land is not the main constraint. However, there are dangers of land alienation causing conflict.
3. Improve access to agricultural technology via support for regional research institutions and innovative public-private extension programs for poorer households and women, particularly in arid environments;	This is an important issue for northern Ghana. Existing research into new varieties has provided significant benefits but there is scope for much more.
4. Understand the distributional implications (both pro and con) of trade and price policies (and related reforms) for different types of rural producers.	This is more a research issue. There is evidence of adverse effects of some trade policy (e.g. rice imports). The distributional effects of more trade in the sub-region have not been studied; the net effect is probably beneficial but attention needs to be paid to potential losers from this policy.
5. Helping farmers and rural households to avoid and better cope with risk will facilitate both growth and poverty reduction.	This is critical, as repeatedly stressed; irrigation to enable dry season cultivation is key. Social protection also plays a role. This matters for growth as well as poverty reduction.
<i>Helping households take advantage of non-agricultural employment:</i>	
1. Creating an investment climate that will create large numbers of high quality jobs in the formal sector.	This is very important and repeatedly stressed in the text. Many of the growth opportunities come from formal sector investment in agro-processing.
2. Designing labour market policies that protect workers' rights, but also provide incentives for formal employment creation, which is conducive to higher growth and a greater sensitivity of poverty to growth.	Labour market policies may be more an issue in relation to migrants working in southern labour markets (which might help increase remittance flows). Incentives for formal employment creation are also critical in the north especially in agro-processing, but also linked to farmers that supply inputs.
3. Delivering infrastructure packages (education, electricity and roads) to areas of high agro-climatic and economic potential and where large numbers of poor households are located. Improving connectivity is critical for both growth and pro-poor growth.	Connectivity is key and we have stressed infrastructure very strongly, but not just a focus on current economic successes. Quite a lot of northern Ghana has agro-climatic and economic potential (including tourism, mining etc.), but it is important to recognise that many poor households lie outside these areas with potential.
4. Increasing access to secondary education, particularly for women and poor households, is essential to their accessing improved non-agricultural employment opportunities, particularly given the rising skill premium noted in several countries.	Yes. While levels of primary school attendance have improved significantly, including for girls and the poor, levels of secondary school attendance are still very low and this is a major constraint. A gender differential is apparent at secondary level.

Source: World Bank, DFID, GTZ (2005) *Operationalising pro-poor growth*

Beyond establishing what northern Ghana can produce competitively, it is important to consider what the multiplier effects of different sub-sectors and enterprises are – the extent to which there are backward and forward linkages in the northern economy. The greater the multiplier effects, the more rapid growth will be.

Recent estimates of growth multipliers from investment in farm and non-farm tradable sectors show that a cedi investment in the farm sector can generate an additional 1.46 cedis through forward linkage production activities and consumption linkages (Table 3b). The multiplier is also largest among the lowest income groups because of their higher propensity to spend on farm non-tradables. A comparison of multipliers from investment in the farm and non-farm sectors however shows that a growth stimulus is more likely to generate a larger impact through the non-farm sector than through the farm sector. A decomposition of each multiplier reveals the higher contribution of farm sector than the non-farm sector to overall growth multipliers. Again this is largely due to the higher marginal budget shares for the farm non-tradables such as vegetables, fresh meat.

Table 3b Estimates of Growth Multipliers

	Ghana		Lowest 3 rd		Middle 3 rd		Upper 3 rd	
	Farm	Nonfarm	Farm	Nonfarm	Farm	Nonfarm	Farm	Nonfarm
Total Multiplier	2.46	3.17	4.19	5.42	2.90	3.75	2.16	2.79
Decomposed into:								
Tradables	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Farm nontradables	1.05	1.66	2.58	3.65	1.30	1.99	0.80	1.34
Nonfarm nontradables	0.41	0.51	0.61	0.77	0.60	0.76	0.36	0.45
6% savings	2.62	3.39	5.03	6.51	3.19	4.12	2.26	2.92
Change from base (%)	6.50	6.94	20.05	20.11	10.00	9.87	4.63	4.66

Source: Al-Hassan Ramatu and John Baptist Jatoo (2003). The Role of Agriculture in Poverty reduction in Ghana. Paper prepared for the Roles of Agriculture International Conference, 20-22 October, 2003, Rome Italy. Agricultural and Development Economics Division (ESA) of the Food and Agriculture Organisation.

This analysis is for Ghana as a whole. It is likely that the differential between farm and non-farm growth is higher in northern Ghana, given that most farm products are low value and require little processing. On the other hand there is less non-farm economic activity.

Other criteria which could be applied include the extent to which employment is generated and the quality of that employment; the extent to which self-employment is generated, and the returns available. Significant multiplier effects are available where companies purchase raw materials from large numbers of producers, and where these raw materials are best processed *in situ*. This would apply especially to sub-sectors involving outgrower schemes and raw material processing – currently mangoes, shea butter, and oilseeds, but potentially also cashews, other horticultural products and rice. Multiplier effects are also possible in mining, where concentrations of mining activity lead to increased demand for food and food products, and in tourism where the existence of major attractions provides a market for minor sites as part of a tourist ‘package’, and where tourist enterprises can promote local supply chains.

Table 4 Comparative and competitive advantage, by sector or sub-sector in northern Ghana

Commodity or sector	National	Sub-regional	World	Supply Chain
<i>Shea nuts, shea butter</i>	Shea nuts only grow in guinea savannah. 99 million (wild) trees in northern Ghana (1996). Harvest collected by peasant women.	Some import and export of shea nuts to and from exporters from the sub-region and processing plants.	Very low cost fat for food and cosmetics industry. Growing world demand. Highest quality for cosmetics available in northern Ghana and Burkina Faso.	New ventures adding value in northern Ghana: quality shea butter production for export; shea butter products from southern Ghana
<i>Cotton</i>	Cotton production entirely located in northern Ghana. Entirely produced by smallholders. World market prices lower than Ghana costs of production.	Yields are significantly lower than neighbours'.	West Africa produces low cost, good quality cotton, competitive on world markets. The Ghanaian sector's current institutional arrangements constrain its participation.	Institutional arrangements required review and renewal. Currently no value added beyond ginning. Potential currently constrained by water.
<i>Horticulture</i>	Low cost products but available for very short season, and low quality. Little comparative advantage for the north with current level of irrigation, research and extension.	Extent of imports of fruit and vegetables from neighbours indicate little comparative advantage.	Very competitive sub-sector. May have comparative advantage in organic production, given low use of agro-chemicals. May apply to fruit (mangoes, papaya) and 'Asian vegetables'.	New venture in mangoes exploiting growing European organic market. Nucleus plantation and outgrowers' scheme, using river irrigation and research from USA etc.
<i>Cashews</i>	Northern Ghana produces best quality cashews. Brong Ahafo major production zone.	Neighbouring countries have more organised production.	Structurally over-supplied market. Yields in Ghana low; market poorly organised.	Export processing company located in Accra, currently purchasing from outside as well as inside Ghana to ensure supplies.
<i>Oilseeds</i>	Reasonably low cost soya beans produced. Groundnuts heavily consumed and costs can be high.	No information on how Ghana compares.	GEPC has regular demand for oilseeds (soya beans) exports.	Soya beans transformed into oil by 2 companies in northern Ghana, for sale within Ghana.

<i>Yams</i>	Widely produced and sold. Low cost, high quality. Can be stored in ground through the dry season.	Some exports to sub-region.	Some exports to Europe.	Yam flour an ingredient in the confectionary sub-sector. A potential.
<i>Rice</i>	Reasonably low cost rice produced all over Ghana; in substantial volume only in the north, due to land availability.	Mali exports high quality rice to the sub-region. Possible model for northern Ghana given growing urban demand.	Ghana is a substantial importer from USA, Thailand and Vietnam. Years of food aid and imports have transformed consumer tastes.	Gradual expansion of domestic demand for small scale parboiled rice produced by women's group. Further market development needed before re-opening major rice mill.
<i>Poultry: guineafowl</i>	Widely produced throughout the north. High value product, but very high mortality means few sales.	Guineafowl produced under similar conditions throughout sub-region.	Major potential export. Degree of competition with imported cheap US chicken unknown.	
<i>Livestock: small ruminants</i>	Little livestock production outside the north or released on to market, as represent farm households' savings. Low cost and quality.	Domestic market consumes what is produced.		Some traders/entrepreneurs fatten sheep for Ramadan, and livestock for other festivals.
<i>Tourism</i>	Big game and birds – Mole and Bui.	Low cost/good quality in sub-region.	Cannot compete with East/Southern Africa.	Need to expand domestic market and link to cultural/historical slavery tourism.
<i>Mining</i>	Substantial limestone deposit for cement. Significant gold and iron ore deposits. Higher costs due to poor infrastructure, low level of geological survey.	Cement and steel could be exported in the sub-region. However, costs of production need to be established.		

What this table indicates is that growth is possible in a number of agricultural sub-sectors as well as tourism and possibly mining. Indeed, sizeable investments capable of generating growth have already been made – in shea butter, mango production, and oilseeds processing. Northern Ghana can produce efficiently both for the national market and for export. The largest volume of exports will tend to be to the world market rather than the West Africa sub-region, but there are possibilities also for sub-regional exports. This would be enhanced by better cross border transport links and the location of manufacturing plants in the north. Improving transport links to southern Ghana is also a key issue in increasing exports to the world market.

The resource base is important here. Land is still relatively abundant; but labour is scarce for many households. Land-using enterprises and technologies should be among those where there is a comparative advantage. However, river water is also abundant and largely unexploited for irrigation, whether through pumping or dams. As already stressed the absence of irrigation is a major constraint on agricultural growth and source of insecurity. High risk intensive production is also a possibility provided the marketing channels are assured.

Commodities widely produced in northern Ghana which have not been included here include: maize, sorghum, millet, and cattle. Maize is more competitively produced in Brong Ahafo, and therefore remains generally a subsistence crop in the north. Millet and sorghum have experienced little growth in demand, although there is local demand and some demand in the region's growing urban centres. Increased productivity for these food crops though is important in providing greater food security, itself an important basis for growth (in other areas). However, the real growth in demand there is likely to be for the food crops mentioned in the table. Cattle are widely owned, largely herded by specialist Fulani herders, and sold to southern markets in an entirely traditional pattern. Ghana is a livestock importer – the demand for meat is far in excess of what Ghana can produce. There is considerable scope for enhanced livestock production, and this is one of the most neglected areas of policy.

The majority of livestock in northern Ghana is kept extensively and with low labour and other inputs in small herds and flocks (typically up to 20 birds and 15 small ruminants, and a few cattle) owned by wealthier households only. They perform a critical savings function in the peasant economy, with irregular small sales financing consumption and financing farming activities. Privatisation of veterinary services has led to a drop in demand for vaccination; finding ways of improving animal health would be one priority. Simple improvements in production methods, tied in to market development, would be the most likely growth-enhancing approach, especially in poultry and small ruminants (see Annex 4).

As mentioned in section 2, trade can also be a source of economic growth. The particular opportunity Ghana now has is that Mali and Burkina Faso have re-routed much of their exports through Tema, via northern Ghana. The current quality of road infrastructure is an important limiting factor for such trade.

International competition can be a problem for Ghana. While relatively few of Ghana's economic development problems can be laid at the door of international trade arrangements or negotiations, there are some exceptions which have had an impact in the north.

- Imported rice (from Vietnam, Thailand and the US), supported by extensive food aid in the 1980s and 1990s has taken over Ghanaian taste buds. Recapturing a segment of the market for Ghanaian rice, which can be competitively produced, requires aggressive marketing, and would be assisted by continued protection for a period of time.
- US and EU Cotton
- Low cotton prices since the late 1990s, attributed to US and EU subsidies, is one factor which has made profitability difficult for Ghana's cotton companies. There are others, however, to do with how the sector is organised, which can be adjusted to good effect.

There are also cases where Ghana's cost structure has prevented it from continuing to produce competitively. Vietnam's take-over of Ghana's craft markets since 2000 is an example, which has killed exports of baskets and other handicrafts from the Upper East, and now from elsewhere in Ghana.

However, some of Ghana's neighbours have developed creative responses to international competition. Mali imports cheap rice from the world market to satisfy poor consumers, and exports quality rice to the West African sub-region. Burkina Faso has developed robust institutional arrangements in the cotton sub-sector (see 2.4 above) which have ensured producers a decent income and companies supplies, without undermining international competitiveness in the absence of a level international playing field.

3.2 Pre-conditions for growth

If growth is possible, what are the key constraints? One such constraint is macroeconomic stability, which has already been stressed, impacting on Northern Ghana, as well as for the entire country. This study identifies several additional issues, four of which are considered to be pre-conditions for rapid growth in the north. These are the achievement of peace, especially in the Northern Region; for certain areas, the development of key roads to reduce transport time and costs; for a large proportion of households in the north, the development of a workable transitional strategy to improve food security which will enable participation in growth; and finally, 'political will' and a degree of deconcentration of economic governance – which is not easily come by due to the interest structures characterising Ghana's political economy. These are key areas for government and donors to focus on.

3.2.1 Peace

The threat of insecurity has hung over the north in a significant way since 1994. Peace is a critical foundation for investment, savings and economic development. The absence of peace is a particular issue for the north of Ghana. Other regions are barely affected by insecurity. Insecurity in the Northern Region affects the UE and UW by association even though they do not face significant insecurity problems themselves. There are substantial obstacles to peace, in particular the increasing inability of governments in Accra to be seen as independent, neutral arbiters in what are essentially local disputes. As with any intractable dispute, the Yendi crisis requires that both sides be prepared to make concessions in order to move on from the impasse. Given the record of clumsy political interventions in this continuing dispute, it would be much sounder if the parties to the dispute could reach a settlement themselves. The facilitation of a neutral party is probably required to bring this about. The Northern House of Chiefs, and ECOWAS (a group of former colonial powers) are examples of neutral interest groups which could have a favourable impact on the disputing parties. It should be possible for the disputing parties to identify and agree on a neutral facilitator, and/or for government to do this.

There are other unresolved inter-ethnic tensions in the north, which have in the past erupted into war, and may in the future again lead to violent conflict. They are currently receiving little if any public or governmental attention. While less significant than the Yendi dispute, the uncertainty such tensions creates is likely to deter investors. Developing a standing conflict-prevention and resolution mechanism independent of government would be advisable.

3.2.2 Selected roads to especially under-served areas and borders

There are widespread infrastructure needs throughout Ghana. However, the absence of good road communication to the Upper West Region is a particularly acute constraint, which will continue to stymie development in that region to an exceptional degree: no other region has waited so long to get reasonably well connected to the rest of the country. Moreover, the connection through Upper West to the Bobo Diolasso commercial area of Burkina Faso is also a major issue. Completion of a good quality road connection from the Burkina border at Hamile down to Techiman offers major economic opportunities for trade through Ghana to Tema, and the Governments of Burkina Faso and Mali have been lobbying the Government of Ghana to complete this road. This offers major opportunities to Ghana as a whole (due to a substantial increase in trade through Ghana) and as well as to the Upper West region specifically.

Other key main roads include the Wa-Tamale road, via Mole (see 3.3.3 below), which has been studied, and for which international funding is being sought; and the road from Bawku south through the Northern and Volta Regions to Accra, which would open up the east side. All of these roads are being constructed in patches; what is needed is for more rapid progress, so that the basic main road infrastructure of northern Ghana is completed in the short term (i.e. 2 to 3 years). This does not appear likely to happen at present.

Achieving this pre-condition in the short term is feasible, although it is likely to require care in the selection of contractors (including some changes in past practices for identifying contractors – see 4.4 below), and a re-prioritisation of some public expenditure.

3.2.3 A ‘transitional’ food and livelihood security strategy for food insecure households

A strong argument can be made that food insecure farm households will be unable to participate in growth so long as there is a strong chance that their food needs will remain unmet. Land is relatively abundant (except in some areas, mostly in the Upper East); labour is the scarce factor of production for most, especially for many poorer households; so such households will allocate available labour with significant priority to food crops so long as they worry that the market will not serve them well. Substantial seasonal price variations for the major food crops mean that farm households continue to prefer to produce themselves, even if they might do better in cash terms to produce crops for the market. While there appear to be structural changes going on in the occupational structure of northern Ghana, with radical moves out of agriculture (see section 2.3, and Annex 2), well over half the population of the north is likely to have remained food-poor - they neither produce enough nor earn enough to assure basic food requirements. If economic growth is to include such households, it is likely that the level of food and general livelihood security of these households needs to be ‘jacked up’ to a new level first.

Box 1 Three categories of rural food producer household

(i) Regular food surplus producers (often the better off, may also grow cash crops in significant quantities): can readily respond to improved market opportunities or new technologies; extension officers often gravitate towards these people (more innovative, able to try things out)

(ii) Middling households (may be food self-sufficient in good years, but not in the majority of years): it is plausible for improved support services to reach these households and assist them to intensify so as to be comfortably self-sufficient in food, hence also able to develop their cash cropping activities further. (Land scarce areas may also have households who are land-poor, but otherwise better off; these may be interested in achieving food self-sufficiency, but focus main energies on non-farm activities).

(iii) "Poor" households (currently the majority in many areas, especially outside the higher potential parts): even well directed support services (including NGO agricultural projects) will only stimulate a response from a minority of these – to help them move towards the second category over time? The remainder will remain dependent on local food markets; hence the importance of improving the functioning of food markets, including stimulating local supply to achieve lower (and less volatile) prices.

The likelihood is that returns to investment in improved support services will be higher in higher potential areas and amongst the top two categories of producers elsewhere. The justification for such a focus is, therefore, the food access benefits for the poorer households who do not benefit directly from the extra investment in service provision

Reducing seasonal (and inter-year) basic food price fluctuations is a priority: improved infrastructure and reduced trade barriers (literally – the numerous road checkpoints) will help. Ultimately the state has to be prepared to step in on a regular basis during this transitional period in areas of chronic food shortage and supply either free grain or subsidised grain until other social protection measures have been put in place.

This transitional strategy needs to be regionally differentiated. In particular there are chronically food insecure areas in Upper East where food security will have to precede more market oriented approaches for very many households. Even there, however, there is considerable scope for development of crops and livestock which widely provide both food and cash. This issue will be returned to below, section 3.3.1.

3.2.4 Political economy

The discourse of northern development is almost entirely a distributionist one. In order to get poverty reduction through sustained economic growth it needs to shift gear and focus squarely on growth. Health and education expenditures by themselves will not develop northern Ghana economically. There is a key government role to be played, and the returns are substantial. In the 1990s northern Ghana grew at a low rate. If income had grown at the average rate for Ghana (around 5%) this would have added 0.7% annually to Ghana's per capita economic growth rate. Over the 7 years between household surveys this would have added 5% to national average per capita income – a significant amount.

