



Policy Processes and Political Economy:

Ghana Country Review

Key messages

- Agricultural policy in Ghana is driven by narratives of various interest groups that interact to push their own agenda, but is still largely formulated by top government officials with some input from state technocrats.
- Subsidy programmes (fertilisers and tractors) have been widely used by successive governments to influence the electorate prior to elections.
- Patronage networks also influence the outcomes of agricultural policy, particularly in relation to mass cocoa spraying and fertiliser distribution.
- Strengthening civil society groups and promoting democratic governance will help to ensure that pro-poor agricultural commercialisation policies are implemented in Ghana.

Introduction

This brief is based on a longer working paper¹, which discusses the political economy of agricultural commercialisation in Ghana from the year 2000 to 2018. Agriculture is a major economic activity in Ghana, contributing about 20 percent to gross domestic product and employing 42 percent of the economically active population. The agriculture sector's performance is, however, threatened by climate variability, land tenure insecurity, and inadequate capital.

While a number of researchers have examined the processes, drivers and impacts of agricultural commercialisation in Ghana, the relationship between the changing political landscape and agriculture policy is neither fully understood nor explored. This brief argues that some agricultural commercialisation strategies are chosen over others because they are promoted by powerful policy actors, who provide useful resources for policy implementation and whose narratives are consistent with policymakers' interests.

While farmers themselves tend to have limited influence on agricultural commercialisation policies, some policies have been implemented to solicit their support during national elections. Since 2000, successive governments have introduced a number of policies and programmes that support the smallholder, as a result of recent democratisation and regional agreements that call on governments to increase support for the agriculture sector. The brief advocates a strengthening of civil society groups to ensure that pro-poor agricultural commercialisation policies are implemented in Ghana.

Changes within Ghana's political system

Ghana's political landscape has witnessed several changes over the years. On 6th March 1957, Ghana became an independent country with Dr Kwame Nkrumah as its first prime minister. Three years later, in 1960, Ghana became a Republic. The

country's first elected president, Dr Nkrumah, weakened the local government system on the grounds that decentralisation would bring about divisiveness. Throughout his presidency (1960-1966), elected parliamentarians and the executive were the influential policymakers.

In 1966, Kwame was removed as a result of a coup, and Ghana experienced political instability under several military rulers until 1981, when Jerry John Rawlings took power for the second time. His Provisional National Defence Council (PNDC) ruled Ghana till 1992 when it transformed itself into a political party: the National Democratic Congress (NDC). After winning general elections in 2000 and 2004, the New Patriotic Party (NPP), led by John Agyekum Kufour, governed Ghana until 2008. The NDC returned to power until it lost the 2016 elections to the NPP led by President Nana Addo Dankwa.

While citizens' participation in policy formulation was very limited during the military regimes (1966-1992), the re-introduction of democratic governance system since this time has created a platform for state and societal actors to influence public policy processes. However, while decentralised structures are seemingly well-organised, decision-making powers have still not been effectively transferred to local actors and policy processes are largely controlled by the ruling government.

Therefore, like other sectors of the economy, agriculture policies in Ghana are principally formulated by top government officials with some input from state technocrats. The relative autonomy of the ruling government is further reinforced by the weakness of civil society groups. Nevertheless, national agricultural policy goals are also usually in line with regional and global conventions and declarations. For instance, the Comprehensive Africa Agricultural Development Programme (CAADP), which requires African governments to allocate 10 percent of expenditure to agriculture, has influenced the government to increase its spending on agriculture in recent years.

Agriculture commercialisation policy changes

While most agricultural policies and programmes prior to 2000 tended to focus on strategies to increase output by providing farmers with farming inputs, policies adopted since 2000 by the NDC and NPP governments have been broadly linked to rural development initiatives and agricultural modernisation programmes.

International donors have also championed the need to use agricultural policy to address food insecurity and rural poverty. Consequently, Ghana's government has responded to these calls by formulating several agricultural policies and programmes that have been crafted to satisfy the interests of international development donors by emphasising the supply of inputs, the marketing of agricultural products, value additions and provision of infrastructure in rural areas.

