GHANAIAN PANEL
ON
ECONOMIC DEVELOPMENT
REPORT
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The Ghanaian Panel on Economic Development (GPED) was jointly initiated by the Friedrich Ebert Stiftung (FES) and the Institute of Statistical, Social and Economic Research (ISSER) of the University of Ghana in 2011 to start a dialogue on the structural transformation of the Ghanaian economy. The panel was set up to come up with strategies, which will promote economic development and growth but are at the same time socially inclusive and pro-poor.

Over the period, 2011 – 2014, various topics including; agriculture, informal economy, banking and finance, green economy, oil and gas, social protection, industrial policy, structural transformation, Education, long term development planning, decentralization and infrastructural development were discussed and recommendations made for policy makers and other stakeholders. The GPED was constituted with membership drawn from academia, policy think tanks and civil society groups, parliament, ministries, government agencies, politics, the private sector and experts where necessary.

This publication is a collection of six (6) papers that were presented at the panel discussions and it is hoped that they are useful for policy makers, politicians and other stakeholders in our quest in developing our nation.
PROSPECTS OF ECONOMIC DEVELOPMENT IN GHANA

Robert Darko Osei (PhD) and George Domfe (PhD)
Introduction

Ghana, since the 1950s, has often been commended as the beacon of hope in Africa. As the first country south of the Sahara to gain political independence in 1957, it had enough prospects to gain economic independence as well (Aryeetey and Tarp, 2000). The Import-substitution industrialization policy embarked upon by the country at the time of independence heightened the prospects of economic development. However, by 1964, the strategy had almost faltered, provoking a long history of economic and political instability. Since then, the country has had a number of development plans in its quest to attain economic independence.

Apart from excessive external control, issues such as political instability, lack of political will, insufficient funding and lack of clear strategic vision are often cited as some of the reasons behind the country’s inability to implement tenets of development plans to the letter. This article discusses Ghana’s development plans with special reference to how neo-liberalism has influenced development outcomes in Ghana. It further explains what the current development challenges are and whether solutions to these challenges should involve a paradigm shift from the mainstream neo-liberal rudiments.

The Nature of the Neo-liberal Policies in Ghana

Neo-liberalism describes a market-driven approach to economic and social policy based on neoclassical theories of economics. It seeks to transfer control of the economy from the public to the private sector based on a belief that
the private sector is the ‘engine of economic growth’. It thrives on certain key principles, namely: privatization of state enterprises, deregulation of state controls, liberalization of trade, elimination of import restrictions, encouragement of foreign investment, withdrawal of subsidies and reduction of welfare programmes (Haque, 1999).

In an attempt to empower the private sector to play a more significant role in the economy, there was a strong advocate for increased privatization of state owned enterprises in the countries that embraced the neo-liberal policies. Additionally, these states were required to adopt an outward-oriented economic policy aimed at opening their economies for foreign competition if they were ever to see the light of economic development. According to Williamson (1990), access to imports of intermediate inputs at competitive prices is regarded just as important as export promotion, while a policy of protecting domestic industries against foreign competition is viewed as creating costly distortions that end up penalizing exports and impoverishing the domestic economy. In this direction, all regulations that sought to impede market entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds were to be abolished.

Fundamentally, the ideals of neo-liberalism contrast the position of most African economies that adopted various state-centred intervention programmes which sought to reduce foreign stake in their economies moments after independence. These ideals were even more pronounced in Ghana where the father of ‘anti-neo-colonialism’ in the post independent Africa, Dr. Kwame Nkrumah, happened to be the head of state. However, the overthrow of Nkrumah in 1966 coupled with economic crises in the 1970s and early 1980s contributed in weakening the concept of state interventionism in favour of free market reform policies in Ghana. Consequently, the features of neo-liberal policies have dominated Ghana’s development effort since the mid 1980s when the country subscribed to economic reforms initiated by the Bretton Wood Institutions.

According to Aryeetey and Tarp (2000), Ghana’s reforms were designed on the basis of the neo-liberal orthodoxy with reliance on the efficacy of the market mechanism as a potential force for creating the appropriate environment for development. Therefore, little attention was given to the fact that free trade
and market liberalization may not increase efficiency, especially when the market is not functioning properly. Additionally, crowding out of the public sector by the private sector was regarded by the reforms as a critical move to make the private sector acts as a fulcrum around which economic growth would evolve. This was done as if a switch from a public-sector-led to a private-sector-led economy would automatically bring development.

In spite of the market deficiencies, Ghana throughout the 1980s and 1990s remained a star pupil for the neo-liberal policies. A couple of achievements were made. The financial liberalization in 1987 brought in its wake a considerable financial deepening, infrastructural developments and macro economic successes. For example, the reforms were accompanied by abnormally high capital receipts from abroad, mostly from multilateral and bilateral lenders that led to overall balance of payments surpluses in spite of persistent current account deficits (Aryeetey, Harrigan & Nissanke, 2000). The more realistic exchange rate, combined with good weather and decreases in smuggling due to better producer prices increased cocoa export receipts. In addition to these, the lifting of the foreign exchange constraint made the Gross Domestic Product (GDP) grow appreciably (Kraev, 2004).

Despite the often commendable achievements, after two decades of faithful adherence to stabilization and adjustment programmes, Ghana became highly indebted and poor. While the incidence of absolute national poverty rate declined, the gap between the rich and the poor widened. According to the Human Development Index (HDI) reports, Ghana’s HDI has not seen much improvement compared with some success stories of states with equal starting conditions and economic growth potentials. In the 1990s, Ghana reached an HDI value of 0.427, while it increased only slightly to 0.558 in 2012. The index was complemented with the Inequality-Adjusted Human Development Index (IHDI) which was introduced in 2010. “The IHDI is the actual level of human development (accounting for inequality)”1. Ghana improved slightly, but remained under the countries with severe inequality (2012: Ghana ranked 94 – with a value of 0.379 – out of 132 countries).

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1 Human Development Report, 2010
Even though issues on the need to rethink neo-liberal policies came to the fore in the late 1980s, it really did not gain much roots in Ghana until about the late 1990s. Report by Cornea, Andrea, Jolly and Stewart (1987) threw more light on the fact that countries need not only concern themselves with reducing fiscal deficits but also needed to worry about ‘how’ that was to be done. As a result, over the last decade, policies in Ghana (and the developing world generally) as well as IMF and the World Bank policies have become less neo-liberal.

But why did many examples (from developing countries) all around the world have shown that neo-liberal economic approaches did not bring the expected reduction in poverty? With the proposed deregulation of state control and interference in economic matters, the neo-liberal approach nurtures even the nature of businesses operating in liberal market environments. Businesses have just only one goal – which is profit. They can increase profit by finding ways to lower the costs of raw materials, labour costs and tax exemptions or incentives, among others. Businesses tend to be exploitative towards workers and even the state resources – the state, therefore, needs to regulate their activities. The operative word is REGULATION, not CONTROL. This means that the state has to set a framework of regulations and policies which creates a business environment based on cooperation and regulation.

Due to globalization, businesses can flourish everywhere. Therefore, it is of utmost importance that a state finds a right balance of regulations that can benefit both the population and the business. If a business environment is turning hostile towards companies, mainly the international companies have the opportunity to move their production sites/plants to another country. This move could have fatal consequences because of the withdrawal of capital and the loss of jobs, especially for a developing country with scarce financial resources. On the other hand, the state has to protect its workforce by setting rules for the working conditions in companies. Trade Unions seem to be important in order to avoid the exploitation of workers. It is also the responsibility of a state to enhance the educational system in order to ensure that qualified workers are graduating from schools. This can be seen as an attraction for businesses to settle down. This rather social-democratic approach tries to provide a balance between the different goals of businesses and state. The Government of Ghana, in the last couple of years, has introduced a number of policies to provide both enabling
environment and regulatory framework for the businesses to thrive.

History of Development Plans in Ghana

Ghana’s experience with development planning dates back to the period before independence. Table 1 illustrates the various development plans/programmes the country has embarked upon in its quest to gain economic freedom. The Guggisburg Plan from 1919 to 1926 is seen as the most significant development plan of the pre-independent Ghana. The Plan together with other regulations and policies sought to build a model economy by expanding the economy to benefit a larger number of the indigenous people of the Gold Coast. The strategy involved large investments in infrastructure, agricultural diversification through training, health and education.

Major achievements included the construction of a modern and currently the largest hospital in the country, Korle-Bu Teaching Hospital in Accra. In the area of transport, the rail network between Accra and Kumasi was completed in 1923. Additionally, the Central Province Railway – from Huni Valley to Kade was built between 1923 and 1927, to open up cocoa growing and mining communities in that part of the country. Unfortunately, due to lack of funds, Guggisberg’s proposed extension of railway network to the Northern Territories of Ghana could not materialize. Not only were 3,338 miles of new roads built during the implementation period of the Plan but also 1,310 miles of existing roads were reconstructed. With respect to education, a new Education Ordinance was passed in 1925 and it brought in its wake the establishment of many educational institutions notably among them was the Prince of Wales College at Achimota (now Achimota School).

After independence, many development plans were drawn with the aim of lessening the country’s dependence on the colonial master and its allies. The key among these plans was Nkrumah’s 7-Year Development Plan (1963 – 1970). This Plan had the goal to foster African unity, transform and diversify the Ghanaian economy and to raise and equalize economic opportunities and benefits through socialism. Its main strategy was modernization through industrialization, focusing on import-substitution industries.
The following were some remarkable achievements of the Nkrumah’s 7-Year Development Plan. Akosombo Hydroelectric Project meant to provide affordable and sufficient energy for the country, especially the industries, was completed. At the front of education, several educational institutions, at the primary, middle, secondary, technical, vocational and university levels were set up. The most noticeable among these were completion of two universities, Kwame Nkrumah University of Science and Technology and University of Cape Coast as well as several other secondary and training colleges constructed across the length and breadth of the country. However, some of the projects envisioned in the Plan could not be carried out after the demise of Nkrumah from the political scene.

After Nkrumah, the governments that followed attempted some forms of development plans. Yet, the next major development framework happened to be the Economic Recovery Programme (ERP) initiated in 1983. Even though the ERP remained the ‘blueprint’ for managing the economy, it was never referred to as a plan. It was a development blueprint that lacked the broad goals usually associated with development plans (NDPC, 2008). The Ghanaian economy had suffered its worst ever decline in the early 1980s mainly due to oil crisis in the 1970s, political instability and severe drought in the early 1980s. By 1983, the economy had ground to a halt. The government thus had no other alternative than to seek foreign assistance. It first approached the Soviet Union, but was advised to turn to the International Monetary Fund (IMF) and the World Bank for the newly introduced economic reforms (Kraev, 2004). The objectives of the ERP followed quite logically based on the economic conditions that existed at the time. These were:

- Increase production of food, industrial raw materials and export through an improvement in the structure of incentives;
- Increase availability of consumer goods;
- Increase overall availability of foreign exchange;
- Lower-inflation through the pursuit of prudent macroeconomic policies;
- Rehabilitate the physical infrastructure.
Table 1 Development Plan/Strategy/Programme in Ghana

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<th>Name of Plan/Strategy/Programme</th>
<th>Planned</th>
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<td>The Guggisberg’s Plan</td>
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<td>7 1919-1926</td>
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<td>The First Ten Year Development Plan</td>
<td>1951-1959</td>
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<td>The Consolidation Development Plan</td>
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<td>The Second Development Plan</td>
<td>1959-1964</td>
<td>5 1959-1963</td>
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<td>The One Year Development Plan</td>
<td>July 1970-1970</td>
<td>1 July 1970-1970</td>
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<td>The Five Year Development Plan</td>
<td>1975/76-1979/80</td>
<td>5 1975/76-1978</td>
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<td>Growth and Poverty Reduction Strategy (GPRS II)</td>
<td>2006-2009</td>
<td>3 2006-</td>
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<td>Ghana Shared Growth and Development Agenda (GSGDA I)</td>
<td>2010-2013</td>
<td>3 2010-2013</td>
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<td>Ghana Shared Growth and Development Agenda (GSGDA II)</td>
<td>2014-2017</td>
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Source: National Development Planning Commission (NDPC)

The question regarding whether ERP was a success or not depends largely on the angle from which it is assessed. Since ERP could not achieve most of its targets, the use of targeted assessment approach would obviously place the programme in the dark. However, when before-and-after assessment approach was adopted, it was realized Ghana that achieved a lot under ERP. Certainly, the ERP reversed the negative growth rates; GDP growth rate shot up to 8.6 per cent in 1984, just a year after adopting ERP. The trend in investment rates and import volumes became positive after 1983. Additionally, inflation dropped from 123 per cent in
1983 to 40 per cent and further to 10 per cent in 1985, contributing significantly to real earnings.

However, the issues of poverty and income distribution were not given the needed attention under ERP. Therefore, in 1986, the second phase of the reform saw ERP being supplemented with the Structural Adjustment Programme (SAP), geared towards correcting a number of structural imbalances in order to create a sustained healthy economic growth (NDPC, 2008). SAP shifted the focus from a mere achievement of macroeconomic stability to include structural change of the economy. Adequate gap was created for the private sector to play a more active role in the economy. Policy measures under SAP included:

- Exchange rate reforms
- Trade liberalization
- Civil service reforms
- Financial sector reforms
- Financial measures
- Monetary policy
- Social sector reforms

Even though the growth rate remained continuously positive under SAP, the growth rate in the manufacturing and agricultural sectors under ERP could not be sustained (IMF, 2003). Poverty still remained a bigger challenge, and it became obvious that Ghana needed a comprehensive development plan. As a result, in 1991, the National Development Planning Commission (NDPC) initiated the process of preparing a National Development Policy Framework (NDPF) to provide a consistent framework for comprehensive development planning over the long-term with the main goal of transforming Ghana from a poor, underdeveloped low-income country into a vibrant, prosperous middle-income country within a generation, by the year 2020 (Vordzorgbe, 2000).