The President has recently recognised the need to 'bridge the north-south divide', so there is apparent willingness at the highest level. Whether this can be translated into the kinds of institutional, enabling and expenditure commitments necessary to underpin growth in the north remains to be seen. There are some 'acid test' issues: the decision to make Kumasi a second international airport (despite it being unprepared and the in principle approval for Tamale since 1996); the continuing reluctance of the Ghana government actually to promote shea nut exports in

world markets where it sees it as a competitor for cocoa. Beyond these specifics, all significant government policies (e.g. private sector development, agriculture, infrastructure and security) need to have a ‘northern component’ with differentiated strategies and prioritised expenditures.

The political economy constraint suggests that the depth and quality of a public strategy will depend on the initiative taken and pressure exerted by the private sector and civil society. Government will surely respond to pressure from these sources, at least to a degree. The private sector is already supported by donors through a variety of projects, but with little or no explicit focus on under-developed regions. This would be one way of strongly bringing together the growth and poverty reduction agendas. The critical question is how to develop a critical mass of private investors in medium scale enterprises in the north. Government could support this process with a small degree of economic deconcentration: the creation of a ‘one stop window’ for business somewhere in the north, so that businesses do not always have to travel to Accra to see relevant government departments and agencies.⁵ Donors could also support civil society to become better informed about economic development issues.

3.3 Key elements of an investment strategy

Economic growth in northern Ghana can best be promoted through a combination of the continued development of agri-businesses with strong out-grower/out-sourcing dimensions, investments in tourism and mining, and the facilitation of trade within Ghana, with its neighbours and for wider export. The further development of regional infrastructure and urban agglomerations are critical enabling investments requiring considerable state support.

The argument here is that small scale investments will not achieve the objective: there is a need for significantly more than has occurred to date by way of substantial, at least medium sized, enterprise to generate sustained and widespread growth with significant multiplier effects. The argument is also that most investors will choose to invest where there are other investors: it is important to identify the particular factors which are likely to attract investors to northern Ghana and where economic opportunities may lie. Several big investors, including Coca Cola and Schweppes (see below), have considered investing in Northern Ghana because of the potential opportunity it offered to supply the regional market.

The establishment of a larger number of medium sized investments will provide opportunities for the development of smaller enterprises alongside. However, such smaller enterprises will continue to be constrained by the poor availability of business finance, a constraint which medium scale investors are more likely to solve.

Given the preponderance of agriculture in the economy, and the likelihood that many of the enterprises will have an agricultural base, the organisation of agricultural producers to interface with enterprise is a further critical component of the strategy, and is an area for substantial state and NGO support.

Finally there are a number of important issues to be addressed at the national level that are of relevance for growth prospects in the north. Apart from the macro stability issue already stressed, a much stronger policy focus on food crop agriculture (which offer major benefits at the national level) and the development of a strong tourism strategy are important priorities.

⁵ The one stop window would include personnel with adequate devolved powers from the Registrar General’s Office, GIPC, GEPC, MoTI, MoPSD, Co-operatives, key business promotion projects

3.3.1 Attracting medium-scale investors to key sectors

The supply of investors is the principal constraint to development in the north as a whole. Potential investors from the north invest elsewhere, partly (it is asserted, though this is questionable) to escape family pressures and partly because returns are higher and uncertainties lower. The majority of businesses based in the north are diversified portfolios in a variety of sub-sectors to spread risk. Few employ the skilled professionals or management necessary in a modern company. There may be categories of Ghanaian investors who are prepared to invest – for example, those contemplating retirement in the north. Ghanaian or overseas investors presently based in the north have particular reasons to be there – they are not ‘off the shelf’ investors, though their businesses are generally resource-linked. There have to be strong reasons to invest in the north to overcome the risks and disadvantages. The trick will be to identify additional investors who also have strong reasons, whether these are purely commercial or involve CSR. It is likely that many will involve the latter as well as resource-based reasons.

Investments in mining and tourism would often be located in remote areas, where little other development has taken place, poverty is rife and where infrastructure is weak. Supportive infrastructure investments around enterprise opportunities in such remote areas will be particularly critical.

- **Involve existing entrepreneurs/investors in identifying new investors: AGI/CC to organise with existing investors**

The state has a poor track record in identifying business winners. Existing investors may be best placed to identify others who could also assemble what it takes to make a significant investment. Ghanaian business associations have benefited from years of donor supported capacity building; this is an opportunity to show what they can do, and AGI has already been trying to mobilise local entrepreneurs and external investors in the north. If these two forces (AGI and existing investors) could join hands, the combination could be powerful. Other organisations with networks (eg the West Africa Trade Hub, Mapronet, GEPC, GIPC) could also provide information.

- **Identify one or two leading medium scale investors in each key sub-sector/commodity line, so that the overall result is a diverse portfolio rather than dependence on any one commodity.**

Dependence on a single source of growth is risky. The strategy would be to identify investors in tourism, mining, and different areas of agriculture, and in the latter covering the following sub-sectors which have potential: horticulture (mangoes already covered at least to a degree), cashew, shea butter – especially to extend the opportunities for marketing of shea butter produced by women’s groups (shea nuts adequately covered by the existing Loders Crocklaan investment at Savelugu), cotton (for a possible public-private partnership at GCCL), rice, possibly yam flour and guineafowl.

While dependence on a single investor and the resulting monopolistic market has disadvantages, open competition is also not desirable as too many competitors may find it difficult to source adequate raw material supplies – witness the experience of the cotton sub-sector. Initially, one or two investors could be attracted to each sub-sector, and allowed time to become competitive before others come in.

Developing a number of companies in related fields would begin to provide a regional labour market for skilled and professional workers and managers, which would in turn attract skilled people who to date have looked to southern or overseas labour markets.

- **Focus investment where infrastructure is already available, while infrastructure is being strategically spread to other areas**

This will tend to happen anyway. The Tamale urban agglomeration, and the Tamale-Bolgatanga ‘corridor’ are already relatively well connected, and incoming businesses have tended to focus here, taking advantage of the transport links, including the airport, the relatively well developed feeder road network in the Northern Region, and the urban facilities (e.g. hotels and restaurants and the better power supply) offered by Tamale and neighbouring areas.

Tamale has grown rapidly since 1980, and continued development (e.g. of the industrial area infrastructure) should be encouraged in order to support the process of agglomeration.

- **Continue to facilitate economic agglomeration through:**

(i) Urban development – the development of Tamale as a sub-regional hub. Coca Cola and Schweppes have both recently considered setting up bottling plants to supply the sub-region. The investments have not been made because of firstly, an inadequate water supply, and (once this was solved) inadequate security. This starkly highlights the importance of the security issue.

(ii) Investment in key road infrastructure linking northern Ghana to the south and the sub-region, and linking Wa with Tamale; this will enable the development of Wa as another site for economic agglomeration in the region.

(iii) Appropriate communications infrastructure. This is critical in the medium term if northern Ghana is to become a trading hub within West Africa. It may be that the easiest way is through extension of telecoms companies into neighbouring countries.

(iv) Decentralised business facilitation. Currently almost all government and private services required by businesses are located in Accra or Kumasi. A one-stop business services window in the north would be very helpful for the establishment of businesses in the north, cutting out some of the frequent travel to Accra. This could include: the Registrar-General’s Office, GIPC, GEPC, The National Commission for Small Scale Industries (already in regional capitals) and the Minerals Commission.

- **Explore the possibility of attracting venture capital, with possible support from CDC.**

Potential sources of risk capital which can help kick-start medium sized companies are:

(i) the Venture Capital company being set up by the Government. It would be reasonable to expect such a company to have a particular mandate for investment in underdeveloped parts of the country, with a special focus on the north, as a key mechanism of bridging the north south divide. It is possible that co-funding this company, if correctly set up, would be beneficial for the north.

(ii) Donors and the Government could put pressure on the IFC and CDC and other similar bodies to develop a particular interest in northern Ghana, especially with agri-business investments in mind. Both IFC and CDC have been considering establishing agri-business funds, with a focus on taking equity in medium scale companies with out-grower schemes.

CDC’s experience with its venture capital fund in Ghana in the 1990s was not promising: it found it hard to avoid businesses established by people with good aid connections but inadequate business experience; politically well connected entrepreneurs; and rent seekers. Having re-structured its

operations, CDC and its affiliated companies are in a much better position to negotiate realistic business deals and insist on adequate transparency when investing equity.

The kind of portfolio of companies establishing in northern Ghana – agri-business, tourism and mining – offers a good basis for venture capital funding, particularly if the venture capitalists are able to work with somewhat lower expected average returns than the market (i.e. 15% rather than 20%) and higher level costs in performing due diligence – for which CDC’s approach to venture capital provides incentives. Ultimately, risk capital has to be able to lever in other capital flows to an enterprise and sub-sector. However, successful funds in Africa typically thrive on a brilliant success, some reasonable performers and a majority of failures; so the failures should be expected.

Government and donors should ask risk capital companies to take northern Ghana seriously. It would be possible to construct a small project to bring together the necessary actors to explore the options.⁶

3.3.2 Agriculture - walking on three legs: export led agricultural growth, with a possible organic niche; food for the towns; and rural food security

Ghana is an international trading economy, and its elite see the economy in these terms. Thus it is exports and imports that are prized, and give status and importance to particular economic activities. Export led growth is a logical aim for underdeveloped regions which wish to improve their economic and political status within the country. A key issue is to identify the markets and niche markets which northern Ghana could occupy.

However, evidence from across West Africa suggests strongly that producing food for the rapidly expanding cities and towns is an equally valid approach. Tamale had been the fastest growing city in West Africa until conflict dampened its speed. Demand for commodities like yams, cassava, rice, vegetables, fruit, meat and fish is buoyant, and traders source these from far and wide, in some cases from Sahelian countries!; the apparent extent of these imports being evidence of a missed opportunity.⁷ There are considerable domestic potentials in all these, in some of them for sub-regional export, and in shea butter, cotton (and eventually processed cotton goods), and horticulture for wider export.

Food security needs to be assured alongside growth (see above). The major strategy advocated here for this is a concentration on commodities which are both sold and consumed – oilseeds, yams and rice, shea butter and fruit and vegetables. This should not be to the exclusion of maize, sorghum and millet, but the potential for market led food security are lower here.

Supply side approaches have been relatively unsuccessful or, if successful in generating increased production, unsustainable because the market has not been able to absorb supplies. What is needed is a market led approach. No development project or programme should be approved unless demand is demonstrated in the market and there are market intermediaries who are willing and able to carry the volumes likely to be produced. This should be phase one of any project rather than phase 2 (see Box 2). Promising commodities are given in Table 5, which begins to categorise commodities by their degree of promise, a topic taken up again at the end of this section.

The reason for this is that supply chains for many commodities are disorganised, multiple, and difficult for both producers and exporters or end-users to handle. Shea is a case in point. This is particularly important when it comes to the global market which generally has clear ‘quantity &

⁶ Terms of reference for this could be written should this be of interest.

⁷ For example, Burkina Faso even exports some plantain to Ghana!

quality' demands. It will also affect the possibility of adding value for the domestic market. While shea, being a semi-wild product, is an extreme case, the general picture is one of markets which are incapable of delivering required quantities at required quality. This reinforces the general case made above that the key constraint in developing northern Ghana's agriculture is the 'investor-intermediary' who will manage parts of the value chain.

Table 5 divides commodities between those where it is clear that market prospects are sound (A), from those where the pre-conditions for effective markets capable of expanding demand for the product are less clearly present (B). This suggests that there are some 'quick wins' in agriculture, where returns to producers can be enhanced, and whose benefits will also be well spread across the population, with shea nuts and guineafowl in particular. The division of commodities into A and B has been done on the basis of the limited market analysis reported in Annexes 3 and 4. Further, more systematic market analysis of these commodities would be useful.

Box 2 Need for a Market Led Approach: The lowland Rice Project

The first phase of a MoFA project supported by French Aid developed a network of rice producing groups of small farmers. While it was technically successful, the farmers were not well organised enough and the market proved demanding and competitive. A second phase was designed to strengthen the producer groups through forming and building the capacity of 30 village level co-operatives and to work intensively on improving the quality of 'lowland' rice so that it can find a niche in the domestic market. At the time of writing, quality is still problematic and price fluctuations mean that farmers do not always honour contracts, with subsequent consequences for loan recovery.

The lesson from this project is that phase 2 focused on marketing and farmer organisation should really be phase 1 of a project, with technical development following or accompanying institutional and market development.

Source: interviews with project staff, and MoFA/AFD (2002) LRDP External Evaluation, Final Report

Cotton

The major learning experience in the development of smallholder based commercial farming in northern Ghana lies in the cotton industry (Annex 4). The lessons from this experience are that the institutional arrangements within a sub-sector can be critical to its success – they should not be played with for political ends. In particular, there is a case for a regulator's role in enabling a sub-sector to avoid excess competition which in turn prevents companies from making a profit. MoFA is now in a position to scrutinise companies' performance and discontinue the licences of 'non-performing' companies. Up until now the Agricultural Development Bank, which is also the major investor in the industry, has effectively been playing this role. There is also a case for companies developing innovative contracts with farmers to reduce their incentives to sell to opportunist buyers. Furthermore, there is a case for stronger producer organisation, as is the case in Burkina Faso. Ghana is way behind its neighbours in terms of developing producers' associations, the advantages of which are many: they can inform their members, provide services to them, mediate with the market, and lobby government. The alternative to such regulated institutional arrangements is the Tanzanian approach, where the corollary of an unregulated market among cotton ginners (of whom there are more than 30) is that the state, in conjunction with the private sector, has to take more responsibility for matters such as input supply, credit provision and quality control, than it would in a more concentrated market.

Table 5 Promising Agricultural Commodities Where There Is a Ready Market

Commodity	Location of production	Level of market development
A. Clear potential for success		
Yams	Growing production especially in South-eastern part of NR, and elsewhere.	Well organised 'Konkomba' market in Accra. Greater understanding of the nature and results of the success of this sub-sector would be useful in analysing prospects for other sub-sectors.
Cotton	Tumu area, large parts of Northern Region...	Production collapse since late 1990s. Companies being reorganised within a new framework. More attention to quality required for international market.
Guineafowl	Throughout	Large demand. No effective intermediary.
Shea nuts	Throughout	1 shea butter factory established. 1 regular purchaser of shea butter from limited number of women's groups. More such purchasers required.
Soybeans & groundnuts	Many areas. Growing production and yields.	2 companies purchasing; cannot get enough raw material. Several NGOs supporting farmer groups. Easier to produce for the market than in groundnuts.
B. Where market prospects are less certain		
Cowpeas	Many areas, especially good for degraded soils	Market prospects uncertain. Needs further research.
Mangoes	Near sources of irrigation – rivers	1 company purchasing from outgrowers
Other horticulture	Near sources of irrigation – generally rivers	Ready market: traders purchase large volumes of fruit and vegetables from far outside northern Ghana, including Sahel
Cashew nuts	NR and UW, but little production as yet	Reliance on purchasers from south; no steady market. A risky market to enter.
Rice	Valley bottoms, mainly NR; irrigated in UE and NR. Growing production and yields.	Production generally runs ahead of market. Need to develop market niche within sophisticated market for imports.
Small ruminants	UW, UE	Some purchasing for fattening for festivals. No systematic market. Needs further study.
Pigs	UW	Some purchasing for fattening for festivals. No systematic market

Source: Team members' interviews. See more detailed analysis in Annex 4.

The immediate issue which needs to be sorted out is the status of the Ghana Cotton Company Ltd, the inheritor of the parastatal Cotton Development Board. The Agricultural Development Bank has just rescued it from receivership; and ceased funding for a number of its competitors. This company was almost taken over by a relatively unknown firm in 2004; it urgently needs an injection of equity to remove it from the dependence on the ADB.

Given a stable profile of cotton companies, the potential coverage by the sub-sector of farm households is unparalleled, and could be expanded, given the capital to develop new areas. A Presidential Special Initiative on cotton was announced in 2003 although little or nothing has been done. Developing new cotton producing areas might be a suitable focus for a PSI.

Producer associations

The scarcest ingredient in developing agriculture and adding value to agricultural products is the investor-intermediary between farmers and the market. Equally scarce in Ghana is the producer organisation which can mediate between investor and the numerous farmers. ITFC is building a producer organisation to support its organic mango exports; the NGOs promoting soybean cultivation could also do so; the Shea producers association probably needs to separate from the old

Coffee, Cocoa and Shea nut Farmers Association, which is defunct in any case, and be reconstructed from the grass roots up. A possible model for this is the 'Rice Coalition', an initiative to construct a rice producers association from the grassroots for the first time.

Table 6 Farm households linked to the market through various companies, 2005

Company/crop	Geographical Area	No of farmers (2005)	Target
ITFC (mangoes)	Savelugu/Nanton; Janga; Karaga	1000	2000
Bosbel (soya bean)	Yendi, Karaga,	3000 (+ c 1500 organised by NGOs)	
GCCL (cotton)	Many areas	18,000 hectares, i.e. 36,000 farm households	Potential is much greater (eg was 27,000 hectares in 1999)
Nulux (cotton)	Several areas	10,000	
PDL (Plantations Development Limited)	Wa, Tumu	3 to 4,000 (was serving many more in mid 1990s)	
Shebu (shea nuts)	Northern Ghana and neighbouring countries. Direct purchases only in northern Ghana	400 church women's groups x 25 = c10,000 farm households	Will expand direct purchases
Body Shop (shea butter)	Karaga, Tamale etc	12 groups x c25 women = 300 women	Can expand – depends on market

Source: Team members' interviews

Women's groups

Medium sized companies are part of the market led agricultural story; women's groups are another. Nowhere is this more in need of positive market links than in the shea butter sub-sector. The Shebu company established in Savelugu, a subsidiary of the Dutch oilseeds company, Loders Croklaan, purchases low value shea nuts, potentially providing secure self-employment for thousands of women across northern Ghana. However, women can make a lot more from shea nuts if they make shea butter, for which there is a substantial steady local and national market, but also a rapidly growing and developing international market. This market can only be accessed, however, if two conditions are met: the quality has to be right, and there has to be an intermediary to buy the butter. However, many existing initiatives, which are mostly small scale, fail to meet these basic requirements.

The UK Body Shop has been purchasing its shea butter from 10-12 women's groups since 2000 and has solved the quality problem through training and testing, engaging an NGO as intermediary. For the Body Shop this is CSR, but also a regular supply of a quality product; and its demand will expand only slowly. The US cosmetics market's use of shea butter is expanding rapidly, monitored by the West Africa Trade Hub. Mapronet has been established in Tamale by a group of NGOs precisely to act as a market intermediary: it has said that it could explore the US market to discover further end users who could establish similar buying operations.

Intensive versus extensive farming

A major debate is whether northern Ghana is suited to the higher value, more intensive horticulture sub-sector, or should remain focused on land using commodities, given that land remains the most abundant factor of production. The ITFC organic mango enterprise would suggest that intensive production is possible, given the widespread availability of river water for irrigation and sun for

plant growth, and land which can be negotiated on a 99 year lease. The horticulture sub-sector is, however, very competitive, and northern Ghana has as yet little or no comparative advantage.