The Food and Agriculture Sector Development Policy (FASDEP I), which was developed in 2002 based on an Accelerated Agricultural Growth and Development Strategy, had a vision of modernising the agriculture sector through the use of modern farming technology and providing rural infrastructure. The efforts to link agricultural commercialisation to broader rural development efforts is based on narratives by development partners and rural development academics that agricultural modernisation will enable rural farm households to participate in the market economy to earn higher



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incomes and be lifted out of poverty and food insecurity. The NPP government, which governed Ghana between 2000 and 2008, responded positively to these narratives because, while in opposition, it blamed the NDC government for not effectively promoting agricultural modernisation. As a way of modernising agriculture, some of the FASDEP pillars are dedicated to irrigation development and increased mechanisation. However, based on the limitations of FASDEP I, the NPP government adopted FASDEP II in 2008 to promote the commodity chains of key export crops, as well as address food security concerns.

In addition, partly in response to claims by private investors that the government's involvement in the distribution of agricultural inputs was not sustainable, national fertiliser and seed policies were adopted in 2010. These provided guidelines for private sector participation in the production and distribution of fertiliser and improved seeds, promoting private sector involvement in input distribution. In response to counterarguments by peasant farmers and some NGOs that the government must support smallholder farmers, the policies also provided fertiliser subsidies for smallholder farmers with farm sizes less than 5 acres. As a further response to demands from international donors to increase private sector participation in the agriculture sector, the government of Ghana implemented the Ghana Commercial Agriculture Project in 2012 with funding from the World Bank and USAID. This project aimed at improving the investment climate for agribusiness, as well as developing public-private partnerships and smallholder linkages intended to increase farm productivity and value addition in selected value chains.

With the return of the NPP to power in 2017, it continued with the broad commercialisation policies that had been implemented by the NDC. However, partly in line with its election campaigns to support smallholder farmers, it has also launched a flagship agricultural programme called 'Planting for Food and Jobs' (PFJ), under the Medium Term Agricultural Sector Investment Plan (METASIP) III (2017-2021). The PFJ focuses on increasing food production, providing raw material for industry and creating jobs. Unlike earlier programmes that focused on supporting large-scale farmers, this programme is supporting smallholder farmers by providing inputs, such as fertilisers and improved seeds. Aside from the need to fulfil campaign promises, the policy has been implemented in response

to complaints by the Peasant Farmers Association of Ghana that government agricultural policies are not helping smallholder farmers. The government has responded to the pressures in order to enhance its chances of remaining in power.

Agriculture funding and incentives

1. Politics and input subsidy programmes

Since independence, the government of Ghana has been primarily responsible for the procurement and distribution of key inputs (e.g. fertiliser, seeds). However, as part of the Structural Adjustment Programmes adopted in 1983, the government gradually reduced direct fertiliser subsidies to farmers and all subsidies were removed in 1991. But provision of agricultural subsidies has become a key political issue since 1996 when Ghana returned to multi-party democracy and, during the 2000 elections, the NPP government and other opposition parties promised to re-introduce subsidies if voted to power. For instance, as part of the desire to transform agriculture under METASIP, and in line with its campaign messages, the NPP government introduced a subsidised mechanisation programme in 2007 prior to the 2008 elections.

Under the METASIP programme, subsidised agricultural machines are provided to individual farmers and private enterprises established as specialised Agricultural Mechanisation Services Enterprise Centres to offer tractor-hire services to small-scale farmers across the country. However, the tractor hire services have largely benefited only farmers in the savannah zones as, in the forest zones, most farmers do not plough the land. There have also been media complaints that those who benefited from the tractor subsidy are mostly those in the government's patronage networks. Some analysts have also noted that, while tractor-hire services have the potential to transform smallholder agriculture, the heavy subsidies on large and costly tractors is inappropriate for small farmers and there is a need to provide smaller, cost-effective tractors.

In response to rising input prices, pressure from civil society groups and in line with its campaign messages, the NPP government re-introduced a direct fertiliser subsidy in July 2008, which it suggested was also partly in response to CAADP. However, the opposition saw this as an attempt to use the subsidy programme to win forthcoming elections. The total amount spent by NDC on fertiliser increased from GHC 20,654 million (USD 4,254 million) in 2008 to GHC 117,437 million (USD 24,025 million) in 2012. Between 2010 and 2012 which was an election year, the amount spent on fertiliser increased by 290%. In 2013, just after the election year, the amount spent on fertiliser declined rapidly by 83%. In 2014, the government did not provide any subsidised fertiliser to farmers despite a statement in that year's budget that government would continue to implement the subsidy programme. Fertiliser distribution resumed in 2015 and, in 2016 (another election year), the amount once more increased by 272%.