This framework later became known as Vision 2020. The long-term goal of the Vision 2020 was “to improve the social and economic status of all individuals and to eliminate extreme forms of deprivation by encouraging creativity, enterprise and productivity of all citizens” (NDPC, 2008). In the policy framework for the first step (1996-2000), the focus of development policies was “to consolidate the foundations for accelerated development already laid by the economic recovery
programme as well as initiating changes necessary for the ultimate long-term transformation of the Ghanaian economy.” The following were the main areas of focus:

- Human Development
- Economic Growth
- Rural Development
- Urban Development and
- An enabling Environment

The major setback of the Ghana Vision 2020 was its inability to whip up enough interest in society (ibid). Failure to meet the set targets during the foundation period and a change of government saw Vision 2020 being suspended and replaced with Ghana Poverty Reduction Strategy I (GPRS I). While not officially referred to as development plans, GPRS I was generally regarded as such by the public (NDPC, 2008). It was a comprehensive policy document to direct the affairs of the economy over a three-year period (2002/3–2004/5). The main goal was to ensure sustainable accelerated poverty reduction and also protect the vulnerable within a decentralized environment. It was based on the following five thematic areas:

- Macroeconomic stability
- Production and gainful employment
- Human resource development
- Vulnerability and exclusion
- Good governance

The period of implementation of the GPRS I saw growth rates increased from 4.5 per cent in 2002 to 5.9 per cent in 2005. Some progress was made in the area of infrastructural developments and the agricultural sector, especially cocoa production. However, it could have done better, especially in the areas of health and education. As a result, it was inherited by its twin brother, Growth and Poverty Reduction Strategy (GPRS II), which was to last between 2006 and 2009. The main goal of the GPRS II was to attain middle-income status with a per capita income of at least US$1000 by 2015. The emphasis was on growth-inducing policies and programmes which have the potential to support wealth creation and poverty reduction. Four priorities were:
• Continued macroeconomic stability  
• Accelerated private-sector led growth  
• Vigorous human resource development  
• Good governance and civic responsibility  

Generally, there was a substantial improvement in the economy during the implementation of both GPRS I and GPRS II. Notable among these were improvement in school enrolment, introduction of social intervention programmes and the decline of national poverty rate. However, structural challenges still persisted. Getting to the end of GPRS II, the economy plunged into serious fiscal imbalances resulting mainly from external shocks including upsurge in crude oil prices, hikes in global food prices and global economic crisis. There was therefore the need for a new development plan to address the challenges that had emerged while sustaining the gains made during the implementation of the GPRS II.

A new development framework, Ghana Shared Growth and Development Agenda I (GSGDA I) was put together to guide the management of the economy between 2010 and 2013. The main emphasis was placed on human development, transparent and accountable governance and infrastructural development. These were observed as important ingredients in support of agricultural modernisation, natural resource development (particularly oil and gas), private sector development, ICT, housing and energy for accelerated employment creation and income generation for poverty reduction (NDPC, 2010). In spite of its good intentions, the GSGDA I could not adequately address the fiscal challenges it inherited. Fiscal deficit increased from 6.57\(^2\) per cent in 2008 to 12.1 per cent in 2012. Characteristic of development frameworks in Ghana, GSGDA I did not achieve much in terms of its core targets. However, in order not to create policy vacuum, Ghana Shared Growth and Development Agenda II (GSGDA II) was put together as a successor to be implemented from 2014 to 2017. The main vision of Government as enshrined in the GSGDA II is to create a stable, united, inclusive and prosperous country with opportunities for all citizens.

\(^2\) Originally, the fiscal deficit was 14.9 % of GDP in 2008. It was however re-estimated to 6.57 % after the economy was rebased in 2010.
Limitations of Past and Current Development Plans

It is observed from most of the plans discussed that, the central focus of development need of Ghana has always been how to overcome poverty and income inequality with a more comprehensive programme of actions. The assessment of the development planning experience of Ghana suggests that the implementation of almost all plans was cut short mid-way during the planned period. This was often due to inadequate resources after initial investments and changes in government. Therefore, it is important that development plans are protected from political manipulations. Future development plans ought to be protected by a parliamentary legal instrument in order to avoid unnecessary ‘overthrow’ of plans.

Most of the plans seem to be more of a ‘wish list’, but lack plausible strategies of implementation. These strategies need to be sequenced in order to ensure an effective implementation and positive impact on the economic and social situation in the country. The development of plans also takes too much time [up to two (2) years] and leaves only a limited time frame for implementation. Furthermore, the financing of such plans and development projects is not clear from the very first beginning. Even when the Government of Ghana is quite clear about what it wants to achieve, the questions: HOW to achieve it? and HOW to finance it?, still remain unanswered.

The major limitations to development plans in Ghana have been the absence of political will and commitment jointly needed to successfully implement the plans. The politicians, for the fear of incurring displeasure of the citizenry usually fail to implement tenets of the plans to the letter. Ideally, most of the plans appear to bring some amount of hardships in their early years of implementation and since political leaders want to show the electorate what they have achieved in their tenure of office, the plans are usually pushed aside and rather political manifesto promises implemented.

Relating to the above is limited stability and continuity in the life of the plans. Political leaders think ‘it must always be their plans’ and no one else’s. There is an apparent fear that if there is a change of government and the existing development plan is not suspended, the former government will take credit of
the success that will come out of the implementation. This problem has led to the suspension of development plans notably among them were Nkrumah’s Seven-Year Development Plan and Vision 2020.

Lack of effective community participation has equally been a bane. For example, the major setback of the Ghana Vision 2020 was its inability to whip up enough interest in the people. Additionally, lack of funding, absence of integration and coordination of Ministries, Departments and Agencies (MDA) and Metropolitan, Municipal and District Assemblies (MMDA) and budgetary processes as well as a clear distinction between medium and long term plans have all contributed in no small way to the failures of the plans.

**Growth and Poverty Outcomes**

Macroeconomic data of Ghana in the last two decades has been quite impressive and distinctly different from the early three decades. The economy of Ghana grew at an average annual rate of about 4.7 per cent over the period of 1990-2007 (Osei and Domfe, 2008). After the oil production started in December 2010, Ghana reported a GDP growth rate of 14.4 per cent in 2011, 7.4 per cent in 2012 and approximately 7.1 per cent in 2013. The high growth rates can just be attributed to the expansion of the extractive industries (mainly gold and oil) as well as the growing service sector.

**Figure 1: The trend of GDP growth rate in Ghana**
Interestingly, the growth in the economy has been associated with a reduction in the incidence of poverty (GSS, 2008). The poverty headcount ratio at $1.25 a day fell by approximately 28 per cent points from nearly 52 per cent in 1991/92 to around 24 per cent in 2013 (Figure 2). Despite the excellent development in this regard, the poverty headcount ratio at $2 a day remains at 51.84 per cent in 2006 compared to 79.03 per cent in 1988. This means that every second person in Ghana has to live with up to $2 a day.

**Figure 2 Ghana: Poverty Trends, people living with up to $1.25 per day, 1991-2013**

Un fortunately, the increased growth has also been associated with increased inequality by region and locality. Inequality as measured by the Gini index has been evaluated at a value of 42.76 in 2006\(^3\). A possible explanation might be that the poorest of the poor have participated much less in the growth and poverty reduction over this period (Osei & Domfe, 2008). Even though recent survey by the Ghana Statistical Service (GLSS5) indicates the growing trend of poverty in some urban communities, generally, poverty in Ghana has been a rural phenomenon. Table 2 illustrates the variations of per capita income between the urban and rural dwellers during the period. The data suggests income to have been tilted in favour of urban dwellers.

\(^3\) Gini Index: 0 represents perfect equality, 100 represents total inequality – no latest statistics on Ghana
Table 2 Per capita income in constant prices by rural/urban dwellers

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<th>Year</th>
<th>Location</th>
<th>Ratio</th>
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<td></td>
<td>Rural</td>
<td>Urban</td>
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<tr>
<td>1991/92</td>
<td>100,000</td>
<td>120,000</td>
</tr>
<tr>
<td>1998/99</td>
<td>469,000</td>
<td>692,000</td>
</tr>
<tr>
<td>2005/2006</td>
<td>3,050,000</td>
<td>5,170,000</td>
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Source: Ghana Living Standard Survey III, IV and V

In fact, Ghana is experiencing a non-stop migration flow from the rural to the urban areas. Poor families are sending their relatives to the economic hubs in the hope to find an alternative way of income. The reality looks totally different from what the prosperous cities and shiny buildings promise. The formal sector is very small. Only 13.8 per cent of the workforce is working in the formal economy; 47.5 per cent of this workforce is in the public sector. The alternative of working in the informal sector just means being one amongst millions looking for low paid jobs and facing bad working conditions. The result for the thousands of people who migrate to the urban areas is to end up in the poor areas around the big cities in the hope that the situation will get better one day. But what will happen if the situation does not change or gets even worse?

Figure 3: The trend of consumer price index in Ghana, 2004-2014
Apart from the problem of inequality that the growth failed to deal precisely with, there still remains a number of structural problems that ultimately limit the capacity of the economy to achieve sustainable improvements in the livelihoods of many people. Lack of appropriate connections which often characterized the movement from dependency on agriculture to manufacturing before service has been a challenge. This has mainly contributed to the current unacceptable incidence of underemployment in Ghana. While about 50 per cent of the entire workforce is being employed in the agricultural sector, the sector contributes only 21.3 per cent to the GDP, an indicator of a low productivity. The agricultural sector is characterized by peasant farming, outdated farming methods and old equipment (technology) as well as a lacking infrastructure such as storage facilities.

The investments for modernizing the agricultural sector would be immense and strategies must be found to build up a network of peasant farmers who could support one another. The manufacturing industry is almost non-existent. Adding value to products is not on the agenda of a country which mainly exports raw materials. The manufacturing sector is contributing only 6.3 per cent to the GDP. Building manufacturing sector up could be the key to solve the problem of underemployment and unemployment in the country due to the fact that such industries absorb many and even low-skilled workers.

The growth rates of the agricultural sector (3.4% — 2013) and the manufacturing sector (ca. 2.5 % — 2013) are minor. Against the background of the increasing inflation (see Figure 3), it could be classified as stagnation. Even though the absence of structural change compromises sustainable growth and development, the fundamental structure of the Ghanaian economy has almost remained same since independence. The recent observed shift from agriculture is rather tilting in the direction of the services sector. This leaves the manufacturing sector out of the equation thereby putting the current effort of structural change on shaky grounds.

Human capital development is seriously compromised with poor educational and health outcomes. The recent increase in the establishment of universities is good, but care must be taken so the quality of university education is not compromised. Apparently, the overemphasis of these universities on business and religious
studies already put question marks in the air; Ghana’s developmental need is broader than this focus. This has serious implications for both current and future productivity issues.

Oil production can also seriously compromise the gains that have been made in the last two decades. High expectations can push up the demand for increased public spending – this can be a problem with the level of inefficiency in the system. This exposes the country to the dreaded ‘Dutch Disease’. The Ghanaian government is facing allegations of being corrupt, mismanaging the state budget and using personal relations’ approach of choosing people for high-ranking positions in the country. The closer somebody can get to the leadership of a governing party, the higher the chance to become a high-ranking official within the government or parliament.

How does Ghana Compare with Other Countries?

Ghana’s achievement in the last two decades in the area of growth compares quite favourably with the average for the sub-region. For instance, data from the 2007 World Development Indicators (WDI) showed that the average annual per capita GDP for Ghana from 2000 to 2005 was around 2.6 per cent while that of sub-Saharan Africa (SSA) was about 1.8 per cent (Osei and Domfe, 2008).

Table 3 compares Ghana’s economic performance from 2005 to 2008 to other countries in the various economic groupings. While Ghana’s growth in per capita GDP during the period 2005-2008 was higher than the averages of sub-Saharan Africa (SSA), it fell short of the averages for the middle income countries (MICs) and low middle income countries (LMICs). However, Ghana prevailed in the year 2008 over LICs, MICs and SSAs regions in terms of per capita GDP growth. Apart from SSA that Ghana’s adjusted national savings as a percentage of GNI can be favourably compared to during the period, it fell far below the averages of the other regions.

The data suggest Ghana’s dependency on external assistance to be relatively very high. This puts Ghana’s development effort in the hands of the external development partners. Furthermore, Ghana Government’s final consumption as a percentage of GDP is the highest. Such excessive expenditures had been the
main reasons for the uncontrolled fiscal imbalances in the recent years.

Table 3 Comparing Ghana’s Economy to Others

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
<th>Income Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Ghana</td>
</tr>
<tr>
<td>Per Capita GDP Growth (per cent)</td>
<td>2005-2008</td>
<td>4.07</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>5.09</td>
</tr>
<tr>
<td>Adjusted National Savings (per cent of GNI)</td>
<td>2005-2008</td>
<td>9.34</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>-1.47</td>
</tr>
<tr>
<td>ODA per Capita</td>
<td>2005-2008</td>
<td>52.83</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>55.39</td>
</tr>
<tr>
<td>ODA (per cent of GNI)</td>
<td>2005-2008</td>
<td>8.99</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>7.89</td>
</tr>
<tr>
<td>Government Final Consumption (per cent of GDP)</td>
<td>2005-2008</td>
<td>17.97</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>20.38</td>
</tr>
</tbody>
</table>

Source: World Development Indicators (2010)

Addressing the Current Socio-Economic Challenges in Ghana

Ghana was upgraded from a lower income country to a lower-middle income country by the World Bank on 1st July, 2011\(^4\). The upgrading was brought about by the stable democratic system, the high growth rates and the decreasing inflation. In spite of the upgrade, the economy has been going through serious fiscal challenges in the last couple of years. While inflation declined rapidly from 21 per cent in 2009 to less than 10 per cent in almost the whole of 2010 and 2011, it increased again to 16.9 per cent in October 2014. According to the 2015 Budget Statement, increases in inflation pressures in 2014 resulted mainly from the sharp depreciation of the local currency as well as the pass-through effects of fuel and utility price adjustments. The Ghana Cedi has witnessed appreciable degree of depreciation in recent times. The decline in the value of the

\(^4\) Even though the upgrade was done at this time, Ghana actually became a lower middle income country in 2007
local currency is often attributed to the excessive demand pressures as against inadequate foreign exchange supply on the market.

Even though Ghana currently receives oil revenue, it appears the revenue flows from oil is not sufficient enough to produce robust fiscal outcomes. The country’s reliance on loans continues to pile up the stock of public debt. According to the 2015 Budget Statement, the stock of public debt (including Government guaranteed debt) increased from GH¢52,125.91 million at the end of December, 2013 (55.5% of GDP) to GH¢ 69,705.9 million (60.8% of GDP) at the end of September, 2014.

Any policy intended to effectively address the current socio-economic challenges confronting the country should aim at strengthening the economic fundamentals, while exploring new sources of growth to enable the country to compete at the global level. Apparently, policies to address some of the fundamental socio-economic problems of the country are set out in the GSGDA II (2014 – 2017). The country needs to sustain its current effort in stabilizing the macroeconomic environment. For example, the tax base should be broadened to bring more people on board, while measures are put in place to minimize tax evasion. Effective use of tax revenue will in no doubt attract public sympathy to pay tax. One potential factor that can cause breaks in the current macroeconomic stability is overspending, especially when there is an oil boom. This should be avoided at all cost. The Government should restrict itself from spending beyond a certain limit in every fiscal year.

One major opportunity for restructuring the economy is the discovery of oil and gas. This can be done by ensuring that the oil and gas industry is effectively linked to the other sectors of the economy. For example, since the oil sector itself cannot create more employment, revenue from the oil can be used to develop the manufacturing sector to create decent jobs. Through modernization and the use of technology, the agricultural sector can be prepared to provide the needed inputs to the booming manufacturing sector, while still providing jobs for the teeming youth. Undoubtedly, growth in the agricultural sector is likely to lead to the widest spread of benefits, especially to the rural poor.

Rule of law and good cooperate governance are certainly essential elements for
wealth creation. Fortunately for Ghana, democracy is relatively thriving compared to most parts of the SSA. There is an urgent need to sustain democracy at all cost. The interest of Ghana ought to be held above any other interest.