Box 3 Lessons from Kenyan and Cote d'Ivoire horticulture industries

'Factors in the growth and success of horticultural exports include a realistic exchange rate, stable policies, a good investment climate, competitive international transport connections, institutional and social links with markets in Europe, and continual experimentation with the market institutions to link farmers and exporters. Smallholder participation is encouraged by farmer training and extension schemes, investment in small scale irrigation, and assistance in establishing links with exporters.' Kenya has been more clearly successful than Côte d'Ivoire – more is produced by smallholders, and the market is unprotected. Cote d'Ivoire's exports are almost entirely produced by large industrial estates, where growth has been uneven and reliant on European trade preferences.

The Kenya model is being copied by other countries in Africa. However, market institutions and links take a long time to develop and demand constraints will prevent the same level of success being achieved. Ghana does not yet have the competitive air transport links, and is only beginning the process of experimentation with market institutions. Given the competitive nature of the international market, and the shifting trend towards large scale production in response to rising standards in European and other retailing industries, it may be sensible for Ghana to specialise, niche and brand its products very carefully.

Source: N.Minot and M.Ngigi (2004) Are Horticultural Exports a Replicable Success Story? Evidence from Kenya and Côte d'Ivoire Washington: International Food Policy Research Institute, Discussion Paper

Box 3 illustrates that northern Ghana would be deluding itself if it could easily become a major vegetable and fruit exporter. However, there are niches which could be filled. In particular, there is so little agro-chemical use in northern Ghana, and so many NGOs which have been advocating low external input or organic methods, that it could have a significant advantage in producing organic fruit and vegetables. However, this is a sophisticated and now sizeable market which needs committed and knowledgeable intermediaries to invest in it. Occupying a niche market would mean Ghana did not have to compete with Kenya and Côte d'Ivoire. ITFC could be tasked with identifying other companies which could develop organic markets. Another key issue will be the need for rapid transport links to markets. As demonstrated by Côte d'Ivoire, these are not necessarily air links.

There is a school of thought which argues that tree crops (mango, cashew, and other fruit) are particularly valuable as, after the period of establishment, they require relatively little labour and relatively low levels of inputs for relatively good returns over long periods of time. They provide cash for consumption and for other farming operations. This explains the large interest in both mangoes and cashews. However, the international market may not be very favourable for either in general. Mangoes generally are becoming a widely traded commodity with a declining world price. It remains to be seen if the 'organic' label can maintain a sufficient price premium to continue to attract producers.

Box 4. Developing a Cashew Industry: Advice from an International Trader

The options available to a new cashew export industry are limited essentially to the following points:

- (i) Close the borders to the export of seed. The idea is that a country needs to choose between raw and processed cashew exports, and not try to do both, which Ghana is currently doing.
- (ii) Prohibit new plantings, but allow replacement plantings and upgrading of the stock. This is because large new plantings in Brazil, India and Vietnam will come on stream before long.
- (iii) Build medium sized semi-mechanised plants (minimum 15,000 tons, maximum 25,000 tons) that are implemented from the ground up on HACCP standards. Try to eliminate labour from the sensitive grading part of the process.
- (iv) Develop a product which is not only clean and attractive, but of such marvellous quality that your customers beat a path to your door to buy it.
- (v) Assuming that you have made the effort both on your plant and with your quality, the question of performance will be secondary – your customers should have no reason to question your commitment to the contract.
- (vi) It has been shown time and time again in our industry that factories with reputations for high quality and integrity always survive, while those who would rather go with the flow eventually disappear.
- (vii) Finally, be prepared for the fact that prices from here on out will be much lower than previously (due to increased plantings in India, Vietnam and Brazil) and factor this in to your costing now

Source: J.Holt (2002) *A pragmatic approach to developing a cashew export business* International Trade Centre, Regional Meeting on development of cashew nut exports from Africa, Cotonou

Cashew already represents a very tight international market. It is an example of an industry which Ghana has attempted to develop through a supply side response, getting farmers to plant. The enabling environment in Ghana has been assessed as good compared to other West African countries (Williams, 2005). However, the world market is structurally over-supplied; a small (in cashew terms) country will be a ‘high risk’ for international purchasers. Yields are low in Ghana and production is poorly organised and supported. Most production is in Brong Ahafo, but quality – a key consideration in the cashew industry – is better in the north. Currently Ghana imports cashews from Burkina Faso. An Accra based company, TITEC, produces good quality shelled nuts (kernels). What is not clear is whether its supply area can be *regularly* extended to the north. However, [Box 4](#) would urge caution about putting too many eggs in the cashew basket. A review of the government’s Cashew Development Programme, especially its marketing component is urgently needed.

A major focus needs to remain on the land using field crops and livestock, which are likely to be mostly for the national and sub-regional markets. Yams, cassava, rice and oilseeds are all in significant demand.

Oilseeds are promising both for the internal market and, if enough can be produced, for export. Soybean in particular seems capable of expansion as a commercial crop supplied to oil mills, where it is difficult for mills to get enough groundnuts as these are in heavy local demand. There has been significant growth in soybean production, encouraged by some NGOs. Both soybeans and groundnuts are both food and cash crops, and therefore very attractive to farmers. Both contribute nitrogen to farming systems. A first step in expanding production for the market would be the organisation of a producers’ association (which could be oilseeds or crop-specific).

Rice is the most problematic crop, since it has to compete with imports which have been allowed to colonise the domestic market since the 1980s. A significant and sustained marketing exercise will be needed to advertise and develop the taste for Ghanaian, parboiled rice. How this should be done could be the subject of a multi-stakeholder consultation involving farmers, Ghanaian rice traders, producers’ organisations, projects, NGOs, Nasia Rice Mills and MoFA. Once the market is in the process of development, the milling capacity exists (mothballed, in Tamale) and could be re-activated – but this would only be appropriate if there were realistic prospects of a substantially increased demand.

Livestock

Livestock are the other land using potential. The greatest immediate potential appears to be in the production, marketing and processing of guineafowl through developing the guineafowl value chain. There is substantial demand for this high value product which is produced by most northern households on a backyard basis. Northern households sell birds when they need to buy food – so it contributes hugely to food security. Very high current rates of chick mortality can be greatly reduced through simple measures of housing, clean water and better nutrition, all of which are possible on a wide scale if there is an organised market to sell into. Chick mortality can be further reduced if there is an accompanying vaccination programme. Again, the combination of agri-businesses focused on marketing the fowl, extension work and vaccinating the chicks and a producer association would help to realise the potential. This is a possible PSI topic.

Technology

While this report is advocating a market led approach, there are supply constraints some of which can be addressed through research and extension. In particular there is a strong case for expanding investment in irrigation, and this would be a key part of an infrastructure development strategy. Ways to design and construct small dams so they are useful and sustainable need to be found urgently; and the process needs to be led by competent designers, engineers, and irrigation planners. This has not been the case to date, with vast amounts of money having been spent on constructing small dams the majority of which have not been completed or are not functional. The medium scale dams, which have been reasonably productive, are being rehabilitated; once this is accomplished further medium scale dams could be constructed. However, the biggest potential is likely to be pumping irrigation water from the river systems of the north. This can be accomplished by private investment either on a substantial scale, as an input into out-grower schemes or nucleus plantations, or on a small scale for local level production. The Water Resources Commission has developed regulations on water abstraction.⁸ However, these have hardly been applied in northern Ghana to date. A new river basin office has recently been set up to initiate this process.

Given the abundance of land, mechanisation would seem an obvious way forward, although, in a labour scarce peasant economy the knock-on labour market effects of large scale mechanisation could be difficult to absorb. Northern Ghana has a long experience of both tractor mechanisation and animal traction. Both have roles to play, though there appear to be significant limits on the extent of animal traction which is feasible and projects have had mixed results. Tractor hire services, on the other hand, are popular, and the economics apparently workable, in the sense that there are many private tractor owners offering their tractors for hire. They could be promoted both by agri-businesses working with out-growers. The GPRS has already made the import of tractors a priority.⁹

Much investment has been made in the improvement and adaptation of crop varieties, though not in horticulture. Systematic assessments of adoption by farmers are not available, though there is evidence that technologies requiring no purchased inputs (e.g. row planting to improve plant densities) tend to be adopted widely.¹⁰ It tends to be wealthier households with access to non-farm income who adopt practices requiring purchased inputs.¹¹ Projects have significant difficulties making inputs available for farmers on credit, because the record of repayment is low. Other

⁸ See Water Use Regulations, 2001, Legislative Instrument 1692.

⁹ However, not all the evidence collected supports this. PDL (a cotton company) reported that tractors are not viable. However, as long as some companies offer tractor services as an incentive for farmers to work with them, all feel obliged to do so. Some other surveys have also questioned tractors' economic viability.

¹⁰ MoFA (1997)

¹¹ Jatoo, John Baptist D. (2000). The Determinants of Adoption and Impact of Improved Sorghum Varieties in the Upper West Region. MPhil Thesis, Department of Agricultural Economics & Agribusiness, University of Ghana.

channels for funding agriculture – whether this is through agri-business or trade finance are urgently needed, as are the institutional arrangements which will encourage the repayment of loans. This is possible where farmers are effectively linked to a company over a period of time, and loyalty is cemented. It is very difficult with respect to field crops for which there is an open market.

The extension services have been very project-dependent, quality depending on whether a project is in place. Donors could work with government to develop an agricultural SWAp to put both public and private extension (and research) services on a more secure foundation.

As far as export led agricultural growth is concerned, northern Ghana comes late to this, and it is likely to be necessary to seek out niches in the world market it can occupy competitively. With the low levels of agro-chemicals in use (and, given financial constraints likely to remain in use) it would make sense to explore the scope for producing for organic markets. Where these involve intensive production for sophisticated markets, the agri-business model may be the only one which will generate results.

Grain and other staple production for the domestic market is neither susceptible to the agri-business model where a company provides key inputs on credit, against a clear oligopolistic position in processing or exporting, nor to the organic route, since there is little domestic (or export) market for organic staples. Intervening directly (e.g. fertiliser subsidies) to increase production significantly remains problematic. However, the evidence (Annex 3) suggests that yields have increased in some crops in some areas, and farm households with better returns from cash crops (or from non-farm activities) will be able to use these returns to invest in food crops over time, once the returns are larger than those needed for consumption purposes.

Principles and core strategies for agricultural sub-sector development

To conclude several underlying principles can be suggested, in order to sustain faster growth as well as a more equitable pattern.

- All development work should be ‘market led’
- Be clear where monopoly, oligopoly and competition are useful
- Link social protection to market development (see section 4 below)
- Use land – most abundant factor of production, but use water as well

Table 5 above gave some clues about agricultural sub-sectors which would benefit from particularly close attention in terms of creating an enabling environment, as the benefits of growth are either fast – the sub-sector is poised for growth, with all pre-conditions present – or widespread because the commodity is produced, or capable of being produced across a wide area.

Investing in irrigation, which will be used for dry season vegetable and fruit production as well as main crop cereal production represents a way in which the agricultural sector itself can contribute to reduced risk and vulnerability. The best ways forward for this deserve strong further exploration – there should already be a lot of information available following the rehabilitation of medium scale dams; the recent construction of many more small scale dams: it would be useful to bring this together in a strategy.

Land tenure is widely held to be a constraint on investment elsewhere in Ghana. It is not generally in the north, being relatively abundant, and accessible, except in the more densely populated rural and peri-urban areas. However, land is a sensitive issue, and has been wrapped up in the causes of the wars and insecurity which the north has experienced. Accessing land for development is not costless, and can be complicated, as some entrepreneurs have discovered. Developing tree crops changes the nature of land tenure in the north, as it creates semi-permanent rights to land, which do

not exist in most of the north. Experience from the 1970s suggests that large scale alienation of land, even if by agreement with chiefs or other traditional land allocators (e.g. *tendamba*) may lead to strong local resentment and resistance. The tribal wars of the 1980s and 1990s suggest that access to land is complex and negotiable, but that the tillers do not always have their rights recognised at elite or decision-making levels in traditional society.

Horticulture looks promising in the sense that demand for horticultural products is buoyant both globally and locally, and northern Ghana has the sunshine and the water to make a go of it. However, accessing the global markets is the tricky bit – greater work on feasibility at this point would make sense. The key ingredient may be to identify the experienced businesses which can make the links to global niche markets.

3.3.3 Give higher weight to tourism development

Northern Ghana contains what could be Ghana's single biggest tourist attraction, the Mole Game Reserve, which has seen rising visitor numbers. However, to date this substantial park has remained largely undeveloped, and the Bui Reserve even more so. The Wildlife Division now has well presented ambitious plans to develop the park through private investment and is awaiting expressions of interest. Its plans also include creating strong links with communities around the Mole Reserve, which have been structurally disadvantaged by loss of access to the Reserve.

However, if tourism is to achieve its potential, a number of factors are needed: (i) many more tourists need to be attracted to Ghana in the first place, a national level issue; (ii) more tourists must be attracted to come to the north, which has much potential; and (iii) those that come to the north need to be attracted for at least a week, rather than the current 2-3 days which most remain. This week could be for domestic tourists, or added to a week of slave heritage tourism on the coast, or to Francophone tourism in neighbouring countries. A network of developed sites around the north with at least minimal facilities (especially hotels and restaurants, currently highly inadequate in quantity and quality outside Tamale and possibly Bolgatanga) is needed to keep tourists for this period of time. Many sites have been identified. However, it is largely left to District Assemblies to develop them, sometimes in conjunction with local eco- or cultural tourism groups. Regional Tourist Board offices, which would be the more appropriate body to play this role, have little or no budget or human resources to galvanise the process. There is a need to provide local groups and businesses with the means to attract visitors to the sites – publicity, ideas, access roads in some cases, signposting, and toilet facilities. It is possible that some of the (approximately 40) hotels now established in the north could enter into joint ventures with local groups and District Assemblies to develop the sites, with a view to increasing hotel occupancy rates through the promotion of tourism. There is also a need for much more effective marketing of the tourist sites in Northern Ghana at a national and international level with a revitalised Ghana Tourist Board.

There are critical public investments which would facilitate tourism: the tarred road through the Mole Reserve which is now designed and seeking funding (Mole already has a functioning airstrip), roads within the reserve; the tarred road between Wa and Techiman for access to the Bui site; smaller roads to other key sites, requiring some local re-prioritisation of road investment; and the development of enough local sites to give tourists considerable choice on where to go. There is substantial scope for cooperation with neighbouring countries, especially Burkina Faso.

The Hoteliers Association is already providing training for hotel staff. It could be encouraged (and funded) to support appropriate training for local tourist site managers and developers, and for eco- and cultural tourist enterprises.

3.3.4 Review mining development

Although the extent of mineral deposits in the north is not always clear, there are sites where the potential is clear, some investigations have taken place and some mining is in prospect. However, it has been slow to develop. The substantial Buipe limestone has been surveyed; a company has held a mining licence since 1996, but has not developed the joint venture required to develop it. The potential is good, and transport costs to the south would be low, on the Volta Lake. The key constraint would appear to be equity. If there are other constraints, the Minerals Commission could consider terminating the licence and re-opening the site.

There is renewed interest in the Sheini Iron Ore deposits near Yendi from Chinese and American companies. However, it is unlikely that any company would make a substantial investment there until the Yendi crisis is resolved. Ghana currently produces steel from scrap metal at two factories in Tema. There would be potential to produce steel near the Sheini site, using water from the Oti river. Sahelian countries import steel.

Areas with gold deposits (e.g. Dakrupe, in Bole; sites in Upper East) typically have poor infrastructure: roads and electricity provision would help to open them up, especially for small scale mining and maybe for larger companies (which would require additional factors such as hotels for executives to stay in, airstrips and an electricity supply with adequate voltage).

Other possibilities include production of burnt bricks from clay deposits, and dimension stone for interior design work. The latter is already being exploited. Very little information was available in the north on any of these potential developments. District Assemblies, the Regional Economic Planners, were not in the picture.

Promote organised small scale mining

Large numbers of people earn part of their livelihood from small scale '*galamsey*' mining, especially in UE, though far more have migrated from the north to western Ghana for mining. It is estimated that there are \$20 million worth of gold exports per annum from small scale mining in the north (Idrissu Yakubu, 2005). Mining brings in small migrant populations of skilled mineworkers from elsewhere in Ghana (Upper West and southern Ghana), some shadowy investors and some shorter term distant migrants (men and women) doing the least skilled tasks. Investment, production processes and rewards are stratified. Local men and women mostly only enter at the bottom, carrying out the lowest reward jobs as they do not have dynamiting skills and do not invest (in pumps for example, for the purpose of becoming mine owners – who are mainly from the south). Most 'miners' in the north supplement their existing livelihood portfolio with their *galamsey* incomes, and do not see it as a sufficient, long term or reliable income. Any scheme needs to consider how the participation of these local miners can be improved.

Services, the rent of machinery, can be provided to small scale miners which would enable them to increase the efficiency of their operations (such as to increase the speed of extraction, to extract a higher proportion of the gold from the deposits, pump water out of the high water table (dam and use for vegetables) to increase the quantity of gold which can be extracted), to improve working conditions (this is a high risk activity with significant mortality rates), and make it possible for local people to rise up the mining ladder. This could be done commercially, but starting it almost certainly requires state or other long term risk capital. Existing trading networks do not need to be broken. However, here is not enough evidence yet to judge the economic case for this.

The World Bank's CASM programme¹² on small scale mining can support this type of development, and this would be useful in Ghana as a whole. There is a need to add a 'social component', so that incomes from mining are usefully invested, and any people losing employment are assisted to diversify their income sources.¹³ Many northerners are migrants at mining sites in Western Ghana from Brong Ahafo to the Western Region. The development of a small scale Miners' Association was attempted by a World Bank supported project, but like many top-down efforts it has not materialised into an effective body. This would also help move away from the government's 'containment' policy towards the more positive policy that the volume of exports from small scale mining (\$100 million from Ghana as a whole) would suggest.

It is likely that a more organised approach to small scale mining will require a similar approach to identifying investors and intermediaries as has already been developed. Areas need to be prospected and plots demarcated before miners will operate. Money has apparently been provided for such regularisation twice, but 'nothing happened'.¹⁴

3.3.5 Develop sub-regional trade.

Currently trade focuses on export of manufactured goods from southern Ghana, export of food crops from the Northern Region to Togo and Burkina Faso, and seasonal import of fruit, vegetables and some basic foodstuffs from Sahelian countries. Shea nuts are also imported (to the Savelugu factory) and exported (to other factories, such as in Cotonou, or ports). Future trade is likely to include expansion of imports of mangoes from Burkina Faso (to ITFC), and shea nuts to the Savelugu factory.