In 2016, the NDC government also introduced subsidies on organic fertiliser for the first time. The government provided GHC 18 million for organic fertiliser which was to be produced by the Accra Compost Recycling Plant. The inclusion of organic fertilisers in the subsidies programmes was based on narratives by environmental groups that organic fertiliser is good for soil and environment. The observation that both the NDC and NPP governments have introduced new subsidy programmes during election years suggests that political interests of ruling

governments determine some of the incentives created for smallholder farmers. It must also be stated that, during election campaigns, politicians in Ghana make promises on fertiliser and seed subsidies especially when they are in rural communities.

Our argument that governments are more likely to introduce subsidy programmes in an election year is supported by the fact that, in 2012, the government expanded the fertiliser subsidy programme to include certified seeds. The Ministry of Food and Agriculture (MoFA) noted that the purpose of the seed subsidy was to increase agricultural productivity and promote the use of certified seeds. In 2012, the seed subsidy program targeted maize, rice and soya bean at a cost of GHC 4.8 million. These crops were targeted because they are major staple crops which are widely produced in most of the regions of Ghana. While the policy was continued in 2013, the allocation for the 2013 seed subsidy was reduced by about 46% (i.e. GHC 2.6 million), which clearly demonstrates how governments spend more on agriculture subsidies in election years.

2. Cocoa mass spraying and pricing politics

Ghana's cocoa value chain has a partially liberalised marketing structure. While the Ghana Cocoa Board has created a hybrid system whereby there are about 25 private companies buying the crop, the producer price is fixed annually by the government. Successive governments in Ghana have used cocoa as a source of public revenue and cocoa producers have historically been taxed to finance public expenditure. About 5% of government revenue comes from cocoa export tax alone.

Both the NDC and NPP governments tend to use cocoa pricings to solicit political votes from farmers. During political campaigns, politicians sometimes tell farmers that, if voted in, they will increase cocoa prices. Apart from increasing cocoa producer prices when world market prices increase, governments in Ghana are more likely to increase cocoa producer prices in the year preceding an election or during the election year. For instance, cocoa producer price was increased by 81.5% in the year 2008 (an election year). Apart from the producer price, politicians in Ghana also talk about free mass spraying, which was introduced in 2001 to control cocoa pests and diseases, during electioneering campaigns.



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Conclusions

Agricultural policy in Ghana is driven by narratives of various interest groups that interact to push their own agenda. For instance, especially since 2000, international donor organisations (World Bank, IMF, USAID and FAO) have had a tremendous influence on agricultural commercialisation policy. In contrast, civil society groups and farmers have not been very influential in agriculture policy formulation, but they have sometimes been successful in shaping policies to favour peasant farmers.

Nevertheless, with regards to the relationship between the political landscape and support for the smallholder, we have demonstrated that, as a result of democratisation and adoption of regional policies to increase support for the agriculture sector, the government has introduced a number of programmes that support the smallholder. These include subsidised mechanisation, as well as subsidies on fertilisers and seeds. Since 2008, in particular, the successive ruling governments have developed ad hoc pro-poor agricultural policies in order to remain in power.

Ghana's current agricultural policy framework and national development plan emphasises the importance of graduating from a subsistence-based smallholder system to a sector characterised by a stronger market-based orientation. This would be based on a combination of productive smallholders alongside larger commercial enterprises engaged in agricultural production, agro-processing and other activities along the value chain. To maximise the impacts of private investment in agriculture on development, a particular focus is to facilitate smallholder linkages with other commercial businesses through, for instance, contract farming and outgrower schemes. However, while the outgrower model has been



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promoted in Ghana, and elsewhere in Africa, as the best scheme for linking smallholder farmers with large-scale producers, recent research has shown that its ability to benefit farmers depends on a number of factors including the nature of the crop, and the characteristics of the local economy.

In order to ensure that the government implements pro-poor agricultural commercialisation policies in Ghana, our analysis suggests that strengthening of civil society groups, and promoting democratic governance will be key.

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