**Conclusion**

Ghana’s economic, political and social history is a chequered one. Although several attempts at planning were made in Ghana, complete and effective implementation of the plans has been somewhat elusive. The country has had its fair share of neo-liberal policies, with the most intense period being the mid 1980s to the 1990s. Although this period saw some growth, it had also been associated with increased inequality and underemployment. This development mainly set the platform for the need to pursue adjustment policies together with poverty reduction policies.

Currently, it is fair to say that the general trend in development policy is changing with increasing emphasis for social policies. For example, over the last few years, Government has introduced social policies such as: NYEP (National Youth Employment Policies), LEAP (Social Grants Programme) and school feeding programme, Capitation grants and free school uniforms. These trends, which are not just peculiar to Ghana, indicate a systematic shift away from neo-liberalism.

Today, not many will question the fact that economic growth is good. However, it is important to see growth only as one of the means to improving general welfare and that in some cases countries will need to sacrifice growth for other social and human development. The increasing emphasis on social policy while at the same time keeping an eye on growth is probably the most practical way forward in meeting today’s development challenges.
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DECENTRALIZATION
AND
LOCAL ECONOMIC
DEVELOPMENT

Esther Oduaa Ofei-Aboagye (PhD)
Introduction

A sustainable and socially just strategy for economic transformation should include provisions for sub-national level action to optimize local resources and initiative. This chapter considers the part decentralization and local economic development could play in such a strategy. It examines the linkages between decentralization and local economic development; what governments and local communities have done to support local economic development over the years. It also explores how local economic development could be pursued and the required support including infrastructural, financial and other resources. It considers issues of regional equity and how national economic booms could benefit different geographical regions and assesses the potential of agricultural and industrial modernization for achieving transformation. Finally, the role foreign investment and international companies could play in local economic development processes is reviewed.

Decentralization and Local Economic Development (LED)

Decentralization has been considered as a process by which a central authority or government formally transfers powers to actors and institutions at lower levels in a political or administrative hierarchy (Cheema and Rondinelli, 1983, Conyers, 1983, Manor, 1998, Ribot, 2001, Ahwoi, 2010). A classic definition of decentralization from the 1980s considers decentralization as the transfer or delegation of legal and political authority to plan, make decisions and manage public functions from the central government and its agencies to field
organisations of those agencies, subordinate units of government, semi-autonomous public corporations, area-wide or regional development authorities, functional authorities, autonomous local governments or non-governmental organizations (Rondinelli, 1981; and Rondinelli, et al; 1984).

The last three decades have witnessed renewed interests in decentralization as a strategy for promoting national development, poverty reduction, capacity building and democracy. While political and administrative decentralization have been relatively easily and quickly achieved, fiscal and economic decentralization have proven more challenging. Shifting resource control responsibilities downwards has been hampered largely by political and capacity factors.

Administrative decentralization involves transfer of power to local agents or administrative extensions of the central state. Political decentralization, which transfers powers and resources to local authorities, often implies further and downward accountability to local populations through greater local participation in decision-making. Decentralization has economic implications, even as the relationships and responsibilities between central government agencies and local authorities are redefined. Local authorities and their partners require adequate revenue from local sources or transfers to provide the public goods and services they are assigned (ODI, 2002). Countries may embark on decentralization for economic objectives such as addressing regional and social imbalances and accommodating local priorities (Jacobsen, 2003; Jeffery, 2003; Prud’homme, 2003).

Economic decentralization can be considered as the downward shift of responsibilities for basic service delivery and employment creation in a defined area. Other dimensions of economic decentralization concern fiscal decision-making including arrangements for spending, revenue management, inter-governmental transfers, grant distribution and sub-national borrowing. Economic decentralization involves providing a local economic and political context for the realization of effective growth, governance and pro-poor development (Cahill, 2005) and addressing the attendant challenges of corruption. Perspectives on approaches to economic decentralization differ. For instance, neo-liberal thinkers see it as a rolling-back of the state. Others emphasize economic decentralization as the requirement for promoting greater participation in public resource
allocation for purposes of accountability (Patnaik, 2000).

An assumption of interest to this paper is that national economies develop as local economies grow. The Global Taskforce 2016 on Local and Regional Governments working on the Sustainable Development Goals (SDGs) argued that given the key social and economic development roles local authorities play in their territories, they would be responsible for a significant part of the investments needed for the SDGs. Therefore, it is important that financing reaches local levels to unlock the economic potential of urban areas and their territories.

From the end of the 1990s, various initiatives relating to sub-national efforts at promoting economic activities came to be described as “Local Economic Development (LED)” . However, LED refers to those development strategies that are territorially-based, locally owned and managed and aimed primarily at increasing employment and economic growth (Meyer-Stamer, 2004). LED interventions aim at developing regions and localities rather than sectors. Ghana’s National Decentralization Policy (2011-2015) defined LED as ‘the process by which local governments, local businesses and other actors join forces and resources to enter into new partnership agreements with each other or other stakeholders to create new jobs and stimulate economic activities in municipalities, towns and villages’.

Because LED is based on local initiative and is driven by local stakeholders, resources, ideas and skills, it should promote and stimulate development from below rather than being top-down. LED engages local economic and social actors and systems that can flexibly respond to local conditions and exploit development potentials of the area. The people participate as consumers, micro-entrepreneurs and workers. LED processes are ongoing, rather than single project-type efforts and respond to the specific and unique challenges and opportunities of the locality.

Some features of LED include the partnerships formed between local authorities, community groups and private entities aimed at creating decent jobs and sustainable economic activities. In these arrangements, the public sector (in this case, local authorities) is expected to take actions to improve the business environment, employment opportunities, income distribution and fiscal solvency of the community. They may do this through subsidized inputs, tax incentives,
promoting research, encouraging innovation and targeting distressed areas for enterprise development (Blakely, 1989; Liou, 2000; Helmsing, 2003; Cahill, 2005).

LED strategies in the more economically advanced countries and to some extent in Asia and Latin America facilitate participation of local economies in the global economy, competitiveness and finding market niches (Binns and Nel, 2002). However, in Sub-Saharan Africa there are indications that LED seeks to combine objectives of generating growth with addressing poverty concerns in socially responsible ways. Therefore, LED strategies may seek to promote inclusion of vulnerable and excluded groups and engaging the informal sector. The Hexagon Model developed by Meyer-Stamer indicates that LED can be understood as having six components: the target group which is local; the location; synergies and inter-related influences; sustainable development involving economic, ecological and social considerations; the governance framework emphasizing public private partnerships; and process management (see end-note).

This position is relevant for the Ghanaian experience and the discussion must consider the contributions public private partnerships, district-level private sector-led development, informal sector development, entrepreneurial development, employment creation, income-generation and pro-poor development make to any strategy to achieve local level development.

Local Government Arrangements and Local Economic Development (LED)

Ghana’s decentralization arrangements enshrined in Chapter 20 of the 1992 Constitution, have been operationalized in the Local Government Act, Act 462 of 1993. The Assembly system was understood to provide a framework within which popular participation, responsive governance and optimization of local resources. The functions of the Assemblies identified in Section 10 (3) of Act 462 included responsibility for the overall development of the district; formulation and execution of plans, programmes and strategies for effective mobilization of resources to this end; and to promote and support productive activity and social development in the district. The Assemblies were also expected to take action to
remove any obstacles to initiative and development.

Other responsibilities identified for the Assemblies could support local economic development, namely, initiation of basic infrastructure and municipal works and services provision; and improvement and management of human settlements and the environment. Section 10 (3) (h) expected the District Assemblies to initiate, sponsor and carry out studies to underpin their activities. Section 10 (6) (b) instructed the Assemblies to act in cooperation with public corporations, statutory bodies and NGOs. These provisions gave a broad scope within which an assembly with a local economic development and poverty reduction orientation could work to promote the interests of the poor, including job creation.

Other relevant legislation empowering the Assemblies to foster job creation and LED were the District Assemblies Common Fund Act (Act 455) of 1993, the National Development Planning Systems Act (Act 480) of 1994, establishing legislative instruments (LI) for the Assemblies and bye-laws of the Assemblies as they relate to adequate planning, income generation and economic activities1.

Other structures in the sub-national arrangements such as the Regional Coordinating Council (RCCs), have the potential for facilitating inter-district economic activities in ways that would promote economies of scale. Their technical backstopping (precautionary measures), monitoring, coordinating, evaluating and conflict resolution functions would provide critical support for the local authorities in their geographical areas. The RCCs were provided for in Article 255 of the Constitution and their functions outlined in Part XIII of Act 462.

Local government sub-structures namely, Unit Committees, Area and Zonal Councils, if properly constituted and functioning effectively could also facilitate local economic development. The law intended these bodies to promote bottom-up planning and support local revenue mobilization. They had responsibilities for mobilizing people for the implementation of self-help and development projects and providing a focal point for the discussion of local problems.

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1 Five of the critical laws have been reviewed for inclusion in a consolidated Decentralized Local Governance Bill expected to be passed in 2016. They are the District Assemblies Common Fund Act, 1993 (Act 455), the Local Government Act, 1993 (Act 462) and the National Development Planning (System) Act, 1994 (Act 480). The others are the Local Government Service Act, 2003 (Act 656) and the Internal Audit Agency Act, 2003 (Act 658).
Within this framework, local governments have undertaken different programmes to support local economies, employment creation, basic service provision, infrastructural development and poverty reduction. These efforts have been funded from various sources – local revenues, statutory funds, central government, programmes and projects with development partners and donations. The District Assemblies Common Fund (DACF) provided for in the Constitution and governed by Act 455 and the District Development Fund (DDF) have been particularly important instruments.

**Historical Background of Ghana’s Efforts at Local Enterprise and Employment Creation**

Almost six decades of implementing employment creation schemes in Ghana and the roles that local authorities and communities play in these can provide useful insights, even if the specific programmes and projects do not necessarily fit into the categorization of LEDs (location, inspiration and ownership).

The 1961 Local Government Act recognized the responsibility of local authorities for the provision of basic services and infrastructure. However, in line with development approaches of the era and the ideological inclinations of the governing Convention People’s Party (CPP), the government was more interested in cooperatives than individual private businesses and promoted more large scale, state-run enterprises (Killick, 1989, 2010).

Under the successor military government of the National Liberation Council (NLC), the regional level was the focus for sub-national economic development efforts. Regional Planning Committees were established in 1968 to present new opportunities for development and strengthen existing economic activities. They would also report on progress made by government development projects and forge a link between central government and private enterprises (Brown, 1986). However, the planning committees lacked the authority and the budget to function effectively.

In the decade that followed, the region continued to be the focus of decentralized development. Regions were required to create development centres to service agricultural activities and promote industrial development. In each of the
nine regions (then), a regional development corporation with the power to borrow money for viable projects was established. However, lack of sectoral co-ordination and personnel, low capacities to formulate comprehensive plans for stimulating local enterprises and corruption limited their impact at the district levels and on larger national development (Owusu-Ansah, 1986 in Brown, 1986). Other efforts were made to support regional development initiatives from the centre. For instance, in 1975, Regional Business Promotion Secretariats were created to decentralize the services of the Ghanaian Enterprises Development Commission (Ghanaian Enterprises Development Decree, NRCD 440). These Secretariats worked under the supervision of the administrative and political heads of the regions and were expected to assist in the administration of small business credit schemes, pre-investment feasibility studies and post-investment supervisory, educational, promotional and credit support. The creation of rural banks was another important feature of the times. However, as Brown (1986) notes, these efforts were primarily urban-biased and those that targeted rural production were in the favour of large-scale operators.

Owusu-Ansah (1986) suggests that the main difficulty with the regional development approach was that it was not explicitly articulated as a policy and did not take sufficient notice of the small scale operator. Also, insufficient decentralization, lack of integrated support and human resource constraints led to its failure.

With the passage of Act 444 in 1981, the National Board for Small Scale Industries (NBSSI) was created to formulate and advise on policy, implement programmes and register all small and micro-scale activities in the country. While the NBSSI Act recognized the need for district and regional level activity, it did not provide an active role for district councils in small enterprise support. However, the Board’s extensive responsibilities\(^2\) as well as insufficient human, material and transport resources limited its capacity to impact on district level activities.

Till the late 1980s, promoting local economic activity and reducing poverty through small enterprises did not appear to be clearly assigned to district level

\(^2\) The Board was charged with evaluating economic opportunities as well as assessing the needs of small scale enterprises at the local level; organizing groups at the regional, district and village levels; and establishing a data-bank to contribute to small scale industrial development.
authorities. Where local authorities were involved in such efforts, they provided the means for classifying or demarcating areas of intervention but were not active enabling or initiating agents. Regional level efforts failed due to lack of resources, inadequate institutional integration and unclear policy directions.

The economic reform of the 1980s and structural adjustment programmes brought in their wake, a new generation of interventions intended to mitigate their social costs. In Ghana, the Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD) started in the late 1980s brought up the challenges of delivering a centrally designed and controlled poverty-oriented scheme, differential interpretations at the sub-national level, capacity issues and targeting.

Successive programmes were designed in an era where the District Assemblies and decentralization arrangements were legal structures and could be taken into account in the implementation arrangements. The National Poverty Reduction Programme (NPRP, 1997), the Social Investment Fund (SIF) from 1998 to 2004, the Village Infrastructure Project (VIP) and the Community Based Rural Development Programme (CBRDP) provided evidence that meaningful community involvement and ownership can be achieved through more effective information-provision and capacity-building of key actors.

**Interventions of Various Actors in Local Poverty Reduction and Employment Creation Programmes**

During the two and a half decades of decentralization under the Fourth Republican Constitution, a number of national poverty-oriented programmes have been designed with the intention that the Assemblies would play key implementation roles. The Assemblies have also hosted development programmes implemented in their jurisdictions by central government and sector agencies, development partners, non-governmental organizations, private sector and civil society. While these cannot be strictly designated as pure LED interventions (because of their origin, the extent of local ownership and sustenance of these programmes), they present interesting insights.

Other entities involved in economic development-related activities at the
local level included private sector, Non-Governmental organizations (NGOs), Community Based-Organizations (CBOs), Faith-Based Organizations (FBOs), civil society groups, associations and traditional authorities, training institutions, communities and development partners (DPs). The following section reflects on some forms of engagement between various actors and local authorities in economic development.

**Formal Private Sector**

The formal private sector firms have been involved in local level development mainly through the infrastructural development efforts of the Assemblies as well as the projects of central government and development partners implemented at the level. International and Ghanaian firms engaged in mining and other natural resource extraction endeavours and commerce operating within districts and communities have stimulated local economic activities. Apart from creating direct employment, the demands of firms and their workers for local services stimulate activities by local enterprises. The Corporate Social Responsibility (CSR) efforts of formal private enterprises have resulted in some infrastructural development, alternative livelihoods and employment creation in the host communities.

Act 462 allows for active economic partnerships between the Assemblies with non-state entities including joint-ventures with commercial entities, occupational groups and even other districts.