Northern Ghana has a strong potential to become a trade hub for the Sahelian sub-region, which would have major benefits for Ghana as a whole. With the disruption of north-south traffic through Côte d'Ivoire, this is already happening as heavy lorry traffic has relocated through Tema port. If critical road infrastructure (roads to borders from Ghana's main roads), inter-country telecoms, and border transactions were improved, Tamale's airport was upgraded to international status and more regional flights were developed, peace is negotiated and road checkpoints reduced dramatically, Ghana's future trading with its Sahelian neighbours would have considerable potential. As already discussed, the establishment of factories in Tamale supplying the sub-region has been considered by major multi-national companies, but rejected because of the potential for conflict.

The lack of progress in trade liberalisation within ECOWAS probably does function as a constraint on trade, but much trade is happening anyway despite this. Nonetheless Ghana in general and Ghana as a whole stands to benefit substantially if intra-ECOWAS trade was further liberalised; given Ghana's key importance within ECOWAS this is an important issue for the national government.

But realistically this will take time and so other avenues to promote trade need to be developed, including the transport links already discussed. There is a process organised by the Ministry of Trade and Industry (MoTI) to get Ghanaian business associations together with their counterparts in neighbouring countries to identify trade obstacles. These include the poor roads leading to the borders. The Highways Dept gives these roads no priority above other roads, and possibly less, which needs to be reviewed (see suggestions under Infrastructure). Checkpoints on both sides of the border (but especially the Ghanaian side) represent a considerable informal tax burden on trade and source of delay, as reported by traders. MoTI representatives make representations to the security

¹² www.casmsite.org

¹³ This was done successfully in a project in Burkina Faso – Alhaji Iddrissu Yakubu (int)

¹⁴ Information from Gavin Hilson.

agencies (police, customs and army) and this leads to temporary reduction, but then the number creeps back up again. A major joined up policy from government is needed to break this circle which at the moment functions like an export tax. Other obstacles emerge from time to time, such as the recent Togo transporters' move to get Ghanaian transporters to offload goods at the Tatalé border post and load onto Togolese lorries. This is a further indication that the culture of free cross border trade has a long way to go.

3.3.6 Other non-farm activities

The village level non-farm economy is largely at subsistence level, with commodities produced sold in local markets for small amounts of money. Charcoal and millet beer (*pito*) are produced on a large scale, as part of a diversified livelihood strategy, with women playing a large role. Charcoal and wood in particular would seem to be a major source of cash during the 'hungry season', being the major fuel used in towns. Urbanisation has greatly increased its market demand. Many trees are used but the shea tree is ranked highly for quality charcoal. Where there is a better market for shea nuts, farm households are beginning to guard shea nut trees on their farms, and it is ceasing to be a wild resource. The extension of the gas pipeline through the north may eventually reduce demand. In the meantime, there is a strong case for improving the method of charcoal making. However this is unlikely to be a significant growth source, but rather a means of households' supplementing subsistence livelihood strategies.

Table 7: Main Source of Cooking Fuel: Tamale 2000

Fuel	Frequency (households)
None, no cooking	1,727
Wood	20,407
Coconut husk	121
Gas	1,936
Electricity	1232
Kerosene	571
Charcoal	19,115
Other	160
Total	45,269

Source: 2000 Population and Housing Census

Northern Ghana has a number of distinctive craft products, in particular hand-woven smocks (this material can be made into other garments and manufactured goods), and baskets. The latter were being exported until around 2000 when Vietnam began to undercut Ghana, using inferior raw materials, cheaper labour, and with a greater ability to supply to order and with consistent colour and quality. Ghana has now practically lost its export market. Recapturing the export market will require developing niche markets for high quality, consistent (standardised) products. This is the line which Aid to Artisans Ghana (ATAG) is adopting. It will also require trade marking under TRIPS. Standardisation will be a major challenge. In the short term a more promising line is to link craft sales to the expansion of tourism.

Basket weaving represents a survival strategy in heavily populated food insecure areas of the UE – the equivalent of charcoal elsewhere. Companies attempting to develop the industry and exports faced the typical supply problems of the smallholder economy – contracts were difficult to fulfil because producers were not always loyal to the suppliers of credit and raw materials when it came to selling their goods. Companies have also had to pay export taxes, VAT and health insurance during recent years, all of which have contributed to the demise of exporting. There is a case for exempting this industry, given the dependence on it of many very poor producers at the breadline.

3.4 Infrastructure

The vital role of infrastructure for growth in northern Ghana has been repeatedly stressed above, especially in relation to key roads and irrigation. It is true that in some areas in the north, infrastructure has improved tremendously during the last 10 years, notably in urban areas and parts of the Northern region. This is likely to have been a stimulus to the growth that has occurred in the last few years.

Among key infrastructure investments the western, and to a lesser extent the eastern, parts of the three regions could usefully be opened up through investments in roads and bridges, electricity and telecommunications. As mentioned above, some priority for border roads would help with trade development, as would the reduction of checkpoints both in Ghana and its neighbours.

The existing approach to contracting road works (and other infrastructure, e.g. small dams) has failed, and needs to be revised. Furthermore, infrastructure is generally considered in Ghana as a distributive public good – a service which all should get equal rights to. From an economic growth point of view, this restricts the possibility of assembling scarce public financial and human resources to address the *economic* priorities. A degree of economic prioritisation could usefully be developed, and districts encouraged supporting key enterprises with infrastructure.

Western and eastern trunk routes and roads for regional trade

Northern Ghana is well connected to the south only through the Tamale-Techiman road. Completion of the tarring of the Techiman-Wa road, with its extension to the border at Hamile, is a massive priority which will help bring the entire UW and the eastern part of the NR into the economic mainstream. This would probably benefit about 1 million people as well as greatly facilitate sub-regional trade and Ghana's position within that. The Highways Dept has existing IDA projects on parts of this road, and is seeking funds for other parts. It is also seeking funding to upgrade the link between this western route and the Techiman-Tamale highway. These roads should remain top priority. This will also benefit northwest Brong Ahafo.

Upgrading the eastern route from Bawku through the Northern Region and to Accra through the Volta Region is also a priority, given that the distance is so much shorter from the eastern part of the UE and NR than the route through Kumasi. This will also benefit northern Volta Region. In addition upgrading the roads to the borders at Tatale will assist the development of sub-regional trade.

Co-ordination among regions on road projects is almost absent, everything being decided in Accra. It would assist the regions if a task force of regional Highways officers (to include the three northern Regions as well as Brong Ahafo and Volta Region) were established to decide on priorities and linking projects.

A new approach to contracts and contractors

There is a history of government and donors supporting the capacity of local contractors since the early 1990s, and road and other contracts (e.g. for small dams) being divided into small lots. This approach may have succeeded for labour intensive feeder roads (as witnessed by the Northern Regions greatly expanded network), but has failed when it comes to the more technically demanding work of upgrading earth to tarmac roads and constructing dams. These contracts need to be given to contractors who can finish the jobs, have the capacity, can access needed equipment and technical expertise, and can mobilise the financial resources. There are currently few such contractors in the north, though there are now some foreign (Chinese) contractors undertaking projects. But if this was the general strategy adopted by government as well as the World Bank,

more local contractors would be established; however, addressing the issues of access to finance, equipment and expertise remains a key issue.

While World Bank road upgrading contracts are awarded in a sufficient scale to attract bigger contractors, government contracts are not. Small contracts of 5 km per road are given each year, in an attempt to distribute scarce resource politically. The possibility of significantly expanding the resources available for road construction should be investigated (possibly a good use for general budget); otherwise districts should be encouraged to develop joint priorities for individual roads to be developed as an economic priority.

There is also a widespread reluctance by contractors to work on government funded projects, in particular due to substantial delays in receiving payments. They are much more willing to work on donor funded projects because they receive payment on time. However, major problems with donor funded projects exist, reflecting lack of capacity of contractors and also underbidding for projects. On the latter point, the World Bank insistence that contracts should be awarded to the lowest bidder has frequently led to contracts being drawn up when the government knew that the job could not be completed at these rates.

Strategic infrastructure (water, electricity, roads, telecoms) for enterprise development – guidance by Regional Economic Planners to DAs (to support tourism, agriculture, trade, mining)

Up until recently few enterprises have been locating in the north, so infrastructure has not been prioritised on an economic basis. It is now time to develop mechanisms to do this. Once likely locations for key enterprises have been established, regional economic planners can work with district assemblies, MPs, and Regional Ministers to get priority allocated to infrastructure which services developing industries. Critical points already identified include: the upgrading and proper signposting of the road to the Mole Game Reserve, and internal roads within the Reserve; roads to open up the river in areas for irrigated horticulture, new areas for cotton production etc; feeder roads to less accessible mining areas (e.g. Sheini, Diggery).

The extension of electricity, water and telecoms services could be considered in the same light. All of this requires a strengthened regional economic planning process.

3.5 Summary: Can northern Ghana become a ‘centre’?

The overall verdict is that parts of northern Ghana are already ‘becoming the centre’ – an economic centre which sometimes stretches out beyond Ghana’s borders. This is already true for yams, and was true for cotton. It can happen in other sectors and sub-sectors. This will be true for the organic mangoes and shea nut sub-sectors in the coming years; it could also be true in cotton again in the short term, given the right institutional framework, in other (probably organic) horticultural products in the medium term, once further investors have been attracted and/or further irrigation developed, and in manufactured products with a transport advantage to the sub-region, once infrastructure to the borders is improved and there is peace. There is considerable potential for northern Ghana to become a trade hub in the subregion, and for the development of tourism. Overall the prospects are encouraging.

The driver of this process is not any thought through regional development strategy. It is rather the opportunities perceived by individual actors and demands placed by the international and national private sectors. In fact it is the process of ‘globalisation’ which will bring northern Ghana out of

poverty, the transmission of demand for its raw materials, and the concomitant opportunities this throws up for adding at least some value before products leave the north.

The major investments will be made by medium sized companies, which can organise the financial, technical and managerial inputs needed. The process will happen faster if venture capital can be encouraged to take northern Ghana seriously. Both government and donors can do this.

There is a strong role for government in providing the infrastructure (or ensuring and planning for its provision). This includes not only roads, telecoms, electricity and water, but also hotels, especially out of Tamale, and airstrips. This needs planning, and regional planning needs to be geared up for the task. Critically, the private sector needs to be involved in generating the demand for infrastructure investments, to avoid the risk of white elephants.

Regional economic planning processes represent the appropriate level for taking this strategy forward, certainly not district administrations which face many demands and are not engaged with the bigger picture across the north, the country, the subregion and beyond. But these regional economic planning processes are too weak to develop a strategy and oversee its implementation. They need strengthening. The human resources for such strengthening are by and large present in the region – in Ministries of Food and Agriculture, Transport, Trade and Industry, National Commission on Small Scale Industry, Minerals Commission, and other governmental units. It is a matter of bringing this expertise together from time to time, and forming an inter-region economic development unit which would deal with issues affecting more than one region, and include the Volta Region and Brong Ahafo as well. The Regional Ministers could sponsor such an exercise.

We have seen that the north is a heterogeneous zone. The three regions could be divided into ‘economic zones’, with appropriate plans drawn for each. Districts are too small a geographical area to work on. The zones could be:

Figure 2 Northern Ghana economic zones

Tumu cotton	Burkina/Ghana Oncho-free zone	Upper East densely populated
Mole Reserve (UW/NR)	Gambaga scarp: Riverain and Walewale cotton	
Remote west (UW/NR)	Tamale urban agglomeration	Yam zone
Northern Region Brong Ahafo transition zone	Kintampo Special Development Area	Northern and Volta Region transition zone

As already stressed there is an important need to deconcentrate economic governance out of Accra and establish a business facilitation one-stop window in the north. This would underpin and add greatly to the scope for useful regional economic planning, but would also provide businesses in the northern part of the country with an alternative to the periodic visits they have to make to Accra, provided the window was equipped with some decision-making powers. This possibility needs to be explored with the relevant bodies.

There is also a lighter role for government in *steering* aspects of this process. Its venture capital company can be encouraged to take northern Ghana seriously. It can also request other venture capital companies to do so. With the experience of the cotton sub-sector in mind, it can monitor the performance of companies entering into contracts with outgrowers to ensure that excess competition does not undermine the industry’s ability to add value or exploit export markets.

4 'Hypothesis (b)'

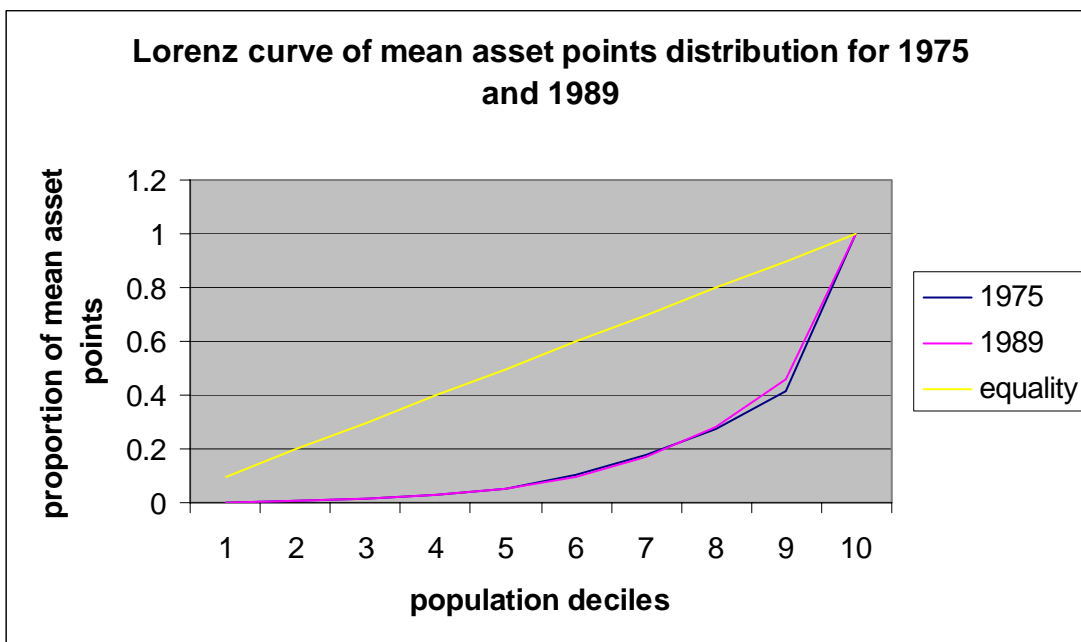
4.1 Will everyone be able to benefit?

Not everyone will benefit from the growth strategy outlined in section 4. Initially investment will concentrate in the Tamale area, and extend along the Techiman-Tamale-Navrongo road, where there is already some business agglomeration and service concentration. Development of trading activities with neighbouring countries could have an impact quite quickly, which would also some other border regions. Many deeper parts of the north will wait for infrastructure connections, and market development. Even within better developed areas, some households will not be able to participate from enhanced wage labour, production or trading opportunities.

There will be particular areas which will not benefit: large parts of the UE will remain food insecure, although increased incomes from mining, tourism, and small scale commercial agriculture will help.

Vulnerable households are those with very low asset levels and subject to uninsured idiosyncratic risks, such as accidents, and unprotected against co-variant risk (drought, conflict). There will remain a substantial group of chronically poor people in northern Ghana for the foreseeable future. Based on Whitehead's detailed work in the Bawku area, we could estimate that as much as 80 or 90% of the population was vulnerable or destitute over the period between 1975 and 1989. It is unlikely this picture has changed radically, although changes in principal occupation reported in the CWIQ suggest that a process of change is indeed under way and there has been a growth in cross-border trading activities.

Figure 3 The Lorenz curve of mean asset point distribution for 1975 and 1989



Note: this is based on work in the Bawku area, which is the poorest part of northern Ghana

Within this vulnerable population as much as 60 or 70% have so few resources (20% of average assets) that participation in growth is extremely unlikely. It is this population which needs another strategy.

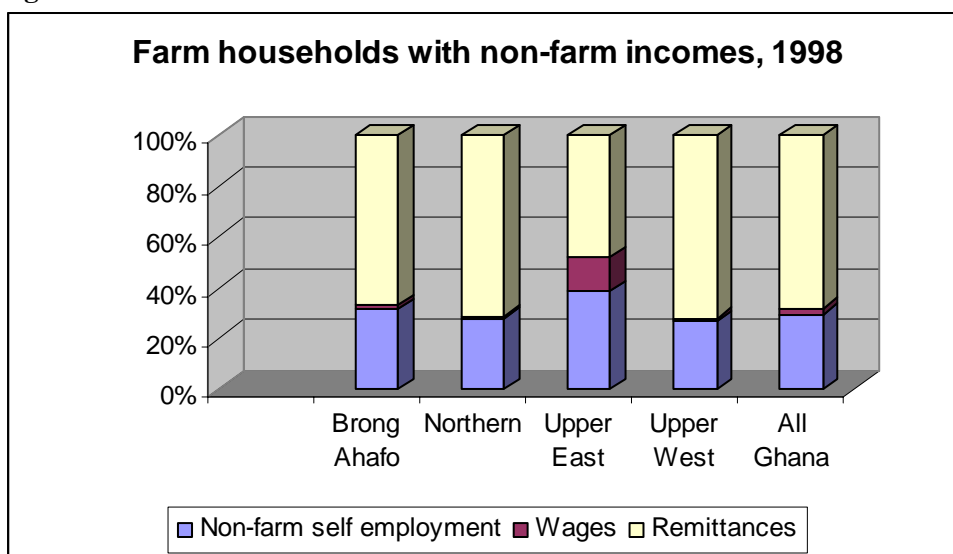
4.2 A complementary approach: human capital, migration and social protection

4.2.1 Migration is a very important livelihood strategy, but returns are low, and policy is weak

Migration in Ghana as a whole has been a substantial means of achieving poverty reduction. The significance of remittances for farm households can be seen from Figure 4. However, the north has benefited from this effect to a much lesser extent than other parts of the country, especially Accra and the forest zone. This is because the level of remittances has been relatively low as migrants have largely worked in the low wage rural labour market. Only the more educated migrants work in the higher waged urban labour markets, and in regular, salaried jobs. There is some evidence that returns to migration declined over the 1990s.¹⁵ Nevertheless, even this low level can not only support consumption, but also leave some room for small savings and investments.

Even migrant miners have found their opportunities of gaining a foothold in the local non-mining economy very restricted and were mainly confined to underground labour with limited possibilities of promotion, while surface jobs, administrative or skilled manual jobs were reserved for southerners. Because of these divisions northerners were also frequently excluded from subsidised food and accommodation and therefore unable to establish permanent urban residence and commitment to wage labour.¹⁶ In a study on ethnicity and wage determination, Barr and Oduro (2000) found that Northerners earn considerably less than other groups in the formal sector, but they attributed this to their lower years of education – an important factor, but one where there has been progress in recent years.