However, the types of partnerships the Assemblies have engaged in have varied according to the size and level of development of the local authority. For instance, the Metropolitan Assemblies have joint-ventures with the private sector including commercial car parks, market management companies, abattoirs and trade-fair facilities. Partnerships engaged in by smaller Assemblies have largely been in securing private services in waste disposal, revenue collection and managing markets, toilets and lorry parks. The service providers include individuals, firms and local economic/occupational groupings.

Partnerships between the Assemblies and the private sector would be greatly facilitated by guidelines for good practice, popular consultation and wide
communication, confidence and mutual accommodation between the two parties (MLGRD, 2002). The local private sector must also have the requisite capacity to execute the contracts that could come their way from the Assemblies.

**Interventions promoted by central government agencies and departments with implications for local economy stimulation**

Programmes have been coordinated and managed by central government agencies which are locally implemented often by a designated programme officer. These arrangements involved the Assemblies as stakeholders in some level of monitoring, review and oversight. Examples include interventions emanating from the Ministry of Trade and Industry including the Rural Enterprises Programme (REP) and the work of the Business Advisory Centres, guided by the National Board for Small Scale Industries (NBSSI).

There have been interventions for key sections of the population, particularly the youth and women. A key youth-targeted intervention worth reflecting on is the Local Enterprises and Skills Development Programme (LESDEP) implemented through the Ministry of Local Government and Rural Development (MLGRD) and the former National Youth Employment Programme (NYEP)\(^3\). The Local Enterprises and Skills Development Programme (LESDEP) was initiated in 2011 as an employment creation programme for community development in Ghana, focusing on training the unemployed to acquire viable skills and providing start-up resources. It was implemented under the auspices of MLGRD with institutional collaborators drawn from agencies involved in small enterprise development over the years. These included the National Youth Authority (NYA), the Opportunities Industrialization Centre (OIC), the National Board for Small Scale Industries (NBSSI) and GRATIS. The programme had offices in the 170 Districts that existed in 2003 and provided easy-to-handle trade machines, accessible training modules and finance facilities from local banks. Typical jobs that LESDEP supported included mobile phone and computer repairs, transportation, construction, local food/catering, hair and beauty care, community water supply services and fisheries.

\(^3\) NYEP metamorphosed into the Ghana Youth Employment and Entrepreneurship Development Agency (GYEEADA) and is currently the Youth Employment Agency (YEA).
Government interventions targeting women through their localities have included micro-credit programmes for women’s enterprises implemented by the (then) Ministry of Women and Children (MOWAC) in collaboration with MLGRD in the last decade. On a more comprehensive basis, MOWAC executed a four-year Gender Responsive Skills and Community Development Project (GRSCDP) from 2009 to 2013 to sustain poverty alleviation among women for improved equitable socio-economic development at both national and local levels. Therefore, apart from individual micro and small scale women entrepreneurs, the project tried to address the larger national and district environments through institutional capacity building for gender mainstreaming into national planning, monitoring and evaluation, and improvement of targeting of women’s gainful employment and entrepreneurship. It covered fifty-nine (59) Districts within the ten (10) administrative regions of Ghana. Therefore, other beneficiaries of the Project included main-line Ministries, Departments and Agencies, Community Development Training Institutes and Women’s Training Centres, Microfinance Institutions (MFIs) and Business Development Service (BDS) providers.

**Initiatives Arising from Development Partner Collaboration with National and Local Governments**

Development partners and international development organizations have supported various programmes and projects aimed at employment creation, income generation and generally improving the economic and social well-being of populations in various localities. A number of these programmes implemented between 2000 and 2011 have been presented in the Box below.

**LED Initiatives with Development Partner Support between 2000 and 2011**

- The Ghana Decent Work Pilot Programme by International Labour Organization (ILO) implemented in six (6) Districts in the Central Region
- The Rural Enterprise Project by the International Fund for Agricultural Development (IFAD) in the four Northern Regions
• Local Regional Economic Development (LRED) Project by the German Technical Assistance Cooperation (GTZ) in selected partner Districts with the Ministry of Trade and Industries
• Community Based Rural Development Programme (CBRDP) financed by the World Bank
• Local Economic Development (LED) Project supported by the UNDP/UNCDF and implemented by the Ministry of Local Government and Rural Development (MLGRD) with the National Development Planning Commission (NDPC) and their partner institutions
• Northern Region Poverty Reduction Programme (NORPREP) financed by the World Bank and implemented in the three Northern Regions
• Community Driven Initiative for Food Security (CIFS) financed by the Canadian International Development Agency (CIDA) and implemented in the three Northern Regions;
• District Wide Assistance Project (DWAP) financed by the Canadian International Development Agency (CIDA) and implemented in the three Northern Regions;
• Afro-Asian Rural Development Organization Support Programme;
• Urban Poverty Reduction Project (UPRP) funded by the African Development Bank under the Social Investment Fund (AfDB-SIF);
• The District Development Facility (DDF) which provides resources for infrastructural development in districts attaining requisite passes in the Functional Organizational Assessment Tool (FOAT).
• Local Governance and Decentralization Program (LOGODEP) supported by the United States Agency for International Development (USAID)
• Competency Based Economies through the Formation of Enterprises (CEFE) Training by GIZ (German Technical Assistance)- (Programme for Sustainable Economic Development (PSED)
• The Labour Intensive Public Works Programme (LIPW) under the Ghana Social Opportunities Project (GSOP) funded by the World Bank

Some of these initiatives continued beyond 2011 including the DWAP, UPRP, the DDF, LOGODEP and the LIPW. While these processes were desirable and yielded several important products and capacities, delivery had its challenges, particularly
sustainability. The Assemblies’ long-term ownership of these interventions and the emerging lessons required substantial financial commitment to the LED promotion. However, development funding available to the Assemblies is quite limited and there is the perception that development investments must be visible. Therefore, the Assemblies preferred to invest largely in tangible projects such as school blocks, health facilities and infrastructure. Also, the culture of participatory planning for the Assemblies was still low, and enterprise support structures at the District levels such as the Business Advisory Centres (BACs) required strengthening by way of skills and logistics. Finally, these interventions were largely supply-side oriented and the private sector structures were weak and could not mount the vigorous demand and participate effectively in plans and strategies to yield the desired results.

Though some of these interventions did not have LED as their main focus, they still offered important insights. The Local Governance and Decentralization Program (LOGODEP) funded by USAID and implemented under the auspices of the Western Regional Coordinating Council is worth mentioning. The programme built the capacities of Assembly Members in LED and emphasized coordination between stakeholders in LED. Towards enhanced efficiency, transparency and accountability in local resource allocation, the programme studied the linkages between internal revenue generation, collection and space and spatial planning in five (5) pilot Districts. The Assemblies did not have accurate information on business entities and properties in their Districts and lacked proper street naming and addressing systems. This hampered collection of local revenue and delivery of targeted services and security for businesses.

**The Assemblies’ Facilitation of Small-Scale Enterprises, Local Artisans and Economic Groups**

Over the years, the Assemblies have supported employment creation from various sources including locally generated revenues and the District Assemblies Common Fund (DACF). Other interventions have provided critical infrastructure for local economic development such as market structures through the District Development Facility (DDF) since 2009. A policy to guide micro-credit provision from the DACF was issued in 1997. However, the facility was not sustained for various reasons including low rates of recovery.
The Assemblies have opportunities to support their local artisans and economic groups by entering into partnerships with them. For instance, local and community-based enterprises could be engaged to provide sanitation, revenue collection, public facility (toilets and others) management, catering and infrastructural development services. Another route is to consciously target certain proportion of the Assemblies’ Internally Generated Revenue (IGR) for developing facilities for local small operators. The Assemblies can also partner trade associations and membership organizations to share relevant information, build consensus on support interventions and allocate resources. However, these opportunities have not been widely and optimally pursued (Ofei-Aboagye, 2006).

Lessons from the 2010 Mapping of LED Interventions in Ghana

A mapping of LED-type interventions was undertaken by the Ministry of Local Government and Rural Development (MLGRD) and its partners with support from the United Nations Development Programme (UNDP) in 2010. The study identified about sixty-two (62) initiatives country-wide. While people and organizations defined LED differently according to their localities, the common perception was that these interventions were to create job opportunities and enhance living standards. It was also agreed that partnerships between public, private and civic entities were critical to effectively promoting LED. In LED-related partnerships, the public sector was mainly responsible for facilitating and enabling local economic activity (UNDP/MLGRD, 2011).

The mapping found that several potential LED interventions in Ghana tended to focus on single economic sectors rather than adopt a multi-sector, regional-based approach that would promote synergy. Central government agencies were inclined to be more dominant in local economic promotion activities than local authorities; and several of these interventions were project based with limited efforts at integration into the Assemblies’ medium-term plans. Several LED-promoting projects had tried to establish various governance structures at the District level which tended to foster duplication and unsustainability.

Some projects had resulted in the Assemblies developing LED guidelines and other instruments, such as in the Central Region where the ILO-supported Decent
Work Programme had been implemented; and the GIZ-LRED partner districts in the Northern, Ashanti and Brong-Ahafo Regions. The instruments included business plans, marketing strategies and guidelines for establishing public private partnerships, industrial estates and dialogue platforms for advocacy, participatory fee-fixing and improving the Assembly services.

The mapping found that the agricultural sector had received comparatively higher levels of LED investment and therefore had the potential of being a catalyst for real local growth and development. On the other hand, key economic activities such as manufacturing, marketing, construction and transport had received relatively low levels of investment.

A review of financial support for LED activities suggested that there had been challenges with commercial banks including high interest rates, cumbersome loan application and approval procedures. Also, formal finance institutions were not interested in the medium to long-term lending which was required for business start-up and retention.

The study concluded that there was the need to step up capacity building efforts in the MMDAs to integrate LED into the District level medium term development plans. A culture of community participation and stakeholder ownership had to be encouraged in a clear LED strategy in every District. The roles and responsibilities of the different parties would be clarified in this strategy in order to strengthen accountability. Clear political commitment to LED, decentralized fiscal planning and integrated action by the relevant district level departments were all required to expedite action.

**Resources for LED Capacity Development and Support**

Building capacity for LED has assumed considerable importance on the local governance agenda in this decade with activities including training, provision of guidelines, advocacy and fostering partnerships. Training programmes have been conducted for various categories of local government officials since 2000 by the Ministry of Local Government and Rural Development (MLGRD), the Institute
of Local Government Studies (ILGS) and the Local Government Service (LGS). Interventions by the Assemblies and Regional Coordinating Councils (RCCs) have taken place and supported by development partners and programmes.

NDPC and its partners piloted a process which involved the conduct of socio-economic surveys and establishment of LED platforms with seven (7) districts in 2012 and 2013\(^4\). This process was to facilitate inclusion of LED in the assemblies’ plan review and implementation processes.

Since the plans represented the Districts’ development agenda and were to be developed in a participatory manner with economic, social and faith-based groups and communities, mainstreaming LED would enhance local, multi-stakeholder ownership.

A national Local Economic Development (LED) Policy was launched in 2013 (its provisions are discussed further in subsequent sections). The National Association of Local Authorities of Ghana (NALAG) also initiated a LED Project under the Commonwealth Local Government Forum (CLGF) programme.

Through the efforts of development programmes in partnership with local membership organizations, some advocacy has been undertaken to make the Assemblies more responsive to local enterprises. Under the Business Advocacy Fund (BUSAC), membership associations including hairdressers, garage owners and artisans have engaged the Assemblies. The Women in Informal Employment and Organizing (WIEGO) has worked with market associations to strengthen their engagement and dialogue with local authorities including the Accra and Sekondi-Takoradi Metropolitan Assemblies.

The LED Project which supported the mapping of LED-type initiatives also provided inputs for the national LED policy and manuals for capacity building. These and other guiding instruments that emerged from the other collaborations included the terms of reference (TOR) for Institutional Mapping, the Establishment of Sub-Committees on Production and Gainful Employment (SPGE), Business Development Studies/Socio-Economic Studies, Developing

\(^4\) These were Amansie West, Central Gonja, Tamale, Kassena Nankana, Bongo, Sissala West and Wa

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Promising Economic Sub-Sectors and the establishment of District Enterprise Development Fund (DEDF). Various publications emerged including training guides for Small Business Associations, Social Marketing for LED, SWOT analysis at the community level, the conduct of Value Chain Analysis and Public Private Partnerships at the local level.

GIZ promoted the “Competency Based Economies through the Formation of Enterprises” (CEFE) Training for business associations and individuals using an action-oriented approach and experiential learning methods. Training of trainers (ToT) programmes were conducted for national entities such as the National Board for Small Scale Industries (NBSSI) and the Institute of Local Government Studies (ILGS) with the view that these parties would in turn provide training to others. The training content included organizational and entrepreneurial competences; business idea generation; market and marketing; organizational and production development; financial management and business planning.

The emergence of new public management in the 1990s brought in its wake the resurgence of Public Private Partnerships (PPP). Given this swift move, efforts were made to translate PPP into a local government context through various programmes in the decade of 2000 to 2010. Among others, the Government Accountability Improves Trust (GAIT) Programmes 1 and II funded by USAID as well as others supported by GIZ PSED/LRED during the same period also provided local civic organizations and economic associations with capacity building to the same end, including exchange visits, tools development, linkages and other forms of facilitation.

The Social Investment Fund (SIF funded by the African Development Bank) and the Community-Based Rural Development Programme (CBRDP funded by the World Bank) developed a range of guide-books, manuals and handbooks to support the conduct of PPP and LED by local level stakeholders/actors. African Connections, an American non-profit organization provided technical backstopping for the Assemblies and fostered investment partnerships with American cities and business entities. The Local Government Service (LGS) also supported a range of training programmes in 2010; and GIZ Support for Decentralization Reform (SfDR) commissioned a PPP mapping study in localities in 2010.
The results of all these efforts are interesting, available and may provide resources for appropriate re-tooling for the present context.

The National LED Policy and Related Policy Considerations

The gaps in Districts’ capacity for LED planning and implementation provided the impetus for various initiatives by development organizations, development partners and the government. The pilot effort initiated by NDPC for mainstreaming LED in the District level planning was upscaled through the inclusion of LED provisions in the District medium-term development planning guidelines for 2014 to 2017. However, all of these interventions had to be coordinated in a consistent framework, therefore necessitating the national LED Policy.

The LED Policy was launched in 2013 with a vision to create responsive local economies for improved standard of living, economic growth and sustainable development. Its goal was drawn from the 2010 Decentralization Policy Framework, which was to facilitate economic growth, employment and income generation in order to promote household welfare and alleviate poverty. The specific objectives were to:

- Create a harmonized, coordinated and integrated framework to address local economic gaps
- Strengthen local economic competitiveness and participation
- Promote wealth creation and poverty reduction
- Improve infrastructure and quality service delivery at the local level
- Minimize adverse environmental impacts.

The policy, which drew its mandate from the Constitution and the Ghana Shared Growth and Development Agenda (GSGDA I 2010 to 2013), aspires to:

- Improving coordination of economic development planning and implementation; across governments and between government and donors, government and businesses and citizens at the local level;
- Enabling local governments to support local economies to realize their potential and make local communities active participants in the economy of the country;
- Enabling local governments to facilitate functioning partnerships between
the public and private sectors to unlock the local economy and drive new growth;

• Providing a financing framework to coordinate funding flows in support of the strategy and

• Promoting broad based local participation in the economy.

The policy’s guiding principles include:

• Decentralized, bottom up efforts to influence the economic destiny and development of the country;

• Creation of a conducive, socio-economic environment for employment opportunities by the Assemblies;

• Constant improvement and integration of national priorities and programmes in local spaces;

• Awareness and exploitation of local potentials and competitiveness;

• Coordinated action of all key stakeholders and sectors of government on local medium term development plans;

• Locally owned appropriate solutions and strategies promoting sustainable development and human settlements;

• Recognition of the global and increasingly integrated nature of world economy which provides opportunities as well as threats;

• Partnerships with the private sector to stimulate robust and inclusive growth;

• People as the greatest resource and building the skills of citizens to stimulate local economies; and

• Enhancing local initiatives, energies, creativity and assertive leadership to unlock the potential of local economies.

The policy attempts to be socially sensitive by having HIV/AIDS (and its implications for labour supply and costs), the informal economy and women, youth and the physically challenged as cross-cutting issues.

It outlines institutional arrangements including provisions for a LED Secretariat at MLGRD and a LED Platform to facilitate dialogue, planning and information exchange among the Assemblies, relevant civil society organizations and the private sector. There are proposals for continuous monitoring as well as annual reviews and periodic evaluation arrangements. A communication strategy in the policy recognizes the need to ensure understanding of the purposes and
prospects of LED among the various groups and stakeholders. Therefore, it proposes different channels of communication including public fora and village meetings, policy dialogues at the District and Regional levels and advocacy through the local news media (radio, newspapers and bulletins).

The policy was linked to other policy frameworks, whose issues are still relevant. The 2010 Decentralization Policy Framework for instance, provided for employment creation, income generation and poverty reduction, all reliant on local economic development. The policy also envisaged District level and private sector-led development and encouraged privatization of certain functions of assemblies and joint implementation of others with the Assemblies. It proposed that the role played by the State at the national level as an enabler, promoter and regulator of an essentially private sector economy, would be played at the District level by the Assemblies.

The 2011 PPP policy framework was another important instrument in the context within which the LED policy was crafted. It defines PPP as, “a contractual arrangement between a public entity and a private sector party, with clear agreement on shared objectives intended to provide public infrastructure and public services traditionally provided by the public sector. Usually under PPPs, the private sector party performs part of a government organization’s service delivery functions, and assumes the associated risks for a significant period of time. In return, the private sector entity receives a benefit/financial remuneration (according to predefined performance criteria), which may be derived: entirely from service tariffs or user charges; entirely from Government budgets, which may be fixed or partially fixed, periodic payments (annuities) and contingent; and a combination of the above."

While the definition and the contents of the PPP policy appear targeted at large scale private sector firms, the concept has critical implications for LED. There is the need to conceptualize PPP further for application at the local level.
Regionally Balanced LED: Ensuring that Different Parts of the Country Benefit Equitably from National Economic Windfalls

Development at the District levels has been the focus of this paper. However, if LED is a territorially-based concept and economies of scale would optimize development investments, then Regional Economic Development is necessary. The issue of regional balance in sub-national development is an issue of concern, as indicated by the Fourth Republican Constitution. It states in Article 36, Clause (2) that the State shall take all necessary steps to establish a sound and healthy economy whose underlying principles shall include ... (d) undertaking even and balanced development of all regions and every part of each region of Ghana, and in particular, improving the conditions of life in the rural areas, and generally redressing any imbalance in development between the rural and the urban areas”.

The LED Mapping Study (MLGRD, 2011) referred to earlier, suggested that most LED interventions were limited in coverage and, therefore, questions of regional balance and equitable distribution still persisted. Parts of the country are differentially endowed and resourced. Beyond differential natural resource endowments, some regions are more attractive to trained professionals due to various factors including urbanization. Poverty is more severe in some parts of the country such as the three Northern Regions, the Central Region and parts of the Western Region, than others.

In the current governance arrangements, regional administrations have planning, coordinating, monitoring, evaluation, conflict resolution and technical backstopping functions. The National Development Planning Systems Act (Act 480) provides for Regional Planning Coordinating Units (RPCUs). The Local Government Act requires the Region to lead on developmental activities that would benefit more than one District in the Region, joint-development area activities and other interventions that would provide economies of scale. In this light, the efforts of some Regional Coordinating Councils (RCCs) to hold economic forums, conferences and dialogues to plan region-wide development strategies including the Brong Ahafo, Ashanti and Western Regions is in recognition of their obligations for inter-district facilitation.
Inter-regional vehicles to coordinate development in ways that would optimize economies of scale and facilitate cooperation across administrative regions are imperative. In this respect, the Savannah Accelerated Development Authority (SADA) can be examined. SADA was established under Act 805 (2010) to provide a framework for the comprehensive and long-term development of the Northern Savannah Ecological Zone (NSEZ) and related matters. In particular, SADA is required to facilitate programmes focused on improved access to food, sustainable livelihoods and safety net investments for vulnerable areas in the NSEZ, implement programmes aimed at flood mitigation and environmental renewal to improve water resources management and disaster preparedness and cooperate with key statutory institutions including the Assemblies and relevant civil society organizations.

The law provided for SADA to implement programmes to maximize the economic development potential of the NSEZ and execute community driven development actions to stimulate modernization and competitiveness of small holder/agricultural undertakings. The extensive powers assigned to SADA have been recognized in various development agendas and frameworks including GSGDA I (2010 to 2013) and II (2014 to 2017) and the Coordinated Programme of Economic and Social Policies, 2014 to 2020.

In the 2011 Budget Statement, a section titled “Addressing Endemic Poverty”, justified and made budgetary provision for the Savannah Accelerated Development Authority (SADA) and Central Region Development Commission (CEDECOM). There were indications that the regional approach was intended to address poverty on a wider, more coordinated and coherent, but sub-national basis. In the Central Region, particular initiatives were identified namely, tourism development, agribusiness, salt production and human resource development to create jobs and facilitate business in the Region. Two months after assumption of office in July 2012, President John Mahama issued a “Critical Policy Actions” Paper for September to December, 2012. Sections 56 and 57 of the Paper indicated that SADA would be supported to provide impetus for accelerated development. Based on the SADA example, a Western Corridor Development Authority would be conceptualized. The law and other relevant documentation envisaged a close working relationship with the National Development Planning Commission (NDPC).
The SADA experience has been a mixed one to date. However, in 2015, the Authority embarked upon a master-planning exercise aimed at strategically positioning the Zone to attract investors and investment, create opportunities, generate employment and economic growth in ways intended to drastically reduce poverty. Some of the envisaged outputs of the process included an integrated data management system, regional concept plan, an on-line and GIS-based land management and property tax system. These activities, being undertaken during the period the country was embarking on a long-term national development planning process under the auspices of the NDPC, would provide critical lessons for inter-regional or zonal economic development planning.

**Financing Inter-Regional LED and Benefitting Equitably from National Economic Windfalls: A Case for Imbalanced Decentralization?**

There are various approaches to addressing regionally balanced development, including re-distribution of incomes and opportunities. Interventions must be carefully considered that will allow for flows from natural resource-strong areas to natural resource-weak areas; and the resource-weak areas to provide human capital and social resources to optimize productivity and value-addition to the resource-strong areas.

Also, financing region-wide LED activities and regional-level facilitation is an urgent issue to be addressed. Under the current decentralization arrangements, the politico-administrative “region” itself has been inadequately funded; largely because it was not expected to initiate or undertake development activities. Some resources have periodically been made available to the regions through DACF to facilitate their monitoring and quality control activities. However, there are indications that in a new Decentralized Local Governance Bill adequate provision would be made for resourcing the region.

Many Ghanaians have suggested that economic development at the sub-national level and social protection programmes can be funded from national resources including petroleum revenues and other revenue streams. Petroleum revenues
have attracted much attention because of the need for substantial investment to ensure the long-term growth of the nation. The Petroleum Revenue Management Act of 2011 (Act 815\(^5\)) established the Petroleum Holding Fund to receive and disburse all petroleum revenues. Seventy per cent (70%) of this fund was to be disbursed to the government budget and 30% to the Heritage and Stabilization Funds. The Ghana Heritage Fund, which was to receive 9%, was understood to be a fund for future generations of Ghanaians, when the oil resources are depleted and thereby, foster inter-generational equity. The Ghana Stabilization Fund on the other hand, would be a sovereign wealth fund to cushion the impact or sustain public expenditure capacity in periods of revenue shortfalls (or decreases in oil prices) and reduce revenue volatility. It would receive the remaining 21%.

Some issues for debate that have arisen in relation to the Heritage Fund include whether the investment will actually bring benefits to future generations and how this would impact on the nation’s ability to develop. These have to do particularly with the situation, where Ghana faces serious developmental challenges and inter-regional inequities, even in the present. Other issues relate to collateralization of petroleum revenues. This has been justified on the basis of securing development financing. However, detractors point to the danger of fostering inflation and the “Dutch Disease” experience of other resource-rich nations.

In view of these concerns, the provision in Act 815 Section 21 (2) (d) for a medium term expenditure framework guided by a long-term national development plan approved by Parliament becomes crucial. The indication that a minimum of 70% of annual budget funding for public investment expenditures consistent with the long-term plan also provides some consideration to ensuring equitable regional benefits from national “windfalls“. In 2015, the National Development Planning Commission (NDPC) embarked on the long-term planning process, beginning with extensive consultations at the regional level, in order to get both region-specific and national-level priorities for inclusion in the plan scheduled for 2018 to 2057. These arrangements provide an avenue for promoting regionally equitable infrastructural development and seeking synergies for natural resource-poor areas to provide human capital and social

\(^5\) which was amended by Act 893
resources to optimize productivity and value-addition to the resource-strong areas. How decentralization can be used to achieve equitable growth and address the reality of differential resourcing of different Regions and Districts has engaged several countries. It is often assumed that local governments are areas which are homogenous and decentralized units given more or less similar amounts of powers under the respective national legislations.

An argument can be made for a regionally-differentiated approach to sub-national level development or “asymmetric (imbalanced) decentralization”. Asymmetric federalism [decentralization] exists whenever governments at the same level of geographic responsibilities – towns, counties, cities or states – have different regulatory and fiscal powers.

Asymmetric approaches to financing, service delivery and development intervention become necessary because localities are not equally sized, equally influential or equally autonomous. However, location-specific and political factors including differences in size, population densities and resource endowments, are realities that must be acknowledged and planned for. Congleton (2014) argues that where central government policies appear to favour some regions and communities over others, they have unequal levels of influence. Such local authorities can negotiate with central government better, have special arrangements and power over aspects of their development⁶.

Asymmetric decentralization has been used to manage potential conflicts, contain secession (separation), promote equitable development (such as in Indonesia with the differing characteristics of the different regions), maintain peculiar historical and cultural heritages (such as in Quebec) or address the potential challenges that ethnicity and conflict may pose such as in Ethiopia and Macedonia (Levitas, 2011; Yilmaz and Venugopal, 2008).

However, asymmetric provisions can provide localities with unique sources of revenue and particular economic advantages. The usefulness of the approach

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⁶ Congleton (2014) argues that federalism is not a pre-requisite for decentralization; that a government that lacks a provincial or regional chamber of government, may none the less distribute policy making power among many layers of regional policy making organizations. Some other writers distinguish federalism by indicating that federalism is constitutionally guaranteed self-rule (Peace Mediation Essentials)
for LED is evident in the case of Kunshan of the Yangtze Delta in China (Chien, 2006). The lesson there is that local authorities must have the scope to innovate and implement innovations and increase development. Such arrangements can include the declaration of “special territorial autonomy” or being given varying degrees of autonomy based on the context of the area.

In Ghana, to a large extent, a symmetric approach to decentralization has been adopted. It may be useful to consider the differential capacities of the various Assemblies – based on their location, the economic activities they attract, their population sizes and potential, so that they can be encouraged to be more independent in engaging in financing options, partnerships and retention of revenues made in their localities.

Modernization of the Agricultural Sector as a Strategy for LED

Ghana is predominantly an agricultural country. It is, therefore, reasonable to expect local authorities to prioritize agriculture to promote local level development, employment, productivity and good standards of living for the people. Sustained and strategic support for the agricultural sector should be an important part of their agendas.

The 2010 LED mapping referred to earlier, found that the agricultural sector had received comparatively higher levels of LED investment and therefore had the potential of being a catalyst for real local growth and development. However, the agricultural sector interventions were challenged by low networking with selected value chains and among institutions, limitations in public-private dialogue, weak farmer based organizations and insufficient attention to value addition.

Under the New Partnership for Africa’s Development (NEPAD), the Comprehensive African Agricultural Development Programme (CAADP) was developed in 2003 to improve and promote agriculture across Africa. CAADP sought to bring together key players at the continental, regional and national levels to improve coordination, share knowledge, successes and failures to encourage one
another and promote joint and separate efforts to achieve its goals. The programme set 2015 as a target year to achieve dynamic agricultural markets within and between the countries and regions of Africa; encourage farmer participation in the market economy and make the continent a net exporter of agricultural products. Through the programme more equitable distribution of wealth for rural populations would be achieved. The continent would be positioned as a strategic player in agricultural science and technology and environmentally sound agricultural production and a culture of sustainable management of natural resources would be established.

Ghana’s Country Compact (agreement) which translates CAADP and the ECOWAS Agricultural Policy (ECOWAP) was signed by various partners in October 2009. CAADP was useful in the review and revising the 2002 Food and Agricultural Sector Development Policy (FASDEP). The compact was to coordinate support for the implementation of the Ghana Food and Agriculture Sector Development Plan (FASDEP) and Sector Plan Agenda. The compact was endorsed by the Government of Ghana, representatives of development partners, traditional authorities, organized labour, representatives of farmers, private sector and civil society organizations, agricultural associations and parliament.

The Ghanaian experience was captured as a success story by the NEPAD Planning and Coordinating Agency and GIZ in 2011. In particular, achievements in enhancing stakeholder engagement, private sector participation and aligning donor support were indicated.

FASDEP II undertook detailed studies of the opportunities for improvements in cereal production and marketing in northern Ghana. FASDEP II sought to improve the operating environment for all categories of farmers, particularly poor, risk-prone and risk-averse producers. Extensive participation of private sector, farmers’ organizations and other players in policy debates was achieved. In particular, the participation of local level economic actors – District Assemblies, farmers and producers associations and traditional authorities was recorded.

The formal private sector involvement provided the added benefit of improving investment planning and sensitizing the Ministry to the need to establish a Private Sector Liaison Office. The structures and practices that have been achieved
are essential and must be replicated at the local level. The 2010 Medium Term Agricultural Sector Investment Plan (METASIP) has had support from development partners, having been involved in the review and plan development processes.

After 2015, the lessons learned from CAADP and the way forward will emerge. African Countries as well as the Regional Organizations\(^7\) have committed to sustainable modernization of agriculture and rural transformation (SMART). The indicators involved relate to the status of national farming communities, their natural resource endowments and agricultural management capacities, and the national/regional SMART driving forces of technology, infrastructure, institutions and policies (TIIP).