Figure 4



Source: GLSS, 1998

There is little good recent quantitative and representative information on migration and livelihoods:¹⁷ this is important, as the steady growth which Ghana has experienced since 1990 is likely to have led to substantial changes in labour markets which are poorly understood. One aspect of this is the large influx of migrants – young unskilled men and women, many from the north,

¹⁵ Litchfield, 2003; Black et al, 2003

¹⁶ Lentz, 1989

¹⁷ See A. McKay, S. Plagerson and A. Shepherd (2005) *People, Place and Sub-National Growth: Ghana country case study* DFID, draft report, for a recent review.

seeking to compete in the urban labour markets, where a previous generation would have mostly migrated to do farm work. This reflects the much higher growth rate of the cities and Accra in particular. Some are known as '*kayaye*', which generally refers to young women acting as porters. (There is still a substantial flow of migrants to southern farms and mines as well.)

Box 5 Youth migration to cities

Youth migration is both a response to growing labour market opportunities away from home and reflects changes in gender and generational relations and is a form of 'education' – into more sophisticated ways. (The negativity associated with the perceived backwardness of the rural north is very real – and indeed all kinds of knowledge and skills and aspirations are imparted by the fact of migration itself.)

Some young women who migrate are essentially being sent across family links to support adult women who have gone south with husbands and don't have enough domestic labour. Young women appear to be migrating because the younger generation no longer wish be wives, or to have wives, that are mainly bearers of children and farmers and beer brewers. Diversification into non farm incomes has become a desired goal for young wives and this has probably lead to girls getting married a little later and a strong desire for women to demonstrate their capacity for some kind of non farm activity – ideally some kind of business or skill such as seam-stressing and hairdressing. This is crystallised in the requirement that girls should bring some kind of trousseau to marriage – (they used to go with nothing to their husbands). Young women frequently give getting this trousseau together as a reason for migrating. This gives them a legitimate reason to leave home and validates a period of independence that they did not used to have. They particularly want apprenticeships in the south, but these skills are then oversupplied when they return home.

There is considerable scope for a policy on migration. Ghana is concerned to maximise the benefits and reduce the costs of international migration – in particular to reduce the brain drain of health and education professionals to the EU; and there is large concern about the poor northerners who have flooded southern cities, including youths and young women. Of course faster growth in the north would help reduce this flow. But also there is need for a public debate, which should emphasise the constructive role migrants have played in building Ghana's economy, the rights of migrants and the danger of criminal practices developing around migration – especially trafficking, and around young migrants. Migrants themselves can also be criminalised. Research to dispel widespread myths which contribute to stigmatisation would also be useful. This debate could lead to a constructive policy on internal migration. Improved information on opportunities, improved facilities for remittances, and special efforts to protect the rights of migrants would all contribute to better livelihoods for migrants and their households. Much might be achieved by strengthening migrants' associations.

4.2.3 Education key to increasing the returns

There are signs that a greater effort on education in the sending areas will have an impact on increasing the returns to migration. Education enables migrants to explore different, higher waged and urban labour markets; northern migrants are typically unskilled and therefore in the lowest wage markets. There is evidence that few children who are in education drop out in order to migrate. Keeping children in education for longer is thus a key.

Some of the growing independent child migration from the north is motivated by children seeking education, particularly vocational, or funds to support themselves through school. Many informants were concerned about the costs of this sort of migration for the children, and their households. Easier access to good educational opportunities, especially vocational, at home would help to reduce this particular reason for child migration, and would improve the quality of labour from the north. Girls are especially likely to migrate, in search of vocational education and work, as the

pressure on young women to have their own independent means has gone, and the skills they typically pick up – in sewing – have little market at home.¹⁸

So the priorities here would be (i) to continue with existing improvements in the supply of education, but to add to these a greatly strengthened investment in vocational education; and (ii) to broaden and deepen demand for education through public support for a food for education programme targeted at poor communities (using the new poverty map).

4.2.4 Social protection

In order to permit many people in northern Ghana to participate in growth it is necessary to protect the vulnerable majority against the major hazards they face, and for which they have no alternative than to deplete their assets. This can be achieved through a combination of:

- Insurance against health shocks – the national health insurance scheme needs to be assessed in terms of the extent to which the shocks of illness, and especially chronic illness and disability which drive vulnerable households into destitution¹⁹, and can render even secure households vulnerable over time.
- Effective disaster prevention, in particular the prevention of famine in famine prone areas (principally UE).
- Measures to further reduce child mortality: food or cash incentives for mothers with pre-school children to attend regular clinics, and associated preventive health measures. This is important as achieving household demographic growth is still the most effective way to enhanced livelihood security in rural northern Ghana.
- Making basic education genuinely free of all levies and charges. The government has already announced it plans to do this. A GSS study found the highest proportion (64%) of children not attending school in the UE did not do so because their parents could not afford it.²⁰
- Mainstreaming food for education: attendance at school is under pressure, especially but not only for girls and poor children in general, and enrolment and retention is significantly helped by provision of food in schools.
- Livestock represent the basic insurance against shocks of all sorts – rainfall, health, death or market induced. Livestock insurance would provide excellent protection; however there is a high degree of moral hazard, so this is probably not realistic, unless linked to a well organised market intermediary. Simple measures to enhance poultry (especially guineafowl) production, and free or subsidised veterinary services especially for small stock would represent an alternative – however, this latter implies a reversal of current policy.

Public investments in irrigation which would enable dry season production and employment should be seen as social protection as well as a growth opportunity for many, especially in the UE, but also elsewhere. The markets for horticultural products already exist (domestically at least), or could be created over a period of time as discussed above.

If further substantial public social protection is unlikely for political and/or financial reasons in the short term, an alternative, private sector based solution to this problem needs to be pursued for the moment, which could usefully receive public sector support. This could take the form of encouraging or requiring the commercial companies which have invested and will invest in out-

¹⁸ Unpublished work by Iman Hashim, University of Sussex, Development Research Centre on Migration.

¹⁹ Whitehead, 2005

²⁰ Ghana Statistical Services, 2003 *Ghana Child Labour Survey*

(http://www.ilo.org/public/english/standards/ipecc/simpoc/ghana/report/gh_rep.pdf)

grower schemes, and the NGOs involved in organising farmer groups to offer farm households insurance schemes against key identified local risks as part of the package of inputs supplied to farmers. This is likely to be beneficial for production by itself, but private firms are unlikely to have a sufficient incentive to provide this by themselves. Just as the state is investing in national health insurance building on local mutual health insurance schemes, such private sector based schemes could also be supported (subsidised) by the state.

Companies investing in northern agriculture could also usefully acknowledge the inter-dependence of cash and food crop production, and be willing wherever possible to extend the services they provide to small farmers beyond the specific crop to be marketed. However, farm households have long accepted, even in the most food insecure areas, that food security is achieved as much by having things to sell during deficit periods as by their own food production.

5 Policy implications

Growth in Ghana historically has been led by the private sector – in cocoa, mining, tourism, and trade, and the private sector will need to lead economic growth in northern Ghana. Harnessing the potential of the private sector, including finance, is the key to unlock the undoubted economic growth potential in the north. The public sector has to provide not only the enabling environment, which critically includes greater food security for farm-households and will involve some deconcentration of economic governance from Accra; but also a small number of inputs which would otherwise be significantly under-supplied by the market: these include risk capital (through the newly established venture capital company, and the encouragement of private venture capital to take northern Ghana seriously, possibly supported by external funds); a stepped up level of infrastructure, with particular emphasis on key roads, electricity and irrigation, and an international airport at Tamale; adaptive agricultural research, with a possible strategic preference for organic methods for export crops; a recognition and strengthened support for internal migration, as a cross cutting policy issue, starting with education; and a social protection strategy built around the National Health Insurance scheme.

In terms of choosing priorities, the criteria which can be applied include the breadth and speed of impact; and sustainability. The *broadest* poverty reduction is probably achieved through agricultural growth, especially in commodities which are widely produced and marketed. This is partly because the multiplier effects are likely to be bigger. Improved conditions for migrants should also deliver broad poverty reduction. The *fastest* poverty reduction may result from increased trade, tourism growth and even mining development, but all of these have limited breadth of coverage. Thus there may be trade off between speed and breadth of poverty reduction. Sustained poverty reduction will depend on achieving a combination of growth and social protection. Table 8 below summarises this analysis with respect to key strategies. It is divided into three categories of action: (a) private sector development; (b) the enabling policy environment; (c) specific projects.

The GPRS is being revised. The original resisted regional disaggregation of policy and blind to many of the specific constraints and issues facing northern Ghana. An appraisal of the revised GPRS's growth strategy with respect to its prioritisation of issues germane to northern Ghana would be timely. Given the scale of persistent poverty in the north, it would be good to build in such appraisal to all successive GPRS exercises. The GPRS is expected to contain within it a social protection strategy. The extent to which this begins to cover the kinds of concern for food and livelihood security identified here as pre-conditions for economic growth could also be reviewed.

The focus on peace and law and order, and developing an image of a stable region is also important – seen in this analysis as a pre-condition for growth. Could growth fuel conflict, however? If it is pursued in a partial or limited way in terms of spatial or socio-economic differentiation, with the result that groups within the north benefit while their neighbours do not, the inter- and intra-ethnic situation is volatile enough there to argue that unequal growth could indeed have this effect. This is why the report has emphasised the importance of developing the underserved areas as a priority. If 'development' also requires large scale alienation of land, this may also exclude less powerful groups from access to the single most important resource which provides poor people with a productive base. The history of northern Ghana indicates that, while land tenure is not generally a constraint on economic growth, large scale land alienation, or even systematic exclusion by one group of another from access to land holding may also spark conflict. Agricultural development, and especially that involving permanent rights for tree cultivation, needs to take this into account.

Northern Ghana is performing reasonably well in terms of basic human development outcome indicators, and there is a good partnership between government and CSOs in health and education.

This report has argued the case that social protection will go a long way to reduce the poverty inducing consequences of ill-health. Arguably a stronger foundation in post-primary education in particular would also support the process of economic growth, providing the skilled, managerial and professional labour which will be necessary to make global, regional and national value chains work in favour of poor people in northern Ghana. While this is probably not a pre-condition for economic growth in the short term, it will become more of a limiting factor as time goes on.

Ghana's Private Sector Development Strategy is an impressive document, with a large range of actions proposed. Many of these are institutional, fiscal and regulatory reforms which should benefit all business development. Quality standards certification may be especially important for businesses accessing international markets. However, there are particular constraints facing business in northern Ghana identified in this study which may not be addressed. One is the absence of a basis for business agglomeration outside of Tamale. The priority here is to develop the cities and related infrastructure (as Tamale has developed) so that medium sized businesses have a base to work from. A second priority would be to support the development of mechanisms to make it easier for businesses with sound propositions to raise the capital, and particularly the equity, they need. It is not clear that the current financial sector reform process will deliver this.

There are two other sets of proposals which stand out with reference to the north. One is the very limited focus on *regional* trade, which has considerable potential both for Ghana as a whole and especially for the north. Robust pursuit of bilateral trade agreements may be the best way forwards on this, given the slowness of progress on implementation of multi-lateral agreements. The second is the range of Presidential Special Initiatives for strategic exports, only one of which (cassava starch) has *some* potential relevance to the north. If PSIs can really be made to work, this study has made several suggestions on priorities for the north. Otherwise a different project-like mechanism will be required. As with the GPRS it would be timely to review the implementation of the Strategy from the perspective of Ghana's persistently poorest regions.

The donors have an important role to play in supporting the public sector in infrastructure, agriculture and tourism; supporting government and civil society dialogue about migration and its links to poverty reduction, and supporting government efforts to integrate thinking on migration into the GPRS; and also need to play a role in transforming the general approach of policy to the north from one centred on handouts to an economic growth perspective. Within an economic growth perspective, one or more long term cash transfer schemes may be the only way to reduce the vulnerability of the poorest on a wide scale, and make food markets work better. This strategy is summarised in the table below.

There are a few important areas where further information is needed to implement such a strategy. These include: an investigation of the optimum approach to irrigation investment, learning from the successes of neighbouring countries; an analysis of the reasons for absence of investment in mining, and a feasibility study for support to artisan and small scale mining; a feasibility study on organic horticulture; a need to update the 1991 migration survey and/or introducing good questions on general household surveys;²¹ and, a study of the feasible options for venture capital in the north. Finally, it would also be useful to know more about the geographical distribution of public expenditure including aid to Ghana's regions, so that a check can be run in terms of inter-and intra-regional equity.

²¹ The best approach needs to be evaluated.

Table 8 Key strategies for shared growth in northern Ghana

Key actors	Strategy	Locations affected within the north
(a) Private sector development		
Government; donors	1 Establish venture capital interest in northern Ghana to provide risk capital to medium sized enterprises	All, but initially likely to be concentrated where infrastructure and facilities better
AGI, existing private investors	2 Identify investors for new medium scale enterprises in new sub-sectors	All, but initially likely to be concentrated where infrastructure and facilities better
Private investors, NGOs	3 Develop insurance schemes attached to out-grower enterprises, small miners' servicing schemes etc.	Locations where enterprises establish. Prevents increases in poverty through asset loss.
(b) The enabling policy environment		
Government: NDPC; MoFA	4 Continue to improve enabling environment: social protection strategy; regional (zonal) planning; monitoring competition where excess competition risks undermining industry	Whole north. Rapid results possible eg for cotton sector.
Government	National measures to improve food markets to give people confidence they will be able to buy food - includes roads, reduced checkpoints, cash transfers to the vulnerable (part of the growth strategy), small and medium scale dams for dry season cultivation, extended telecoms.	Benefits especially food insecure areas and households.
Government: NDPC, MoTI	Prioritise tourism, and trade with neighbouring countries as potential sources of economic growth in addition to agriculture. Investigate reasons for lack of significant mining development. Prepare a Pro-poor Tourism SWAp with significant northern component.	Mole area. Widespread. Border areas. Fast poverty reduction possible in key areas affected.
Government	Co-operation with Burkina Faso - on trade, on shea research, on horticultural research, cotton.	Trade benefits to UW. Others widespread.
Government security agencies (Police, army)	Reduce road checkpoints drastically, and keep them reduced.	Widespread
Government	Public debate to inform a national migration policy.	Widespread
Donors, government	(i) Move discourse on northern development from distribution to growth and development. (ii) Accept that agriculture is the main source of growth. Government to prepare a regional agriculture SWAp to promote market-led development, and put research and extension on a programme footing. Consider regional infrastructure and pro-poor tourism SWAps. (iii) Advocate venture capital interest in northern Ghana (e.g. CDC).	Widespread

	<p>(iv) Donor northern co-ordination group to review private sector promotion programmes so that they have more of a focus on the north (USAID – TIPSI, WATH; Danida etc)</p> <p>(iv) Ensure budget support results in inclusion of ‘northern’ economic development priorities (e.g. technical education, infrastructure, social protection).</p> <p>(v) Develop approach to regional public expenditure monitoring to enable (iv).</p> <p>(vi) Stop supporting contractor capacity development.</p> <p>(vii) Consider substantial cash transfer scheme to enable excluded households to participate in economic growth.</p> <p>(viii) A World Bank CASM project for small scale miners in northern Ghana.</p> <p>(ix) Support joint action by DAs and regional authorities to develop economic zones. Accept that DAs are not the right level to plan for economic growth</p>	
Government to create opportunity; private sector	5 Private sector to articulate demands for priority infrastructure	Widespread
(c) Specific projects		
NGOs, West Africa Trade Hub, existing investors	Identify further shea butter end users to develop purchasing schemes (Body Shop model)	Widespread. Fastest poverty reduction potential.
Government: MoPSD, MoFA	Develop a key investment plan: (i) implement cotton, cashew and sorghum PSIs; (ii) MoPSD to develop further PSIs eg in guineafowl. (iii) Support private sector insurance schemes for outgrowers. If PSIs not functional, develop a project approach.	Widespread benefits. Fast poverty reduction possible.
Government (MoHFR; IDA; WRC; donors)	<p>Develop an Infrastructure SWAp for government-donor funding:</p> <p>(i) Focus road investments where they will have greatest economic impact, with priority to UW and border roads. The Hamile-Tema road will capture re-exports; the Bawku-Accra via the Volta Region will shorten transport time considerably to the country’s most vulnerable markets in UE; and the Wa-Tamale road will link the western side with the centre of the north including the airport; and roads to all the borders to maximise trans-border trade.</p> <p>(ii) Getting a better approach to contracts is a key pre-condition. They need to be large enough to attract contractors with capacity to finish the job. Stop building local contractor capacity (this has failed over a long period).</p> <p>(iii) Irrigation: emphasis on pump schemes; further new medium and small dams, once design problems of smaller dams are resolved.</p> <p>(iv) Strengthen Tamale urban agglomeration. Develop further agglomerations in Wa and Bolgatanga.</p>	<p>UW and western part of NR; UE and eastern part of NR. Fast poverty reduction possible in remote regions.</p> <p>Widespread benefits from irrigation development. Fast and deep poverty reduction possible.</p>

Annex 1 Terms of Reference (Draft December 2004)

Background

1. The Ghana Poverty Reduction Strategy Paper (GPRS), endorsed by the International Financial Institutions (IFIs) early this year, sets out the Government of Ghana's (GoG) vision for achieving rapid poverty reduction through wealth creation and accelerated economic growth, and identified northern Ghana as the poorest area. In operationalising the Strategy GoG requested support in helping to understand the drivers for growth in Ghana that will lead to poverty reduction. In response to this request GoG, supported by DFID, organised a workshop aimed at stimulating discussion between government and the private sector to identify potential sources of future economic growth. International and local experts on economic growth discussed the issues with a range of representatives from parliament, government, private sector, NGOs and donor partners.
2. Concrete actions required to improve the enabling environment for private sector development were identified and have since been taken up under the more comprehensive Private Sector Development (PSD) strategy, under the leadership of the Ministry for PSD. The wider strategy includes the design of the institutional arrangements that will be required to implement the measures.
3. The process so far has helped to identify the broad impediments to growth and potential sources of future accelerated growth; however less attention has been paid to the patterns of growth that will deliver the fastest poverty reduction. Given the very high rates of poverty in the northern regions, and accepting the potential for migration, **an analysis of the potential sources of growth for these areas will contribute to a better understanding of relationship between potential growth and poverty reduction.**
4. The recent Northern Political Leadership Summit that highlighted the particular development challenges of the north provided further justification for this study.

Complementary Processes and Analysis

5. The study should build on and complement on-going analysis, policy development other relevant areas:
 - a) The Poverty and Social Impact Analysis on the Economic Transformation of Agriculture under the GPRS;
 - b) The Private Sector Development Strategy;
 - c) Organisation for Economic Cooperation Development (OECD) work on regional integration;
 - d) The GPRS Strategic Environmental Assessment;
 - e) The Food and Agriculture Sector Development Policy
 - f) The DFID study Economic Growth and Environment/Natural Resource Linkages study;
 - g) The DFID Drivers of Change work, including the focus on northern traditional leadership, that provides important insights in to potential impediments and stimulus for change
 - h) The Making markets work for the poor literature and tools of analysis.
 - i) The proposed support to compile and analyse the financial and social data for the northern regions.