According to the Chinese Wikipedia\(^8\), agricultural modernization involves approaches that are scientific, intensive, commodity and market-oriented. It is based on the use of modern industrial equipment, modern agricultural science and technology and modern management theory. The ultimate goal is to raise land productivity, resource productivity, labour productivity and product commodity rates and ensure economic benefits, social benefits as well as ecological benefits. Modernization can be extended beyond production (planting crops, aquaculture and animal husbandry) to large markets, application of technology to food processing to get high quality, high grade products and high value-addition. It could aim at transforming agriculture for commercialization purposes and providing a basis for industrialization including linkage to the creation of nearby industrial estates.

Modernization could relate to benefiting from modern technology, modern seed and stock production, water and irrigation management, the linkage of new technology to productivity. Naturally, modernization efforts must be linked to ongoing research and development.

Coordinated efforts implemented within the framework of the national agricultural sector policy, which is relevant to LED, could provide some important lessons for promoting district, regional and inter-regional efforts. In particular, the

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\(^7\) The African Union (AU), the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS)

\(^8\) Accessed on 5th September, 2013
Northern Rural Growth Programme (NRGP) offers some reflection for innovative and targeted intervention.

NRGP started in 2012 as a successor/umbrella programme for IFAD projects implemented in the last decade in Northern Ghana. It was intended to provide a coherent institutional system that would achieve sustainable agricultural development and livelihoods; develop pro-poor rural enterprises through microfinance; strengthen local institutions and provide a responsive pro-poor policy.

The programme was implemented with support from the African Development Bank (AfDB) and the International Fund for Agricultural Development (IFAD) in the three Northern Regions and five (5) Districts in Brong Ahafo. The programme had four (4) main components namely, commodity chain development, rural infrastructure development, improving access to financial services and programme coordination, management, monitoring and evaluation.

The focus on developing agricultural value chains and increasing agricultural production was critical. It assisted vulnerable groups including women and the youth. It pursued profitable commodity and food chains, while improving market linkages with the domestic and export markets. These priorities are still relevant.

Some of the programmes implemented through partnerships between local communities, the Assemblies and international development organizations offer some strategies for addressing some of these priorities and challenges. These include interventions with the Netherlands Development Organization (SNV), World Vision International and TechnoServe and local organizations such as the Ecumenical Association for Sustainable Agriculture and Rural Development (ECASARD). The considerable learning available from these and other pilot initiatives should be harnessed by local authorities in an effort to improve district level LED knowledge management.

While international, national and regional level actors can provide considerable support for agriculture-based LED efforts, the Assemblies have performed some roles. The Assemblies hosted Presidents’ Special Initiatives (PSIs), sponsored Farmers’ awards, mass cocoa spraying, facilitated credit and capacity building for farmers as well as provided logistics for extension workers. The Assemblies also
provided assistance to the directorates of agriculture in their localities, supplied inputs, supported the purchase of agricultural produce and linked their farmers to key markets including public institutions in the District or Region.

To support agricultural development in their localities, some Assemblies have created agricultural sub-committees. With the operationalization of the Local Government Service (LGS) and the integration of district level departments under LI 1961, the Assemblies will be required to provide more sustained support for the Departments of Agriculture and their activities with farmers, FBOs and other stakeholders along the value-chain.

There is the need for creative consideration of the contribution agriculture will make to the District’s LED Strategy. The Assemblies have to strategize to promote agricultural modernization in their jurisdictions and address the weaknesses of local agricultural production, particularly improving marketing, market development, finding inter-regional markets and value addition.

The change management required the re-orientation of the Assemblies and local stakeholders to be aware of the bold new vision of modernized agriculture, beyond what the Districts are presently doing. On the other hand, the resource and logistical challenges to present agricultural production, processing, marketing, extension and service delivery should not be underestimated. The questions indicated in the box below will be some of those that need to be answered in this undertaking.

- What kind of strategic, consistent and long-term interest have the Assemblies shown in agricultural undertakings?
- Has there been deliberate prioritization of a particular achievement or goal for agriculture in the District including the following as a source of food security; as a source of employment and income-generation; as a source of inputs for agro-processing, tourism, health and other related industrial development?
- What is the level of support by the Assemblies to technical/professional staff in their activities?
- What is the level of investment in agriculture by the Assemblies and what type of agricultural activity is prioritized for investment – food
versus cash crops; levels of efficiency of production; scales of production; considerations for achieving economies of scale, effectiveness and consistency in the production chain?

- What efforts have been made to consider the opportunity cost of agriculture for land-use for other undertakings such as real estate, industrial estates and mining?
- Which forward and backward linkages have been identified in relation to agriculture in the District?
- What enabling support have the Assemblies sought from key stakeholders for agricultural development for strategic growth including:

  1. the Assemblies’ collaboration with traditional authorities and families/land owners providing land;
  2. investors in agricultural undertakings;
  3. individual farmers, tenants, women, young people and food marketers
  4. market sources for large scale production;
  5. regional coordinating councils to foster joint development initiatives for economies of scale;
  6. research institutions;
  7. producers, manufacturers and importers of critical inputs including improved varieties, production enhancers, technology;
  8. innovative/creative sources of credit that take the constraints of potential beneficiaries into account (including inventory credit)?

Various opportunities exist for focusing on agriculture to stimulate LED, given the new interest in integrated and strategic agricultural approaches. The integration of departments could create new orientations and new structures into which change management can be easily integrated. Guided by the new ethos (culture) of integrated delivery of development, the decentralized departments that would be involved in LED (including the Departments of Social Development, Trade and Industry, the Business Advisory Centres and Co-operatives) must be enabled to coordinate their activities with the Department of Food and Agriculture to ensure coherence and exploit togetherness for better results. The Assemblies also have the legislative power to make relevant bye-laws for sustainable urban agriculture.
Therefore, the availability of the District Development Facility (DDF), efforts to enhance local revenue generation, moves to strengthen district financial capacity through the Inter-Governmental Fiscal Framework (IGFF) and the private sector, it is expected that, the financing mechanisms will increase the resources that can be devoted to developing new markets, processing plants and other infrastructure to be used for critical local level development.

There could be more intensive use of existing programmes, resources and structures. For instance, the Ghana School Feeding Programme (GSFP) is an important national initiative, implemented at the district level that could foster agricultural production by providing a ready market and eventually stimulate agro-processing, local enterprise development and employment creation. The regions as supervising entities can reward innovative districts in these areas.

Relationships between the Assemblies and traditional authorities must be re-oriented in any local authorities’ bid to make agriculture the basis for LED. As custodians of lands with the moral oversight responsibility of the citizenry, the support of chiefs would be invaluable for mobilizing the good will of the people. Traditional authorities also influence social resources that can be harnessed to promote the vision of modernized, integrated agriculture-led LED including positive, traditional socio-cultural practices and social events such as festivals and durbars.

There are opportunities for advocacy and engagement with CBOs and local CSOs including farmer based organizations, traditional councils and economic associations. There are several projects and models of promoting agricultural productivity which have remained success stories of “pilots” to be learnt from. However, some critical issues must be addressed. The general state of the cooperative movement in Ghana is not encouraging. However, agricultural cooperatives may play an important role in LED.

The tendency of some projects and programmes sponsored by NGOs to engage interested “individuals” in the assembly system rather than the local administration or the assembly office does not augur well for sustainability. Also, challenges still exist in harnessing and disseminating good practices as well as in
combining and utilizing valuable agricultural data with other local level information (including harmonizing information from multiple sources).

The central government needs to acknowledge and respect the roles of the Assemblies as the government entities present in the locality. For instance, the implications of such issues such as payment of compensation to local farmers and enterprises for lands acquired for national projects should be discussed with the Assemblies before the project starts rather than after the initiation of the project.

**Industrialization as a Transforming Strategy for LED**

Industrialization as a complementary or an alternative strategy for LED has distinct potentials.

It is logical that local authorities engage with the local private sector, particularly micro/small enterprises to promote internal or district-level fiscal self-reliance. There are a number of ways in which local government could support local enterprises including tax benefits and enabling services such as business assistance, expedited registration and development incentives. The Ghana Shared Growth and Development Agenda (GSGDA I and II) identified national and sub-national industrialization efforts as priorities.

Under the Accelerated Industrial Development, GSGDA I indicated that the industrialization agenda would be decentralized in order to exploit the resource endowments of Districts and rural areas. It also envisaged public-private partnerships as a way of achieving this industrialization.

After GSGDA I ended in 2013, GSGDA II (2014 to 2017) also outlined proposals for industrialization. Under GSGDA II Medium Term Development Agenda for Transformation, the prospects include opportunities in agro-industrialization. The analysis of key issues for accelerated economic growth, job creation and poverty reduction, identified some of the weaknesses to be addressed as the growth and development of the manufacturing sub-sector as a catalyst for industrial transformation and weak linkages between agriculture and industry. The GSGDA II considers LED under the strategies for the “Growth and Development of MSMEs” (Section 3.3.3). It seeks to promote the establishment of business
development, technology parks and land banks especially at the district level to promote LED.

For the way forward, the GSGDA II envisages that the industrial sector should continue to play a pivotal role in encouraging growth at an average annual rate of 13.2% over the period 2014-2017. The anticipated drivers in this sector include agro-processing, especially by increasing the share of cocoa processed locally and oil palm processing; light manufacturing in wood processing and wood products; integrated aluminium industry and the processing of other mineral resources. There was provision for industrial estates initiatives under a China Development Bank (CBD) facility and growth in infrastructure development. The oil and gas sector was also anticipated to foster industrial development including their production, the use of gas to generate electricity and increased outputs from the mining industry.

Salt production would increase to meet industrial demand. Sub-national industrial programmes to improve the manufacturing industry including the Tema and Takoradi Industrial City Programmes, the Savannah Zone Industrial Programme and the Cape Coast City ICT programme were provided for. The Industrial Development Fund to support selected manufacturing industries would be operationalized. All of these initiatives would take place within localities and have multiplier effects within local economies.

In spite of the intentions for decentralized action, the Centre appears to retain a strong role in promoting industrialization at the local level. Key policies are meant to reinforce this. For instance, the Public-Private Partnership Policy proposes considerable central level dominance but has less detailed provisions for MMDA level responsibilities for promoting and engaging in PPPs. Other issues should be considered and addressed if industrialization is going to be promoted as a transforming strategy for LED. The National Industrial Policy of 2010 and the Industrial Sector Support Programme of 2011 raised issues about standardization, the need for funding for the private sector and needed platforms for dialogue and support. These must be taken into account in local level efforts at promoting industrialization.
Local stakeholders require demonstrable results from centrally-led initiatives. If the enthusiasm surrounding their start-up is not sustained and the required support (such as credit and markets) does not follow up on a timely basis, then the relevant confidence is lost. To date, recent district level industrialization initiatives such as the Rural Enterprises Projects (REPs) and the President’s Special Initiatives (PSI) cannot be cited for their successes. There is the additional danger of perceived politicization of such national programmes.

Some key national organizations whose operations have implications for local manufacturers do not have a presence or representatives at the district level. Therefore, in order to access their services, local actors have to travel to the regional or national levels. Communication to their stakeholders is also hampered and some do not appear to have sufficiently differentiated their services to take account of the special circumstances and smaller scales of operation and capital limitations of small scale actors. Some of these organizations are the Ghana Standards Authority (GSA), the Foods and Drugs Authority (FDA) and the National Board for Small Scale Industries (NBSSI). The FDA works with the District Environmental Health Units to undertake inspections while the NBSSI works through the BACs. However, this could be improved further, as recent studies undertaken by the Association of Small Scale Industries (ASSI) suggest.

If industrialization is going to be a transforming strategy for promoting LED, then proper scanning of district level experiences, prospects and potentials is required. Local authorities can take strategic, timely actions which may be low-cost interventions to foster local industrial development which have high results. On the other hand, local authorities can actually impede people’s capacity to be entrepreneurial through excessive regulation and bureaucracy. Therefore, the costs of doing business become high and hamper business development in localities. Inadequate information, interest and management control systems could result in significant difficulties in LED implementation.

There are other pertinent issues affecting industrialization for LED promotion. These include coordination, innovation, research and development, relationships with private sector, financing industrialization from local revenues and the place of social protection in LED. Some of these are discussed further below.
The multiplicity of industrial support interventions and the relative lack of coordination need to be addressed. The situation may be particularly difficult for small scale operators where they have to engage with several uncoordinated entities. Business start-up and operation requires small scale industrialists to engage with different regulatory bodies, utilities and a complex array of service providers. The wide range of Ministries, Departments and Agencies (MDAs) implementing projects and programmes may come from the Trade and Industry, Gender, Children and Social Protection, Local Government, Disaster Management and other sectors. There are further overlaps with NGOs, membership associations and faith-based groups who are also intervening at the local level with entrepreneurial development, credit and other forms of assistance.

Strong linkages between small scale local industries and large scale, formal private sector entities and membership organizations would facilitate industrialization for LED. Small scale operators would benefit from the considerable influence, voice, networks and visibility of organizations like the Ghana Employers Association (GEA), Ghana National Chamber of Commerce and Industry (GNCCI), the Association of Ghana Industries (AGI) and the Association of Small Scale Industries (ASSI). However, their presence at the district level and linkages with small, district-based economic associations and trade groups are inadequate or almost non-existent. Backward and forward linkages that could empower local enterprises are under-developed and under-utilized. The presence and effectiveness of local councils of labour (of the Ghana Trades Union Congress) and networking with other civil society entities in relation to LED needs to be enhanced to facilitate decent work.

Preceding sections have referred to the availability of valuable lessons from pilot programmes and initiatives that need to be harnessed. Apart from this, it appears that research and development efforts have not benefited entities at the local level. Over the years, organizations such as CSIR, GRATIS and the ITTU have developed various products that have the potential to improve productivity of small scale enterprises. However, the resources to invest in mass production of such technology, training in their use and adoption and even behaviour change communication have been lacking. Regional and district level entities are not sufficiently capacitated to explore these resources for their local stakeholders.
On another level, Regional and District Planning Coordination Units (R/PCUs) are expected to be able to lead research efforts and undertake data collection and analysis to support planning and implementation. If industrialization is to facilitate LED, the R/PCUs need to be strengthened to coordinate research and development to support district industrialization efforts as well as small scale industrialists.

Public Private Partnerships with formal, large-scale national and international private sector entities could promote industrialization for LED. Presently, the PPP policy reflects national priority areas such as:

- Transport and logistics including highways and urban roads, rail, ports, airports, fishing harbours, bridges and mass urban public transport;
- Local government services including sanitation, solid and liquid waste management and municipal markets;
- Water projects including water supply, treatment and distribution and related infrastructure;
- Energy projects including hydroelectric and captive power generation projects, natural gas transmission and related infrastructure, electricity generation and distribution;
- Tourism projects including cultural centres, entertainment and recreational facilities and other tourism related infrastructure;
- Industrial projects including industrial parks, special economic zones and related projects;
- Irrigation projects combined with power generation;
- Social and IT infrastructure including education, culture, health infrastructure, housing and ICT; and
- Priority projects that are affordable to the government and consumers and represent value for money and also provide a better approach than public procurement.