Suggested Frame of Reference

6. In terms of international comparative advantage Ghana is often considered to be a relatively natural resource and land abundant country; endowments that suggest a comparative advantage in natural resource and land intensive goods. Therefore theory predicts that increased engagement with international trade and lowering barriers would result in export growth for natural resource intensive products. However, analysis undertaken for the Growth workshop indicated that in fact Ghana's resource endowments, relative to the rest of the world, was somewhere in between labour-abundant and land-abundant. Ghana's endowment composition is comparable with that of countries like Malaysia, giving greater hope of emulating Malaysia's achievements in gaining a dynamic shift in comparative advantage. This is where population movements and increasing investment in education, health and infrastructure, facilitates a move towards high value addition labour-intensive and eventually skill intensive production and exports.

7. However, considering the three northern regions as a trading unit is likely to define the area as being low-quality land abundant, with a comparative advantage in products that require a high proportion of low quality land that requires little water. The study should consider the northern regions as a trading unit with its own comparative advantage, trading with the rest of Ghana and the sub-region and the rest of the World. Barriers to trade with the rest of Ghana include distance and weak infrastructure, barriers to trading with neighbouring countries include both tariff and non-tariff barriers, including non-compliance with ECOWAS protocols.

8. The northern regions trading account with the rest of Ghana is likely to comprise exports such as: minerals, food crops, timber and non-timber forest products (bush meat, medicinal plants etc) fuel wood and charcoal, labour and tourism; and imports: consumer goods, food, and energy. Aid, fiscal transfers, and remittances finance the deficit. It will be important to consider barriers to trade both internal and external to the Northern region, and with particular reference to constraints including transportation, storage, access to markets and availability of businesses services.

Scope of Work

9. To undertake a study that should challenge the received wisdom that countries such as Burkina Faso and Mali are way in advance of the northern regions in their use of similar resource endowments. If this is the case, establish the key factors that have given rise to these advances and provide policy recommendations for Ghana.

10. Include a limited historical profile that captures the ancient trading characteristics, and impact of colonial governance, as well as the experience of the region since independence.

11. Examine what constraints to growth are exclusive to the North with particular reference to and relative to Burkino Faso and Mali. Do these include features of natural resource endowment (such as soil fertility and water availability); or institutional issues (such as land tenure), role of socio-economic networks, which reach over sub-national regional boundaries and first order economic principles (property rights, operations of markets and market competition and access, and sound macroeconomic and financial polices). The team should also consider the following:-

- lack of overall urbanisation in the North could be holding back growth potential of many regions – i.e. creating a demanding local market for agricultural products, providing service centre for business and government services, support to non-farm rural economy, opportunities for people to move off dry and low potential land
- lack of connectivity might be a restraint on growth and private sector investment – this could include road infrastructure in particular border crossings, telecommunications infrastructure, government infrastructure and services in Northern region such as business registration, connectivity across space through household and other networked relationships that could support trade etc.
- lack of autonomy – little fiscal incentive for Northern Assemblies (District government) to invest in supporting growth and encouraging private sector development

12. 'Rural' should not be equated with agriculture, instead the North should be viewed as a place where Agriculture takes place, and where potential for it exists.

13. Provide an understanding of the non-farm rural economy and its potential to contribute to growth and employment with particular reference to and relative to Burkino Faso and Mali.

14. Agricultural export potential (domestic, regional and global) to be viewed as one of many opportunities, but not necessarily the mainstay of the North economy.

15. Consider the role of public investment outside of Agriculture (infrastructure, communications, education) looking at the most spatially efficient aspects of this public investment, i.e. focus on where growth is happening, inpoles and corridors.

16. Consider the constraints to northern farmers ability to produce a surplus, investigate the factors that consistently lead to food deficits and food insecurity with particular reference to and relative to Burkino Faso and Mali.

17. Map the flows of people, multi-spatial households, and goods.

18. Consider the potential for the north to respond to longer-term demand shifts including increasing demand for meat products, and exploit preferential trade arrangements such as Africa Growth and Opportunities Act (AGOA).

19. Consider the contribution of donor partners to growth in the north, and how to support operationalising the private sector development strategy in the Northern Ghana context.

Inputs

20. The work should be carried out in two phases:

- a) Phase 1: Design a framework for analysing the north and establish links with GoG counterparts. Raise awareness of this initiative among GoG, Research and Advocacy Organisations, Civil Society Organisations, private sector and donor partners. Framework design should build on the growth workshop literature review (including influential work on Africa growth potential by Kydd et al and Fafchamps et al.), the Ministry of PSD's strategy and other relevant GoG strategies and policies.

- b) Phase 2: An in-depth analysis **of the potential sources of growth for Northern Ghana**, including technical analysis of constraints (both natural resource and institutional) and sub-regional analysis. Provide recommendations referenced to the emerging PSD policy matrix and institutional arrangements that can help to influence future versions of the GPRS.

20. The contract will require both desk and field based work in Ghana. It is recommended that the consultant(s) undertake a brief visit to Burkina Faso, to contrast and compare growth and trade comparative advantages, and to capture lessons from Burkina Faso that are relevant to growth in northern Ghana.

Outputs

21. The consultants will be required to:

- Provide a brief summary of work undertaken in phase 1 (maximum 6 pages) and submit the analysis framework designed for phase 2 by the 29th February 2005.
- submit a draft report (in both electronic and hard copy), to DFID by 30th April. The report must include an executive summary and be restricted to 40 pages in length excluding annexes.
- make a presentation to DFID Ghana of their findings and recommendations set out in their draft report by 30th April 2005.
- submit the final version of their report within 2 weeks of receiving DFID's comments on the draft.

Consultant skills

22. DFID require a small team of both international and local consultant experts that can provide a mix of skills and experience in the following areas: macro and micro economics, trade, private sector development, institutions, social development and gender; and a strong cross-cutting emphasis on infrastructure and agriculture (including the application of new technology such as Genetic Modification and irrigation).

Timing

23. The consultancy will begin in mid March 2005 and consist of approximately 60 person days input to be delivered over four month period from mid March to July 2005.

Reporting

24. The consultant will report to Catherine Martin, DFID Private Sector Adviser (Lead Adviser) and Ben Davies, DFID Rural Livelihoods Adviser for technical / mission issues; and to Galina Okartei-Akko, Deputy Programme Manager for contract / logistical issues.

Selected Reference Documents :

OPPG studies for Ghana and Burkina Faso

Nnenne Iwujieme (FCO) summary of the key issues around UEMOA and ECOWAS

OECD, Ernest Aryeetey, paper on ECOWAS and its challenges.

EC papers on the advantages of regional integration

IIED paper on agriculture in West Africa, and how to respond to the opportunities that trade presents.

PSIA on study on the Economic Transformation of Agriculture under the GPRS;

Private Sector Development Strategy;

The GPRS Strategic Environmental Assessment

Northern Leadership Study commissioned by DFID

The DFID Economic Growth and Environment/Natural Resource Linkages study

The DFID Drivers of Change work

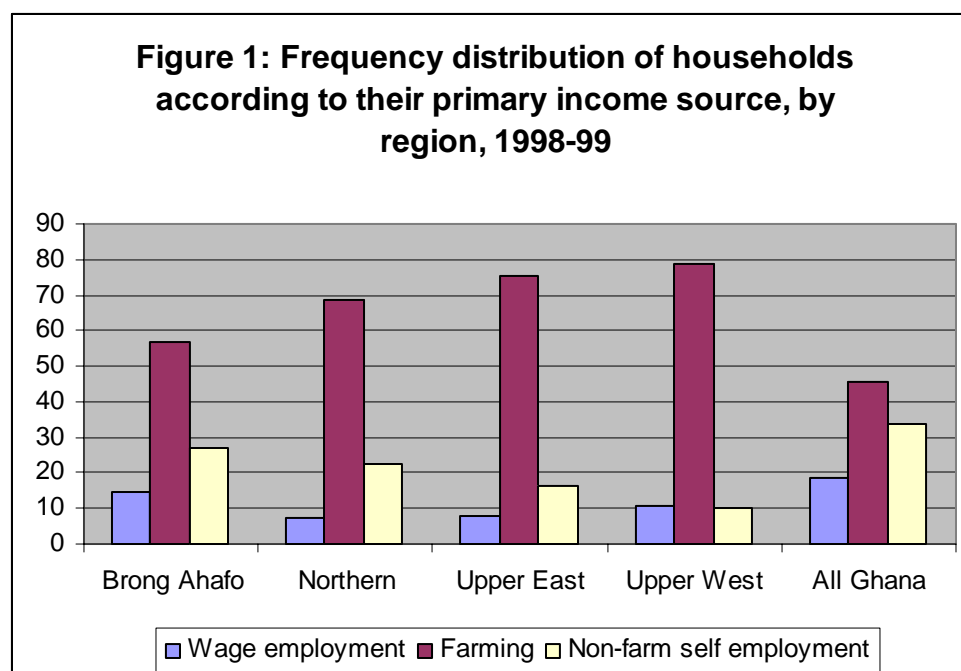
Making Markets Work for the Poor; A framework paper; DFID November 2000

Papers prepared around the Ghana Growth Workshop

Annex 2 Changes in sources of income in northern Ghana

In terms of its economic base, the north has remained more dependent on low income food crop farming than the rest of Ghana, with more than 70% of households engaged in agriculture as their main activity in the 1990s (Figure 1, and Table A1.1)). The 2000 Census gave the proportions engaged in agriculture and fishing as 75%, 69% and 76% respectively in the Northern Region, the Upper East and the Upper West.²² The predominance of low return, chiefly rainfed, food crop farming is the main explanation for low growth and persistent low incomes, with farming limited for many to the relatively short rainy season. Relatively few households have non-farm activities as their major economic activity, much less than for Ghana as a whole. The share of household incomes in the north deriving from wages and non-farm activities is significantly lower than Ghana's average, with less than 20% of households having any income from non-farm self employment and less than 5% having any wage income (Annex Table A2.2).

Figure 1



There is very little diversification in the livelihood strategies of households in the north, especially whose primary activity is agriculture (Tables A2.3 and 2.4). However, nearly half of households though receive some income from remittances (the most commonly received source outside of agriculture), and this proportion, as well as the share of income derived from remittances, increased over the 1990s. UE is particularly low on non-farm businesses and remittances. This is perhaps one of its sources of food insecurity.

Within the north there are significant differences – the NR economy is significantly more diversified away from food crop farming into non-farm businesses, and the proportion of households getting remittances is close to the Ghana average. But the incomes received from remittances are low, and are rarely sufficient to enable accumulation.

²² Government of Ghana, Ghana Statistical Service (2002) *Population and Housing Census*

The three regions all have well below average incomes from public and private sector formal and informal employment: this provides the a strong quantitative basis for a case to deconcentrate public and private jobs to the benefit of under-developed regions. However, it is doubtful that priority would be given to deconcentrate MDA functions to the regions, as has been done in so many countries, since the major pre-occupation is with increasing government efficiency. Its effectiveness in certain fields such as business support (see below) might be enhanced – this *is* worth examining.

However, a comparison with Brong Ahafo indicates that in many respects the latter is an equally agrarian region. This has not stopped it growing economically and reducing poverty faster than the north. (This, however, does not necessarily imply less self-provision than households in the north. Rather, higher productivity may enable them both to consume more own production and to sell more than northern households can do). The key difference is that a far higher proportion of households in BA sell the crops they produce. The agrarian economy in the north is still far more subsistence oriented. The market is present, most households sell some crops, and many sell other commodities (charcoal, small ruminants, guineafowl); however producers clearly do not have confidence in it to assure their basic needs, especially food, and so still devote substantial attention to own food crop production. In order to achieve substantial economic growth this will need to change. Large numbers of small farmers though will only be able to participate in this growth if they have adequate food security – with having options for dry season cultivation being a key dimension of this.

The CWIQ surveys conducted in 1997 and 2003 enable this picture to be partially updated, in terms of employment of the household heads (Table A2.3). This does show some important changes over this period. In all northern regions there has been a sharp drop in the proportion of household heads reliant on agriculture as their main economic activity. This change is most dramatic in the Upper East, where there has been a corresponding increase in the number of household heads working in construction, manufacturing and wholesale and retail trade. Of course this partly reflects the issue of dry season cultivation, which requires farming households to seek other occupations for much of the year. The same changes are present in the Upper West and Northern regions though to a less dramatic extent. The proportion of household heads working as employees (casual or regular, although often the former) has increased in all locations; more households rely on this form of work in the poorer Upper East and Upper West regions compared to the Northern region. These data do suggest significant structural changes in the northern economy between these two years, but this comparison cannot be used to draw conclusions about trends with any confidence.

Table A2.1: Average share of household income from main sources, 1991/92 and 1998/99

	Average percentage of income from:					
	Agriculture		Non-farm self employment		Remittances	
	1991/92	1998/99	1991/92	1998/99	1991/92	1998/99
Brong Ahafo	53.4	41.4	26.0	25.1	6.8	20.2
Northern	48.2	47.8	21.4	19.6	2.6	16.2
Upper East	60.1	60.8	24.3	8.3	2.4	3.1
Upper West	69.4	52.0	13.0	13.6	1.9	10.8
All Ghana	40.2	35.9	29.1	28.4	8.6	13.2

Source: computations from GLSS3 and GLSS4 surveys.

Note: small sample sizes for Upper East and Upper West, combined with measurement errors in income data, mean that these estimates are subject to a significant margin of error.

Table A2.2: Percentage of Farming households with any income from non-agricultural sources

Administrative region	Non-farm self employment	Wages	Remittances
Brong Ahafo	29.2%	1.5%	61.9%
Northern	18.6%	0.6%	47.7%
Upper East	13.5%	4.8%	16.8%
Upper West	20.1%	0.9%	54.3%
All Ghana	21.2%	1.5%	48.7%

Source: computations from GLSS3 and GLSS4 surveys.

Table A2.3: Employment characteristics of household head, 1997 and 2003

	Year	Northern	Upper East	Upper West	Ghana
<i>Sector of employment of household head (percent, main sectors)</i>					
Agricultural	1997	75.9	78.7	80.4	57.2
	2003	61.5	35.4	57.1	44.5
Construction	1997	2.5	1.3	0.3	3.0
	2003	1.6	12.0	5.2	3.9
Manufacturing	1997	4.0	1.4	2.0	4.7
	2003	5.6	9.1	10.2	6.4
Wholesale and retail trade	1997	7.4	6.1	4.0	15.9
	2003	20.7	22.4	14.8	22.3
Services	1997	8.5	11.5	12.2	15.5
	2003	7.3	8.2	9.8	11.1
<i>% of heads working as employees (casual or regular)</i>					
	1997	6.7	12.1	12.0	15.4
	2003	8.0	15.4	14.9	15.6

Source: computed from CWIQ 1997 and 2003 reports.

Annex 3 Changes in crop production in northern Ghana

Figure A3.1 shows the changes in area and yield of the major food crops in the three regions between 1995-7 and 2002-4. The small grains (millet and sorghum) show declining levels of production in both the Northern and Upper West regions, generally associated with falling yields over this period, raising questions about their development potential. Maize production has also declined in NR, again driven by falling yields. This has happened at a time when there has been considerable public investment (government and donor) in increasing food security through the production of food crops. Rice is the only cereal showing a consistently more encouraging picture in these regions. However, the pattern differs in the Upper East where the production of cereals increased modestly (the high percentage increase for maize is a consequence of the low starting point), as a result of yield increases and some area increases, while rice production fell. This role of yield expansion in the increase in traditional grains in the UE is testimony to the desperate search for food security through own production in a very difficult agro-ecology where land is generally scarce.

Groundnuts though show a large increase in production in all three regions, reflecting both yield and area increases, and similar patterns are shown by cowpeas in the Northern and Upper West regions, and cassava in the NR²³. However, yams in the NR show a worrying decline in yield, given that increasing production through expanding area cultivated has substantial environmental (deforestation) costs.

These trends are consistent with the following hypotheses (which the team did not have the chance to test):

- Soil fertility management is growing as an issue in all regions (despite different population pressures). The high cost of fertiliser contributes to this, alongside the impact of population pressure;
- In NR and, to a lesser extent, UW, households can respond to declining soil fertility by switching out of grains into cassava and yams (thus grain yields fall, but cassava and yam production rises, albeit mainly through area expansion);
- In UE the conditions do not exist for switching into cassava and yams, nor for significantly expanding the area planted to grains. Thus households simply have to work on soil fertility management for grains intensification (through fertiliser purchase, application of animal manure, composting or some other method).

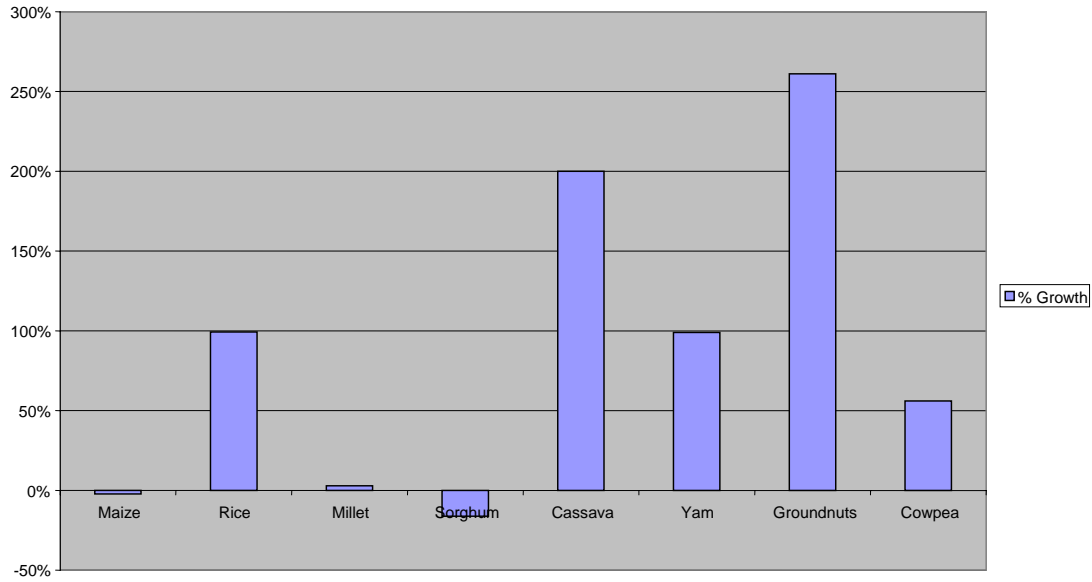
Perhaps surprisingly, most of the expansion in production of maize, roots and tubers in BA since the mid-1990s also reflected area expansion. However, even after falling since the mid-1990s, maize yields in BA in 2002-04 remained as high as those in UE and UW and almost double those in NR.

The MoFA statistics unfortunately do not cover livestock, for which the north has a clear comparative advantage within Ghana, and which is so important as a source of livelihood security. Livestock also have a potentially important role to play in efforts to raise food production through provision of both manure and draft power.

²³ Respondents attributed this to the dissemination of improved cassava varieties originally developed by IITA and, in the southern part of the region, to the increased demand from the cassava PSI in Central Region. Similarly, rice has benefited from the efforts of the LRDP.

Figure A3.1 Change in Area Cultivated (Major Food Crops, between 1995-7 and 2002-4)

% Growth in Area of Major Crops NR 1995-7 and 2002-4



% Growth in Area of Major Crops in UW 1995-7 and 2002-4

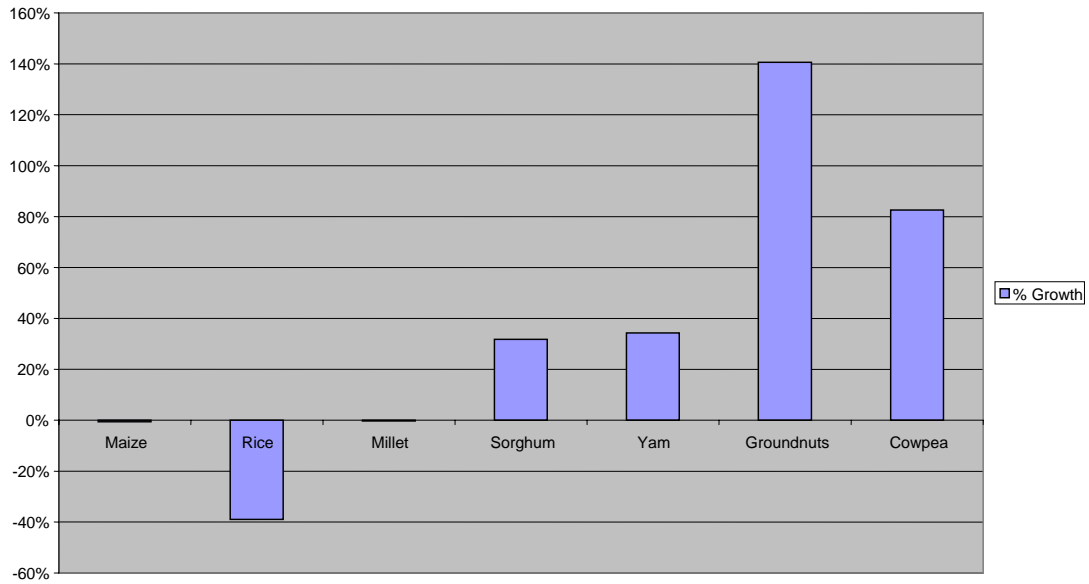
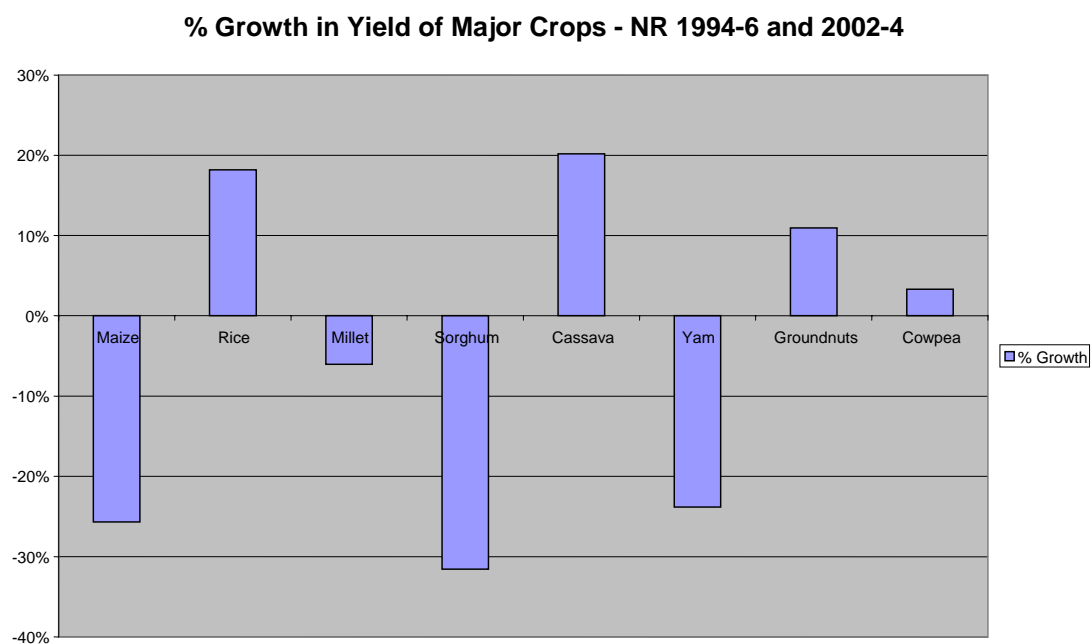
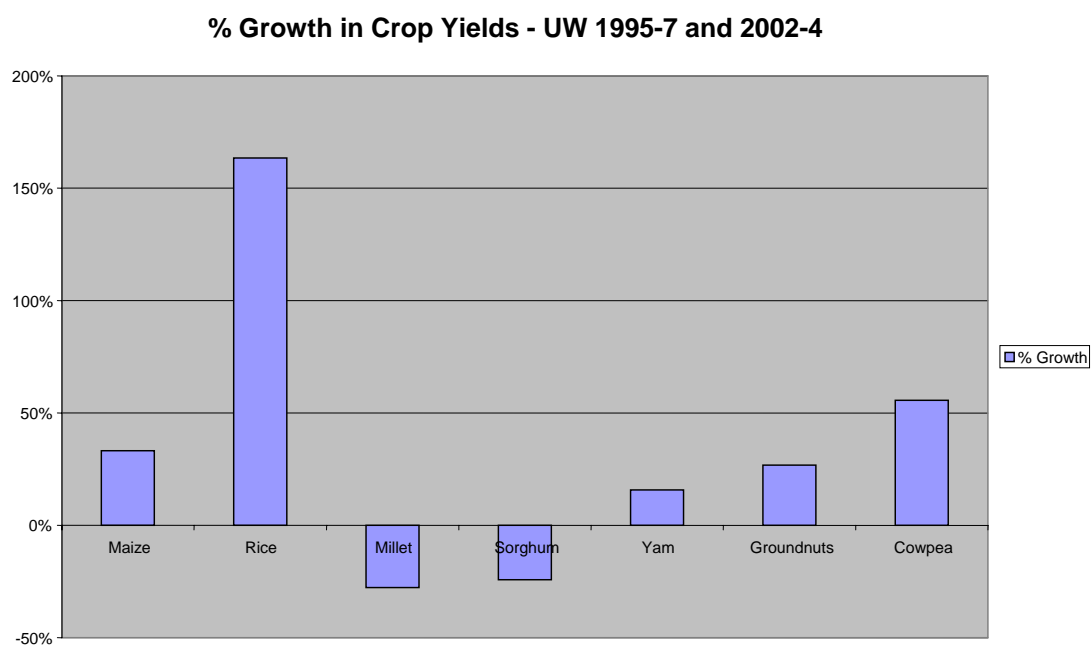


Figure A3.2 % Change in Major Crop Yields between 1995-7 and 2002-4



% Yield Changes of Major Crops, UE 1995-7 to 2002-4

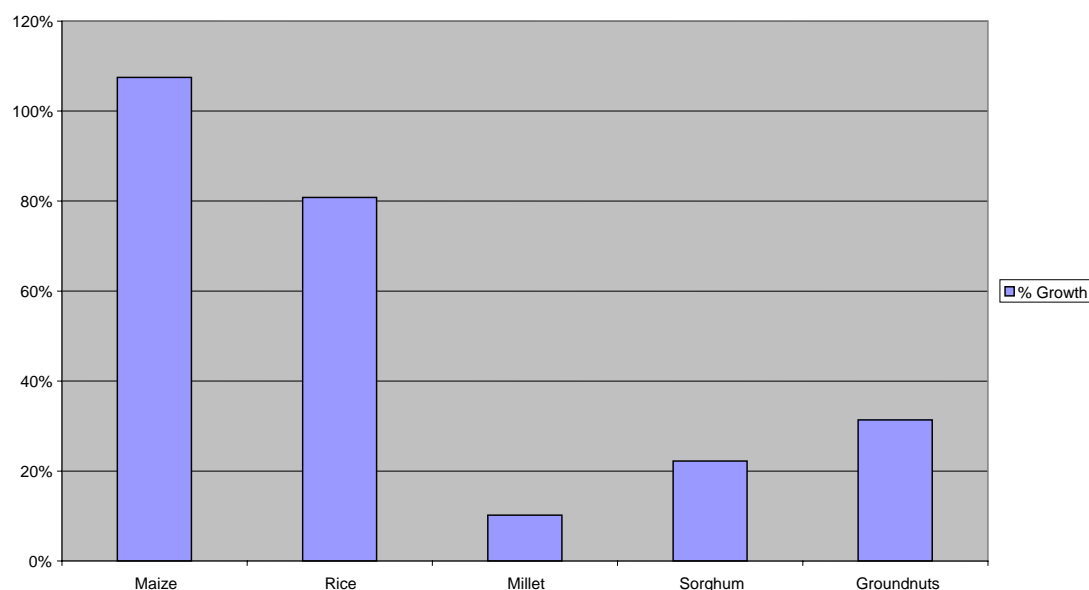
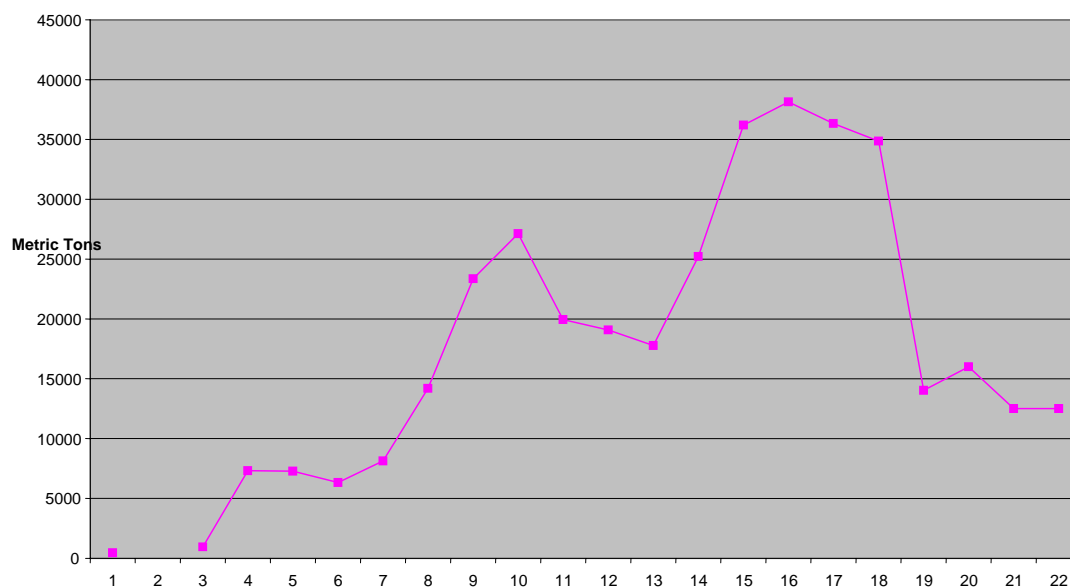


Figure A3.3 Cotton Production in Ghana, 1981-2004

Figure 3 Cotton production in Ghana 1981-2004



Engagement with the market

Information on the number of households cultivating different crops in 1998/99 and their extent of engagement with the market was extracted from the 1998/99 GLSS survey. A large majority of farming households in UE and UW, and a majority in the NR, cultivate millet and sorghum, but relatively small proportions sell some of their output – especially in the two Upper regions. In the NR a large majority of farming households cultivate maize, but only 40% sell some of their output. Groundnuts are cultivated by a majority of farming households in all three regions,

and in each case two thirds or more of the households sell some of their output. Few households sell any rice in the Upper East, but many do in the Upper West region.

The level of engagement with the market therefore varies by location (being greatest in the NR) and by crop. It has though increased over the 1990s as revealed by a comparison with the 1991/92 GLSS3 survey.

Vegetables are produced by many households, but sold by almost none. Proposals for horticulture development need to bear this in mind – the surplus has been very small to date. Also the proportion of households producing vegetables appears to have fallen over the 1990s.

A relatively small proportion of households reported producing cotton, but this proportion increased over the 1990s in the NR and fell in the UE. This though has been the major cash crop in many parts of the north since the mid 1980s. The importance of cotton can be seen from Table A3.1, showing the number of farm households in the NR who are currently linked up to markets through cotton and other companies. However, this industry has been in decline since 1999, despite Ghana's comparative advantage in cotton production (like its Francophone neighbours, which have grown economically partly as a result of increased cotton production and processing). This is due to a 'co-ordination failure': in a word, purchasing companies were not able to recovery loans given to farmers in a situation where multiple companies could compete for business in a given village. A zoning system was introduced in 2001 to create local monopolies in response to this problem, but the allocation of concessions, whilst transparent, was deeply unpopular with certain companies (and "their" producers), as these companies were excluded from areas where they had established a strong producer base over a number of years. Moreover, the concessions failed to provide the desired incentives for investment, as, on the one hand, they were open ended and unconditional on performance evaluation, and, on the other hand, there was insufficient assurance for companies that their concessions would not at some point be arbitrarily handed over to competitors who could then benefits from the investments that they had made.

In the past year there has been a shake-out in the cotton industry. Whilst the institutional issues that led to the current crisis still remain to be resolved, the smaller number of remaining players means that reaching a resolution may now be possible, despite the history of mistrust between companies. If this occurs, the industry has the potential to grow again, despite the fact that world prices are expected to remain low for several more years.

A brief conclusion from this analysis would be that the 'traditional' cereals are unlikely to be sources of income growth; rootcrops and oilseeds may be; horticulture also may be.

Table A3.1: Percentage of farming households producing main crops, 1998/99

Region	Cotton	Maize	Millet & Sorghum	Rice	Groundnuts	Yam	Pepper	Leafy veg	Okro	Tomatoes
Brong Ahafo	0.0%	83.7%	1.7%	2.7%	17.2%	38.2%	44.0%	11.1%	37.3%	36.8%
Northern	7.9%	86.6%	66.9%	18.9%	57.1%	36.3%	41.3%	10.5%	50.3%	24.3%
Upper East	5.7%	52.8%	84.4%	53.4%	77.8%	40.6%	38.9%	8.3%	40.4%	15.4%
Upper West	1.0%	30.4%	88.2%	69.5%	72.2%	0.0%	33.2%	49.3%	59.8%	10.1%
All Ghana	3.9%	72.0%	51.4%	26.3%	49.1%	31.3%	40.5%	17.0%	46.5%	24.9%

Source: computations from GLSS4 survey.

Table A3.2: Percentage of all households producing and selling main crops

Region	Local ity	Maize		Millet or sorghum		Rice		Groundnuts	
		% producing	% selling	% producing	% selling	% producing	% selling	% producing	% selling
Brong Ahafo	Urban	63.6%	39.6%	4.1%	0.1%	4.5%	1.2%	8.9%	1.2%
	Rural	85.9%	69.1%	9.8%	2.3%	6.4%	4.4%	32.6%	27.7%
	Total	78.9%	59.8%	8.0%	1.6%	5.8%	3.4%	25.2%	19.4%
Northern	Urban	66.9%	6.7%	20.1%	3.6%	3.3%	2.6%	24.1%	12.8%
	Rural	91.9%	27.2%	80.0%	18.0%	24.7%	13.9%	61.2%	43.6%
	Total	83.5%	20.3%	59.9%	13.1%	17.5%	10.1%	48.8%	33.2%
Upper East	Urban	97.6%	0.0%	90.5%	0.0%	7.1%	7.1%	97.6%	57.1%
	Rural	76.2%	4.0%	90.1%	8.7%	38.8%	8.6%	78.7%	43.1%
	Total	77.6%	3.8%	90.1%	8.2%	36.7%	8.5%	79.9%	44.0%
Upper West	Urban
	Rural	28.0%	4.3%	99.5%	7.5%	62.1%	25.4%	83.9%	42.3%
	Total	28.0%	4.3%	99.5%	7.5%	62.1%	25.4%	83.9%	42.3%
All Ghana	Urban	66.0%	23.7%	13.8%	1.7%	4.0%	2.0%	18.3%	8.0%
	Rural	72.2%	33.5%	61.1%	8.7%	29.1%	12.6%	58.8%	37.6%
	Total	70.8%	31.2%	50.0%	7.0%	23.2%	10.1%	49.3%	30.6%

Source: computations from GLSS4 survey.

Annex 4 Agricultural sub-sectors

A4.1 Cotton

The decline of cotton production, despite being a crop with clear comparative advantage in northern Ghana, with good potential for both backward and forward linkages, holds several lessons for the development of other sub-sectors. The institutional arrangements within the sub-sector need to be capable of sustaining the interest of farmers, buyers and processors. There has to be a ‘win-win’ situation in which the interests of all three parties are met. This has been recognised by government and MoFA recently commissioned a review of the performance of companies in the sub-sector. In the future development of cash crop agriculture and agri-business with the outgrower schemes which will spread the benefits of investment, regulation will become the predominant function of government. Skills in regulation are scarce and need to be built.

Many of the major players in the Ghana cotton industry attribute its decline since the mid-1990s to the decline in world prices, affected by US and other cotton subsidies. However, other African sectors have managed to record quite impressive growth over the same period, despite the same unattractive world prices. Our analysis, therefore, attributes the decline of the industry to the difficulties in managing competition between numerous cotton buying companies, in a situation where these companies were also committed to providing a comprehensive package of pre-harvest services to producers on credit. Viewed from this perspective, the critical turning point (although this was temporarily obscured by buoyant world prices) was the replacement in 1995 to 1996 of the so-called “free inputs” system with a form of contract between company and producer that dramatically increased the producer’s incentive to side-sell their seed cotton to a company other than the one that had provided them with pre-harvest services.

The number of competitors has now been reduced by the inability of most of the companies to acquire credit from the ADB, and this creates a basis on which the sub-sector can begin to grow again, though it will have to regain producers’ trust in order to do so. Companies have started to devise clever schemes to tie outgrowers in effectively to their operations, enabling higher levels of productivity and loan recovery. In future, excess competition should not be left to ADB to regulate.

Northern Ghana’s small farmers have effectively relied on one major cash crop. This has not benefited areas where cotton companies did not operate; and the dependence has been a cause of distress as the market has collapsed. In future it will be advantageous to diversify the range of commodities and outgrower schemes. The strategy below is designed to do just that.