As part of the process of promoting local level industrialization, the Assemblies and promoters of the LED agenda must examine these for opportunities in order to encourage local initiatives and partnerships. PPPs could strengthen organizational as well as financial aspects of local enterprise development. As a financial management tool, PPP could reduce pressure on the budgets and resources of local authorities by accessing private finance for
infrastructural development and ensuring better value for money.

However, there are various challenges to effective relationships between local authorities and formal private sector actors, particularly international ones. Local authorities may lack the appropriate infrastructure, experience, responsiveness and sufficient capacity to provide the enabling environment that formal private sector may require. This becomes even more complex with globalization, where urban local authorities are not able to meet demands for international service standards that firms and multi-national corporations (MNCs) expect.

If LED and PPP efforts are going to have the desired effects, there must be improvements in local level capacities for investment, negotiation, borrowing and financial management. Local authority staff need to engage with the private sector to develop the relevant skills for collaboration and negotiation. But in situations where central government agencies have retained responsibilities for such an engagement, the capacities of local authorities for contracting, supervising and managing consultants could be limited. The performance of local firms may be hampered by difficulties in meeting project deadlines and social pressures. Therefore, attention should be paid to building or securing such capacities (through consultancies and other means).

The Assemblies must also be able to maximize the potential contributions to the local economy arising from the corporate social responsibilities (CSRs) of formal private sector operators in their localities. To this end, the localities must have a clear strategy for negotiating and optimizing what these corporate entities (including mining, agro-processing and natural resource extracting firms) are willing to give back to local communities so that it falls in line the local LED strategy.

It is useful if local authorities have various financing options to choose from, but to date these have been relatively limited. However, with the proposals in the new Decentralized Local Governance and the Inter-Governmental Fiscal Framework (IGFF) on borrowing, locally generated funds and revenue assignment, the options have been expanded.

Under the IGFF, the Assemblies are expected to develop action plans for
district level revenue mobilization, taking on board issues of coverage, valuations, collections, enforcement and taxpayer services. They are also required to link revenue mobilization to fund maintenance and operations and complete efforts at standardizing house numbering and street naming. Other efforts to stimulate revenue mobilization include relevant training for key players such as Assembly Members, District staff and citizens as well as linking revenue mobilization performance to financial transfers and rewards.

In relation to borrowing by local authorities, the IGFF proposes a borrowing and debt management policy to encourage efficient and accountable long-term capital development investment for Districts to reduce unnecessary financial risk to public funds. Under that framework, a monitoring system for MMDA borrowing as well as guidelines for public investment management for the district level will be provided.

Finally, LED efforts may have poverty reduction and social protection as objectives, depending on the circumstances of the citizenry. LED design would incorporate social dimensions and adopt livelihoods approaches that would build on informal and traditional economic practices, mobilize available local resources and community assets and engage local social and economic networks. Where social protection is a primary consideration, local authorities would pursue socially-oriented strategies such as providing targeted, essential social services, training and employment for vulnerable groups and minorities and funding local enterprises through grants and loans.

However, there could be a conflict between addressing the qualitative dimensions of poverty such as powerlessness, low capabilities and deprivation on one hand and promoting efficiency and competitiveness, on the other. Mainstream LED does not necessarily take account of solidarity, self-help, mutual assistance and voluntary work, which could be features of the actions to promote local level employment and income generation. The Assemblies and their stakeholders need to take some decisions about the thrust of their LED efforts.

Local authorities could adopt affirmative action to support disadvantaged local contractors to provide certain labour-based services in order to enhance assets building, capacity development and local ownership alongside income
generation and employment creation. However, a number of factors could impede the implementation of such a policy. For instance, lack of clarity in procurement and contracting responsibilities between central and local level actors, development partner / international financing conditions and insistence on competitive bidding even for very small projects could prevent local authorities from such affirmative action. Preferences of policy makers, technocrats and even local citizens for capital-intensive methods over labour-intensive efforts of small, local firms could also be an impediment. The Labour-Intensive Public Works (LIPW) Programme which is providing infrastructural development in sixty-nine (69) Districts under the Ghana Social Opportunities Project (GSOP) is an interesting example. The lessons emanating from this initiative could provide valuable insights for using LED to achieve productive inclusion in Ghana.

Future Directions for LED in Ghana

The Constitution seeks to achieve the economic and social rights of all Ghanaians. At the international level, fulfilment of Sustainable Development Goal (SDG) 8 could set the stage and provide the force for reaching this end. SDG 8 seeks to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, LED is, therefore, critical in achieving these. Some of the targets considered in relation the SDG 8 include supporting productive activities, decent job creation, entrepreneurship, creativity and innovation and encourage formalization and growth of micro, small and medium-sized enterprises including through access to financial services. The goal also considers how to empower young people, persons with disabilities, migrant workers and women, protect labour rights and promote safe working environments for all workers.

LED is very much on the national agenda, as the provisions in the GSGDA II, relevant policies and legislation suggest. It is a strategy that has considerable prospects for achieving sustainable development and improving the living standards of the citizenry. Decentralization has the advantage of opening up localities for investment and Public Private Partnerships. However, there is still a lot of work to be done in order to optimize the opportunities that the new LED policy offers.
As a starting point, the different stakeholders must be able to appreciate the opportunities offered in order to optimize these. Other priorities include improving the financial independence of local authorities to promote LED, implement planned programmes on a timely basis and have more leverage to choose strategically from options available to them. Fiscal decentralization is also imperative for achieving this independence.

Effective implementation of local LED plans and activities requires local authorities to provide an enabling environment in which local enterprises can thrive. This environment includes the requisite infrastructure and support services including financial support for local entrepreneurs. Local governments also have mobilizing and coordinating functions in their jurisdictions. Other actors must play complementary roles. The central government which is responsible for the larger enabling policy and macro-economic environment, must ensure policy coherence. The regional authorities, the RCCs must apply their coordination, monitoring and facilitation mandates as well as technical backstopping to promote LED at the inter-district and regional levels.

Private sector entities as employers and investors are pivotal for successful LED implementation. Their entrepreneurial effectiveness would identify optimal investments that would respond to market demands, citizens’ needs and competitive niches. Traditional authorities, civil society and non-governmental organizations (CSOs and NGOs) would reach out to their members, mediate between the Assemblies and their communities and create greater sensitivity to marginalized and under-served sections of the population. This would help to broaden economic opportunities. Communities whose members are the consumers and customers whose needs are to be met and whose savings could be invested are key players to be involved. They would have an interest in monitoring LED performance at the district levels. Finally, development partners would assist in mobilizing technical support, best practices, financial and other resources.

Various national policies and legislations have implications for local economic development and must be analyzed from that viewpoint, especially for identifying the possible constraints they could impose on local initiatives. These include the Public Procurement Act (Act 663) which, as presently crafted, could
potentially constrain the Assemblies’ capacity and innovative efforts to procure services and promote local entrepreneurial capacity. Other constraints to local economic development have been identified in the current Local Government Act (Act 462), District Assemblies Common Fund Law (Act 455) and others relevant for decentralization.

The Proposed Decentralized Local Governance Bill drafted and validated in 2015 reviews, amends and consolidates five major laws on local government and decentralization namely: the District Assemblies Common Fund Act, the Local Government Act, the National Development Planning (System) Act, the Local Government Service Act and the Internal Audit Agency Act.

The proposals in the Decentralized Local Governance Bill on financial matters of the Assemblies have important implications. It defines “development” in relation to the District Assemblies Common Fund (DACF) so that it includes such indicators that provide for standards of living and welfare as in the UNDP concept so that it is not limited in its interpretation. The proposals allow the Assemblies to charge for licences for undertaking commercial and other activities in the District including operators and providers of electronic communication services. Another consideration is for assemblies to retain non-tax revenues collected by the departments of the Assemblies for the performance of their functions, in line with fiscal decentralization principles of finances following functions.

The new law will seek to empower the Assemblies to collect income taxes from identified economic actors including informal sector operators. These would include spare parts dealers, tailors and dressmakers, drinking bar operators, chop bar keepers, cooked food sellers in general and hairdressers. Given the technical challenges of computing income taxes, there is provision for an appropriate public body to be authorized to collect taxes on behalf of the Assembly. Finally, the limits on the borrowing power of the Assemblies in Act 462 are reviewed from GHC2000 to an amount to be determined from time to time by the Ministry of Finance. The proposals in the IGFF for enhancing local revenue generation and borrowing must be coordinated with other legislation and policies outside the local government sector.

There are a number of ongoing initiatives which have LED promotion
implications. These include the Ministry of Trade and Industry’s renewed efforts at implementing the Rural Enterprises Projects (REP). National efforts at promoting technical and vocational capacity through the COTVET programme and the Skills Development Fund (SDF) are also worth noting.

COTVET has among its ongoing interventions, the Ghana Skills Development Initiative (GSDI) which builds capacity in the informal sector and assists trade associations to improve the traditional apprenticeship system. Its Development of Skills for Industry Project (DSIP) targets females and the rural poor and supports promoting equitable access to public institutions.

There are other public sector organizations whose activities the Assemblies and RCCs could partner for effective LED promotion. These include the Youth Employment Agency (YEA) and the Savannah Accelerated Development Authority (SADA). Some entities could assist the Assemblies in creating their requisite support systems. These include the Social Security and National Insurance Trust (SSNIT), National Disaster Management Organization (NADMO), which has employment creation functions and the Community Water and Sanitation Agency (CWSA). The GRATIS Foundation which succeeded the GRATIS Project has a presence all over Ghana through its nine regional centres. Its mission to develop, promote and disseminate marketable technologies and skills for the growth of enterprises and its special capacities in agro-processing equipment production and repair could be invaluable in providing support services for LED.

Under the LI of 1961 or the Local Government (Departments of District Assemblies) Commencement Instrument of 2009, various departments are required to engage in or foster Public Private Partnerships. For instance, the Education, Youth and Sports Department is expected to advise the Assemblies on PPPs in the establishment of various educational and youth related facilities as well as PPPs in youth work and sports infrastructure. Functions under the Social Welfare and Community Development Department as well as collaborative initiatives by Natural Resource and Conservation Department are expected to benefit from PPPs as a strategy for financing, services and infrastructure delivery. The Department of Trade and Industry is expected to promote the formation of associations and cooperative groups.
At the national level, there are several sectoral initiatives that could have LED implications that need to be harmonized. More interaction must be had by the Ministries of Trade and Industry, Finance, Food and Agriculture, Local Government and Rural Development, Environment, Science and Technology about coordinating their efforts, reducing territorialism and improving coherence and coordination at the district level. Indeed, further education is required at the national/central government level to develop a government-wide capacity to understand and promote LED.

At all governance levels (national and sub-national), mechanisms for regular communication must be established to ensure that the key actors have a shared agenda. A forum bringing together government agencies, development partners, NGOs and civil society (including membership associations), private sector and support organizations will help to track developments, identify policy, regulatory and institutional challenges, generate solutions and stimulate innovation for economic development.

Learning has to be harnessed from international and other country experiences as well as LED pilots implemented in the country. The guidelines and other capacity-building instruments available must be made easily accessible to the Assemblies, LED practitioners and entrepreneurs. LED and small enterprises in other countries have utilized information technology and electronic resources effectively in this regard.

In spite of the availability of the PPP, LED and Industrial Policies and their accompanying action plans, a concerted effort must be made to assist the Assemblies to practicalize and “localize” their provisions and develop local benchmarks to assess progress. PPP viewed from a devolution perspective has prospects for improving organizational effectiveness, financial management and local level development – infrastructure, capacity and service delivery.

There are still challenges to mainstreaming LED into district-level planning, monitoring, coordination and evaluation, including the capacity, time and resources of the Assemblies. The Assemblies must be further equipped for managing Public Private Partnerships including the CSR dimension and modern financing mechanisms. GSGDA II indicates that a CSR policy is going to be
developed to guide various stakeholders.

The Assemblies must be required to invest in LED support activities. For instance, the Assemblies must budget for organizing LED-related platforms, fora, consultations and training programmes. Revenue generated from markets and enterprises must be linked to infrastructural improvements and visibly applied to the sources of the revenue.

The Assemblies’ capacities for collecting and analyzing data on small enterprises and LED initiatives must be built. This is essential for local level planning, monitoring and evaluation and also for harnessing and disseminating relevant information to key stakeholders. The Assemblies should also endeavour to build relevant partnerships for providing capacity-building, financing and marketing support to local enterprises and local economic actors. However, in order to do this, clear and accurate situation analyses, data-bases on local economic actors and needs assessments must regularly be updated.

The Assemblies require a multi-stakeholder and multi-disciplinary body whose composition will go beyond the Assembly Members to provide the required oversight of district LED efforts. As part of the scoping and planning process, a stakeholder analysis is necessary to know who the key interested parties are, the nature of their interest, the level of their influence and what they bring to the table. The analysis will facilitate decisions including the quantum and range of activities to be supported, building market linkages and value-addition. This will help in the search for new synergies and new partners.

The Assemblies must also have the capacity to build partnerships not only with the private sector and service providers, but also with the citizenry. Local level ownership can be built if citizens see their taxes being used to complement developments in the locality.

Finally, an assessment of the successes and lessons learned from assembly experiences with mainstreaming LED in sub-national medium term planning will provide a basis for further work in this area especially within the context of the long-term national development plan process the nation has embarked upon with the facilitation of NDPC.
As Ghana pursues its national and international obligations, LED provides considerable prospects for their achievement.
REFERENCES


REFERENCES


The Hexagon Model (Jorg Meyer-Stamer, 2004) provides a conceptual framework for LED which identifies six components. These are:

1. The target group being primarily businesses that are classified into three, namely (i) locally based businesses (ii) external investors in the locality and (iii) business start-ups,
2. Location factors, tangible and intangible factors that influence where businesses would be cited,
3. Synergies or the interrelated push and pull relations existing between LED and other spheres of development notably employment promotion, community and urban development as well as poverty reduction initiatives. It is important to see the distinct nature of LED as well as the synergic relationship it has with these forms of development initiatives,
4. Sustainable development that deals with economic, ecological and social aspects of development,
5. The governance framework that emphasizes Public Private Partnerships with clear and definite roles. For instance the public sector is responsible for administrative and regulatory functions while the private sector focuses on organization development in order to directly deliver in the local economy, and
6. Process management involving diagnostic steps and planning, implementation and monitoring and evaluation and a feed-back system for a continuous LED process renewal.

When LED is considered from the outcomes perspective, some impact indicators could include increased local enterprise investment; improved local government support to business (growth and development); improved local government service provision (infrastructure and social services); and improved environmental management and poverty reduction.
THE NEED FOR
A LONG TERM
DEVELOPMENT PLAN

Justice V.C.R.A.C Crabbe
Introduction

Ghana attained Independence in 1957. Sixth of March, to be exact. We are told that at the time of independence, we had favorable balance of trade payments. Our gross international reserves were up to the tune of about Two Hundred and Fifty Million Pounds Sterling. The Cocoa Marketing Board also had an enviable asset to the tune of about One Hundred and Fourteen Million Pounds Sterling.