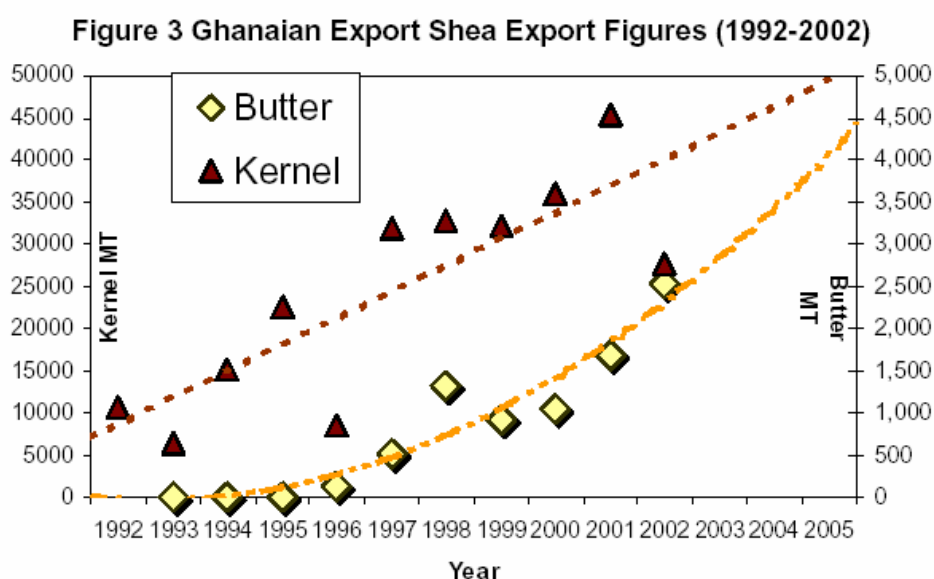
A4.2 Shea nuts and shea butter: awaking the sleeping giant

A major multi-national company (Loders Crocklaan) has established a processing facility at Savelugu, which purchases shea nuts from around northern Ghana and further afield, for processing into raw butter for export into the food industry (largely chocolate) and cosmetics, for both of which the market is growing. Northern Ghana (and Burkina Faso) produces the best quality shea butter, especially for the cosmetic industry. Establishing medium scale processing in West Africa will enable capture of increased international market share, but the investment also represents an exercise in corporate social responsibility by a company which has traded on Ghanaian shea nuts for 40 years.

A key question is whether or at what stage it would be advisable to attract further similar investments: is there room for competition? For various reasons, it is unlikely that any of the other major world players will establish processing units; it may be more sensible to encourage the development of value added enterprises in the north – currently there are three enterprises producing shea butter soap and cosmetic products in or near Accra.

Alongside this major investment there are women's groups processing shea nuts into butter for export. However, the key problems these groups confront are (i) getting a regular and remunerative outlet for their butter, and (ii) developing the quality specifications required for export. The Body Shop's scheme is a model in both respects – it has paid 12 women's groups for about 10-12 tons of butter per month since 2000. With the devaluation of the cedi against the pound a constant UK price has translated into increased prices for producers. Demand from this source is not increasing rapidly, however. The women's groups have been able to produce the quality required by the Body Shop – this largely involves screening out low quality nuts. The success of this scheme suggests that there should be an urgent investigation into the possibility of replicating it many times over, especially given the rapidly expanding number of US cosmetics firms using shea butter as a basic ingredient. This could be undertaken by Mapronet, an NGO established in northern Ghana precisely to make such market links, with assistance from the West Africa Trade Hub, which holds a database of relevant firms. The Body Shop could assist the process.

Figure 3



Source: GEPC (2003)

Awaking Ghana's 'Sleeping Giant'

Northern Ghana, along with Burkina Faso, produces the best stearin-rich shea nuts in demand by the cosmetics industry, where the possibilities of consumption growth and value addition are greatest. The challenges of turning this comparative advantage into a competitive advantage are significant but not insuperable:

- The need to address post-harvest quality issues in producing crude shea butter. The key issue is kernel quality. This has apparently been successfully addressed in the small Body Shop purchasing scheme which provides a premium. Other buyers need to be persuaded to pay a quality premium.
- Institutionally, the key long term issue is the absence of an intermediary institution: 'The biggest constraints to increasing kernel exports are, therefore, the lack of close links to buyers, institutions or associations who are able to influence the pricing of shea kernel and/or those able to offer advice or information on what the market wants and the technology or methods able to deliver this. These constraints could be as simple as a lack of knowledge on how to access donkey carts, as opposed to head-panning the harvest, or, in association with the quality issues below, recognising the preference for boiled, sun-dried kernels that are bought in preference to wood-roasted kernel, due to fears about PAHs.'²⁴ This is partly solved by the location of crude shea butter manufacturing in northern Ghana.
- 'Difficulties result from fluctuations in supply and demand, inconsistent pricing through the supply chain, absence of trust in contractual agreements and lack of access to credit. These, amongst other things, may demonstrate a need for shea kernel to be traded in a manner more consistent with cocoa or other agricultural commodities, in order to bring shea into the 21st century.' (Ibid: 14). Ghana's cocoa export arrangements are a potential model.
- Burkina Faso has become the 'model' shea nut producing country, partly because producer associations have filled some of these gaps. They assist buyers to access locally produced shea butter, and feed back to producers the requirements of the market. There is a growing network of NGOs and other organisations that have joined with rural producer groups, particularly through "The Shea Network" supported under the FAO/CFC funded Pro Karité project. This group of organisations currently supports pilot activities in Senegal, Burkina Faso, Mali and Niger. These initiatives aim to develop appropriate criteria for quality standards, provenance definitions, processing procedures and agricultural practice, so that through the flow of information, shea kernels or butter can be more easily commoditized and internationally traded with confidence. By working at a level with strong links to both national institutions (e.g. IER in Mali, ITA/PROMER in Senegal, etc.) and grass-root stakeholders (shea-focused projects supported by CECI, SNV, AFE, etc.), these players find themselves in an ideal situation to offer a framework of support to the shea producers, while at the same time providing a mechanism for quality assurance, training and traceability. At a recent regional and consultative workshop in Bamako, sixteen of the shea producing African countries agreed on a number of resolutions, including one to form an international (African-wide) shea

²⁴ P. Lovett (2004) *The Shea Butter Value Chain: Production, Transformation and Marketing in West Africa*, West Africa Trade Hub/USAID, Technical Report No 2, p13

association that will link up national institutions and form a platform for further developments and discussions.’ (Ibid: 17)

- Access to trade finance is a problem for small shea nut processors, especially in view of the high degree of seasonal price variation of shea kernels. Women’s groups have to buy their kernels during the harvest season, to store for later production. Direct links with a purchaser able to advance credit is one possibility
- Transport costs are raised by border taxes and informal checkpoint tolls.

A4.3 Horticulture

The major investment has been in the production of organic fresh mango for export. This is benefiting small farmers who have become outgrowers near the nucleus plantation at Diare. This investment is another example of a combination of international commercial and technical expertise with a desire to benefit an under-developed area with which the lead investor has had commercial dealings for decades.

There is potential for mango production elsewhere, and for supplying the less sophisticated markets in Ghana and the sub-region for both fruit and mango juice. Dried mango has also found a significant export market from Burkina Faso. It is unlikely that ITFC will be able to expand its mango purchasing to other outgrower schemes in other areas at least in the short term. It would therefore be beneficial if other investors or intermediaries could be identified to invest in areas with the requisite pre-conditions – water for plantation establishment, land available for outgrower schemes.

However, mangoes are increasingly a traded commodity on world markets, and the long term price trend is down. Any additional investments need to be able to cope in what will become a tighter market.

Land for tree crops raises an interesting potential constraint, since the land tenure systems of the north are designed to return unused land to community use. Tree crops require long term security of tenure, effectively taking such land out of the traditional system. To date, acquiring 99 year leases has not proved impossible, though in the case of ITFC’s nucleus plantation it was complex, and involved the paramount chief, as well as much explaining of the benefits to the local community.

There is considerable and growing potential for other fruit and vegetable production and processing enterprises, whether for export or the national or sub-regional market. Export would be particularly possible if Tamale airport became an effective international airport. Demand in the national market is strong and satisfied partly by imports of high quality vegetables from the sub-region. Current irrigation investments are small to medium, and these will generate some potential; but there is also a substantial untapped resource: the Volta river system and its tributaries. This should be attractive to private investors. The quickest way of developing this resource is through private investment, and a major effort could be mounted by the Export Promotion Council. It currently does not promote northern Ghana for horticultural exports:

‘The major fruit and vegetable growing areas in Ghana, presently concentrated within southern Ghana, are endowed with very favourable climate, deep rich soils and a remarkably

knowledgeable rural agricultural labour force. This excellent combination of essential factors makes the growing areas ideal for the production of top quality tropical fruits and vegetables.²⁵

The seed industry, however, is a major constraint in this sub-sector. No vegetable seeds are produced in Ghana, and reliance on imported seed is an issue which worries scientists, and often means that the right seed varieties for the environment are not available. This would be a priority for investment, which could be in the form of public-private partnerships, with the research institutions collaborating with market intermediaries to identify research priorities. Both Kenya and Cote d'Ivoire invested heavily in research.

A4.4 Oilseeds, rice and yams

While export led growth clearly represents the best opportunity for growth, due to the relative poverty of northern and sub-regional markets and the production of a similar range of products amongst most neighbouring countries, there are also promising import substitutes. Urbanisation in Ghana (and potentially in the sub-region) has led to increased demand for a number of crops for which northern Ghana has some comparative advantage: yams, cassava, rice, oilseeds.

Soybean is currently purchased by two firms in the north; the critical constraint in this sub-sector, as elsewhere, is getting regular supplies. A switch from groundnuts, largely consumed at home, to soybean promotion took place to ease this constraint. A growing number of farmer groups have been organised, and supply has begun to increase. The economics of soybean production are currently good, and it fits well within the farming system. This would appear to be capable of steady expansion.

Rice is the most difficult crop to assess. It was widely grown as an import substitute in the 1970s, a rice processing industry grew up, and rice was even exported within the sub-region. Since then liberalisation and food aid resulted in the development of consumer taste for American, Thai and Vietnamese rice, in what has become a sophisticated consumer market. Rice produced in the wide valley bottoms of northern Ghana cannot easily compete with imported rice in terms of quality, though in price terms it is sometimes cheaper, sometimes more expensive than comparable (e.g. Vietnamese) imports. Effectively, Ghanaian rice competes behind a 20% tariff barrier,²⁶ and some level of tariff which would need to remain until Ghanaian rice has re-established a market niche.²⁷

Rainfed production is also volatile, leading to swings in price which are difficult for producers to manage. The Lowland Rice Project has spent several years developing a technical package which reduces the variability of production, largely through in-field bunding. Other projects have developed rice brands from the north, 'Wa', 'Navrongo' which have gained a significant market. What is needed now is a major effort to promote Ghanaian rice among consumers, so that it can compete with heavily promoted imported rice.

What would help significantly with this is the re-activation of the Nasia Rice Mill which produces quality, clean parboiled rice. However, this should perhaps not occur too far in advance of adequate market demand. There may be a conflict of interest here, as one of the three major

²⁵ <http://www.ghanatrade.org/agric.htm>

²⁶ But is protected overall to the tune of 37.5%...

²⁷ Under UMOA rules this should be limited to 25%.

shareholders, Barclays Bank, is also the major financier of lucrative rice imports. It could be time for government to press the bank to sell its shares.

The story of yams deserves to be fully researched, as it is a case where production has expanded significantly in response to urban demand without any state or large scale private investment. Yams are marketed directly from the production area to major urban yam markets (e.g. the Konkomba market in Accra), with producers having a considerable investment in the marketing. Incomes from yam sales are reputed to be substantial, and to have led to significant investments in yam producing areas.

Underlying these trends is an environmental worry: yam cultivation requires fallow ground, which has to be partially cleared of trees – leading to deforestation. Charcoal sales are certainly very prominent in the yam producing areas. Sheanut/ sheabutter development could be specifically targeted to these areas in order to give greater value to the shea tree, which covers the area and makes very good charcoal. Cotton might also be a useful new crop to introduce as an alternative to yams.

A4.5 Livestock

Five categories of livestock keepers have been identified (Ministry of Food and Agriculture, 2004a). The dominant category among these is the multiple roles poor livestock keepers. These keepers tend to own fewer of the smaller species of livestock, i.e. poultry, sheep, goats, and pigs. The livestock is kept as a risk coping strategy during times of need, and the strategy is to invest income in livestock and to protect the livestock from loss. The livestock assets can then be used to finance crop production activities. Livestock farmers in Northern Ghana fall into this category. The numbers of livestock species kept are small (Table A4.1) and cattle are clearly not owned by the poor.

The poor livestock keepers have limited capacity to invest in the productivity of their livestock. The animals are not housed, except during the farming season when the sheep and goats are tethered; feeding is free range and health care is minimal. Mortality of livestock is therefore high. In addition, as sales are usually made during the lean season, when purchasing power is low, livestock keepers derive rather low values from their animals (MoFA, 2004).

Table A4.1 Livestock species and numbers kept by multiple roles poor keepers in Northern region

Livestock species	Numbers kept (range)
Poultry	4-22
Pigs	1-9
Goats	4-13
Sheep	4-15

Source: Ministry of Food and Agriculture (2004). Needs Assessment of Private Stakeholders in the Livestock sub-sector in Ghana

The GLSS data show about 54-67% of households in the Guinea Savanna zone (represented by East Gonja and Wa districts) owned cattle, compared to 73-92% who owned goats (GSS, 2000). The three northern regions have persistently accounted for over 70% of the cattle population, with the Northern region holding the highest cattle population. The proportions of cattle, sheep and goats from the Upper East and Northern regions declined between 1986 and 1996. However the Upper West share in sheep and goat population increased over the period.

Any strategy to improve livestock production by the poor will require building their capacity to invest in improved methods, with health improvement as the priority. Consumption credit can also help farmers to time sales properly.

A4.6 Poultry: guineafowl

The greatest potential lies in developing the guineafowl value chain. There is substantial demand for this high value product which is produced in most northern households on a backyard basis. Northern households sell birds when they need to buy food – so it contributes hugely to food security.

The big production constraint is high chick mortality, which can be greatly reduced by simple housing, clean water and better nutrition, all of which can be relatively easily promoted by extension services and NGOs. Vaccination, which is more complex to achieve, will also contribute. Should production increase, however, a secure market will be needed. Once again, there is a role for an investor-intermediary here.

The potential of this sub-sector is so vast that a PSI would be completely appropriate, if PSIs in general are a useful instrument.

Annex 5 Economic Management in Burkina Faso: What lessons for Northern Ghana?

By Ramatu M. Al-Hassan and Charles Jebuni

Introduction

Burkina has similar climatic and environmental conditions; yet 'Southern Burkina' seems to be more successful in managing their economy than northern Ghana. The study team tried to find answers to Burkina Faso's relative success as a way of finding leads to appropriate policy strategies for Northern Ghana.

The assessment was made with a brief visit to Burkina Faso for consultations with government officials, donor agencies, civil society organizations, complemented with reviews of reports and official data. Findings of the review are as follows.

Findings

Similar Political Economy History

Both countries pursued a public sector led development strategy with import substitution; with a focus on state monopolies (high protective barriers existed). In Burkina Faso, the coup of 1983 added an element of social justice, with land reforms and building of producer organisations for the empowerment of the marginalised. Obviously central planning and state control were deepened but this led to macroeconomic imbalances.

The populist policies were abandoned after the coup of 1987. Eventually the country went into economic reform and adopted Standard IMF and World Bank prescriptions of liberalization and privatization in 1991; Ghana's economic reforms began in 1983. A high level of debt over-hang eventually led the country to enter the HIPC initiative in 2002; a year after Ghana.

The other similarities between Burkina Faso and Northern Ghana relate to the productive sector. Agriculture is the dominant sector, within which smallholders who produce cereals, cotton, fruits and vegetables and livestock dominate. There is a need for irrigation and, more generally, land and water conservation. As in most parts of Northern Ghana, migration to capital or outside Burkina is an important avenue for employment. Tourism is developing; the mining sector is small but there are plans for its expansion.

Some key differences in Economic management

The major differences between Ghana and Burkina Faso are that first, the latter belongs to the CFA monetary zone meaning that monetary and exchange rate policies are externally determined. Secondly, reforms (structural adjustment) came later in Burkina Faso and were carried out at slower pace.

The major difference in the management of the economies of Burkina Faso and (northern) Ghana is how the principal productive sector, agriculture, has been, or is being managed. Reaching large numbers of smallholders, scattered over a wide geographical area, with poor infrastructure, is the key challenge of developing agriculture. Producer organisations are being used effectively in this regard. Strategy is a network of associations, vertically linked from the village level through to the district and regional levels, culminating in a national umbrella association. The producer groups provide services to members (by means of marketing and credit assessments); they

complement technical staff in service delivery, and are strong lobby groups who can be politically powerful.

In Ghana, there is a proliferation of small unconnected producer groups, which tend to be weak in accessing services and lack bargaining power.

Another important difference is the management of water resource for agriculture.

The country has realised that irrigation is critical for its agricultural production and has initiated a massive programme to expand irrigation through the use of available water resources. Even as plans are ongoing to provide facilities, farmers are being educated on irrigation farming – what to grow, environmental effects and so on. The need for irrigation has also been recognised for northern Ghana but interventions have been ad hoc, with a reliance on development projects.

Persistent bush fires have contributed to the land degradation in northern Ghana, in spite of a bush fire control law. In Burkina Faso, bush fires have been controlled effectively with the active community participation, where local leaders, including traditional authorities, are held responsible for breaches of the law. This is one area where effective implementation of the law has instilled the required discipline among the people.

Micro-credit is recognised as essential for developing smallholder agriculture. In Burkina, micro credit delivery is linked to producer organisations. Furthermore linkages are being established between formal financial institutions and microfinance institutions. The objective of this linkage is to enhance the ability of formal financial institutions to extend services to smaller customers, whilst helping microfinance institutions to operate more professionally. Each group benefits from the strengths of the other. This type of linkage is generally absent in micro-credit interventions in northern Ghana. At best, formal financial institutions are made to manage funds provided by special projects.

Lessons learned from Burkina's experiences

- Producer associations are essential for effective coordination of services to smallholders. However, village level associations work best where there is strong local power and the chief is interested. Also, single product associations tend to be more effective than village-wide associations involving several products or activities.
- Small dams at village level help to reduce poverty. However, irrelevant of the size of irrigation, road infrastructure and markets are needed to enhance incomes.
- Technical agents need to demonstrate practical results to be effective. Theoretical lectures and instructions do not work.
- Public sector support in the initial development of product chain is crucial i.e. infrastructure, seed, organization of groups etc
- Slow rate of the structural adjustment process in Burkina Faso allowed that country to adjust more effectively. This partly explains the better performance of the Burkina cotton sector, compared to Ghana.
- Possibilities for cooperation between Burkina and NG e.g. cotton research, trade