Some fifty years down the line, we are told we are now in debt. We are now unable to balance our budget unless there is an injection of about 40% of financial support from our Donor Partners.

Why are we in such a situation now?

We are told that we have GOLD, DIAMOND, BAUXITE, TIMBER, COCOA and now we have OIL.

Why do we need to invite the International Monetary Fund? Could we not have dealt with the plans we have put before the International Monetary Fund ourselves?

At one time, Ghana was the Number One Cocoa producing country in the world. We no longer are. Why were we described as, and called, the Gold Coast? Because we had Gold. Ivory Coast is called Ivory Coast because they had Ivory. Does history reveal here a lesson for us? South Africa has been built on Gold and Diamond. We have these precious minerals here!
What then seems to be the problem?

Even though we have our statisticians here, let me be bold and say that, I do not believe in statistics. For instance, to me, statistics are like a lady’s bikini. What they reveal is suggestive, but what they conceal is vital.

If statistics tell us that Four Hundred babies have been born in 2014, it means that by the time these babies reach school going age, the schools are there for them to attend.

Is that the situation here in Ghana?

If the population growth is Five Hundred More Human Beings in the year, then we know or should know the number of houses to be built in a year. We should know or have a reasonable idea of the vehicles which would be on the roads and therefore, whether we need to have a three lane or a four lane dual carriage way, with the requisite number of foot bridges for the rest of us who do not have the means to buy and use cars or other vehicles.

What am I driving at?

Planning, planning and planning!

I read the Bible the other day, and this is what Genesis Chapter One says:
1. In the beginning God created the heaven and the earth.
2. And the earth was without form and void; and darkness was upon the face of the deep. And the Spirit of God moved upon the face of the waters.
3. And God said, Let there be light: and there was light.
4. And God saw the light: that it was good; and God divided the light from the darkness”

Do not worry. I am not going on verse by verse. I am reminded of a V.I.P who was addressing students at Harvard University. He started with “H” for Honesty, “A” for Ability and “R” for Responsibility. At that stage, one of the students in a quite audible voice said: “Thank God, this is not the Massachusetts Institute of Technology”. So let me go to the 31st – Verse:
And God saw everything that he had made, and, behold it was very good……….”
So there you have it. Six days labour and the Seventh, rest.

It is all planning, planning and planning.

If the hand of God planned, why do we who have His breath in us fail to see the wisdom in planning? With all His powers, He took six days to do all that He did. But at each stage, He examined what He had done and saw that it was good – before He went on to the next stage!

We often refer to the huge forest as a Jungle. We fail to see the planning and the orderliness in the forest we call the Jungle. The Jungle, as we call it, is so well organized that every tree gets the required amount of sunlight to produce the chlorophyll which is so vital, so essential for its life.

Mind you, each tree undergoes a complete natural cycle at least once a year. A complete natural cycle of events! This never failed for thousands and thousands of years! The seasons come and go. Day succeeds Night. Then comes the rain and then the sunshine.

God and Nature give us all the examples we need for the Economic Development of Ghana.

**And what is our response?**

Let me go first to the Directive Principles of State Policy. The Proposals of the Constitutional Commission of 1978, had the foresight to propose a set of Directive Principles as a useful tool setting forth certain fundamental objectives “to which governmental agencies should direct their action and programmes and by reference to which the citizens and the courts may assess and evaluate the extent to which those agencies and their programmes and actions conform to the spirit of the Constitution”1.

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1 Paragraph 32 of The Proposals of the Constitution Commission 1978. The present author was a member of that Commission, and subsequently became the Chairman of the Constituent Assembly for the Drafting of the 1979 Constitution and drafted the 1979 Constitution.
The Commissioners understood that a Constitution is not a ‘charter’ setting out a comprehensive, social and political philosophy or a document profuse with a declaration of directive principles and sentiments. The dangers and pitfalls inherent in such an approach are clear enough and do not need to be re-canvassed here. Meanwhile, they saw a difference between a statement of political or socio-economic philosophy and a set of directive principles and specific objectives which we should expect and demand from all of our Governments. The methods and priorities should be left to be dealt with by individual administrations in the light, among others, of their programmes and mandates and of the developing conditions and needs of the country as a whole.

They thought that, provided the principles were precisely worded and the areas covered were sufficiently specific, it should be possible for one generation to establish a set of guiding objectives and principles which would remain relevant and acceptable to future generations. In this, as in other things, certainty is not guaranteed to anyone. But the absence of this in the case of government and governmental institution building, had never been and should not ever be, pleaded as an excuse for doing nothing.

These sentiments led the 1978 Constitution Commissioners to propose a relatively short set of “directive principles” for inclusion in the Constitution. The proposals dealt with National Integration and Unity, Economic Policy, Social Policy, Educational Policy and Policy on International Relations.

In respect of National integration, the directive principle was that the government should provide adequate facilities and encouragement for the free mobility of people in order to foster a feeling of common identity and the sharing of a common destiny among all sections of the Ghanaian population. In connection with this, it was thought that extreme centralization of the administrative machinery, far from fostering loyalty to the nation and doing away with sectional and regional antagonisms and ill-feeling, would in fact, undermine national unity. It was believed that this could create resentment and a feeling of exploitation on the part of those for whom the extreme concentration of

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2 Paragraph 74
3 Paragraph 75
4 Paragraph 76
activities and facilities at the centre would present inconvenience and sometimes positive hardships and deprivation to.

The essence then was that, one of the objectives of the government, in the search for national integration and unity, was to take necessary measures to decentralize the administrative machinery to the regional and district centres, subject of course, to the overriding need to ensure sound administration, effective control of programmes and the primacy of overall national planning.5

The directive principles and objectives stipulated in the economic, social and educational fields were what they thought should be the ultimate target of any government, no matter its complexion and composition. These were:

(a) The promotion of planned and balanced economic development in order to ensure that the resources of Ghana were utilized for the common good of the people of Ghana as a whole,

(b) The need to encourage and facilitate the equality or rights, obligations and opportunities, the maintenance of humane laws and practices and the impartiality and easy accessibility to all of the courts of law, and

(c) The need to ensure equal and adequate educational opportunities for all, the promotion of science and technology and the eradication of illiteracy by the provision of appropriate free education at all levels and at all stages subject to the availability of the appropriate resources. 6

There was no pretension that the principles and objectives could be self-executing, no matter how specific the areas in which they were stated to operate and no matter how tightly drafted the individual provisions were. They thought that by articulating in clear terms the demands which the people were deemed constantly to be making on their governments, the principles could serve a useful purpose. They did not see that the principles could do any harm?7

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5 Paragraph 78
6 Paragraph 79
7 Paragraph 81
The 1991 Committee of Experts saw the need for “core principles around which national, political, social and economic life will revolve.” That was precisely what the Directive Principles of State Policy sought to do. Against the background of the achievements and failures of our post-independence experience, and our aspirations for the future as a people, the Principles attempted to set the stage for the enunciation of political, civil, economic and social rights of our people. They could thus be regarded as spelling out in broad strokes the spirit or conscience of the Constitution.\(^8\)

The Experts thought that by tradition the Directive Principles were not justiciable; even so, there were at least two good reasons for including them in a constitution.

First, the Directive Principles enunciated a set of fundamental objectives which a people expect all bodies and all persons who make or execute public policy to strive to achieve. In their Proposals, one novelty was the explicit inclusion of political parties among the bodies expected to observe the Principles. The reason for that was that political parties significantly influence government policy.

A second justification for including the Directive Principles in a Constitution was that, taken together, they constitute, in the long run, a sort of barometer by which the people could measure the performance of their government. In effect, they provided goals for legislative programmes and a guide for judicial interpretation.\(^9\)

On the basis of those considerations, the Committee proposed that the Directive Principles of the State Policy were for the guidance of Parliament, the President, the Council Ministers, Political Parties and other bodies and persons in making and applying public policy for the establishment of a just and free society. The Principles should not, of and by themselves, be legally enforceable by any Court. The Courts should, however, have regard for the Principles in interpreting any laws based on them.\(^10\)

\(^8\) Paragraph 94 of The Proposals for a Draft Constitution of Ghana  
\(^9\) Paragraph 95  
\(^10\) Paragraph 96
In view of the fact that the Principles are not justiciable, it becomes necessary to provide a standing reminder to an incumbent Government that it is expected to take necessary measures to achieve them. For this purpose, the Committee considered it adequate to adopt the provision in the 1979 Constitution stipulating that, at least once a year, the Government should report to Parliament on all the steps it has taken towards achieving the policy objectives: particularly, towards the realization of a healthy economy, the right to work, the right to good health care and the right to education. 11

I now go back to the 1978 Proposals. For, as a sequel to their proposals for the Directive Principles of the State Policy, the Commissioners considered the importance of National Economic Planning, and proposed the setting up of the National Development Commission.

They were convinced by the argument that there was the need for a National Development Commission. The function of the Commission would be to ensure that there was continuity in the field of economic and developmental planning through a standing governmental machinery.

Secondly, they thought that a Commission of that nature would undertake an overall view of the needs of the administration as a whole. They were firmly of the view that the conclusions of the Commission would be binding on, and command the respect of, all the Ministries and authorities of the Government.12

That was the origin of the National Development Commission, which finds its place in the 1992 Constitution, as the National Development Planning Commission under articles 86 and 87 of the 1992 Constitution. A constitutional body enshrined in the Constitution to ensure that it was not operated or discontinued merely on the whims of an individual President.

The National Development Commission was envisaged as the principal advisory body to the President on planning and developmental policy and strategy. It should accordingly, be closely related and directly responsible to the President. It was the belief that this could best be achieved by making the

11 Paragraph 97
12 Paragraph 152, 153 and 154 of The Proposals of the Constitutional Commission 1978
Commission operate under the chairmanship of the Vice-president. It was argued that such a Commission might duplicate the work of government ministries in the economic and planning area and even more important, that a Commission of the type envisaged could unduly restrict the freedom of action of the President in the formulation, implementation and review of his economic programme and strategies.

Even though the above were thought of, there could not be much justification for those fears. With regard to the first, it was the view that, with the establishment of a high powered National Development Commission, the continued existence of a separate Ministry of Economic Planning might not be necessary nor justified, but other Ministries dealing with financial management or trade policies should operate without major conflict or undue duplication. The Commissioners did not see that a President’s freedom of action could in any way be restricted merely because the President had a body to advise him. It could not be emphasised too strongly that the Commission would be an advisory body for the President - not a separate and independent executive authority. 13

Now, again, the Committee of Experts in 1991 realized that it was commonplace in the Constitutions of developing countries to provide for general principles of the economic and financial order. There were two main reasons for that.

First, in many developing countries the Constitution was seen as an instrument of economic development, spelling out the general responsibilities of the Government in the economy.

Secondly, the general principles of the economic and financial order provide guidelines to ensure, where appropriate, policy continuity and change.

Obviously, a Constitution could not embody details of national policy. Yet, the experience of our independence and the realities of the international economic environment made it imperative for the Constitution to explicitly reflect a concern about economic and financial matters and to seek to provide a framework for this crucial area of national life.

13 Paragraph 152, 153 and 154 of The Proposals of the Constitution Commission 1978
There was the clear indication that the generality of the people of Ghana had concerns for “cohesive and balanced” development of the country: about the need to establish a solid economic base for the fulfillment of the human needs of health, education, water, food, shelter and clothing, without which an enduring democratic political order could not be secured. This is what the Report of the National Council for Democracy has to say:

“The most secured democracy cannot be one that depends on a massive protective military or police presence, but one that assures the basic necessities of life for its people as a fundamental duty.”

In the light of those considerations, the Committee of Experts proposed the following principles for the consideration of the Consultative Assembly:

(a) the economic order of Ghana should develop a dynamic and diversified economy that should be responsive to the changing domestic and international economic environment;

(b) there was the need to harness individual initiative and creativity in economic activities within a context that recognizes national social responsibilities associated with such activities that include responsibilities for protecting the global environment and for addressing the needs of vulnerable groups;

(c) the State should endeavour to avoid the imposition of administrative controls in the management of the economy, such as the administrative determination of the exchange rate, allocation of import licence and the setting of price ceiling;

(d) there should be fiscal, financial and monetary discipline on the part of all relevant agencies, including banks and other financial institutions;

(e) there should be a responsible approach on the part of all economic decision-making institutions, with a strict regard for achieving an effective and efficient utilization of resources within our resource constraints;

(f) the relevant agencies should provide information and data on regular basis as a means for policy planning, monitoring, evaluation and implementation;
(g) there should be an emphasis on the importance of co-operative efforts and constant interaction among economic institutions;
(h) there was the need to provide consultative contexts for key economic actors to provide inputs into economic decision-making; and

(i) the development budget must be used as an instrument for generating economic activities nationally and in the various districts.\textsuperscript{14}

The 1991 Committee of Experts then, gave us a Draft for the establishment of the National Economic Development Commission to consist of:
(a) the Prime Minister who shall be chairman,
(b) the Minister responsible for Finance,
(c) the Minister responsible for Education,
(d) the Governor of the Bank of Ghana,
(e) one representative from each region elected by the Regional Co-ordinating Council,
(f) one representative each of identified private sector, trade and industrial organizations,
(g) one representative of the Trade Union Congress,
(h) a representative each of the minority parties in Parliament,
(i) such other persons as may be appointed by the President on the recommendations of the Prime Minister – taking into consideration their knowledge and experience in the relevant areas of economic or social planning and the need for gender balance.”

The Commission was to be responsible for:
(a) the strategic analysis of macro-economic and structural reform options and the development of multi-year rolling plans. In doing these, it must take into consideration the resource potential and comparative advantage of the different districts of Ghana; and

(b) the monitoring, evaluation and co-ordination of development policies, programmes and projects.

\textsuperscript{14} Paragraphs 361, 362, 363, 364 of The Proposals for a Draft Constitution for Ghana 1991
The Commission was to have a Secretariat which would include professionals with the necessary expertise in the various aspects of economic development including social and physical planning. It was proposed that the Secretariat of the Commission would be headed by an Executive Director appointed by the President on the advice of the Prime Minister on the basis of the professional expertise in economic and development issues of the person chosen for that top post.

It was envisaged that the Commission would be under the Prime Minister, with the President having the right to address the Commission from time to time.

The Proposals of the Committee of Experts 1991, as just slated, found expression in the 1992 Constitution, as articles 86 and 87:

“National Development Planning Commission”

86 (1) There shall be a National Planning Commission.

(2) The Commission shall consist of:
   (a) a chairman who shall be appointed by the President in consultation with the Council of State,
   (b) the Minister responsible for Finance and such other Ministers of State as the President may appoint,
   (c) the Government Statistician,
   (d) the Government of the Bank of Ghana,
   (e) one representative from each region of Ghana appointed by the Regional Co-ordinating Council of the region,
   (f) such other persons as may be appointed by the President with regard to their knowledge and experience of the relevant areas and roles pertaining to development, economic, social, environmental and spatial planning.

(3) The National Development Planning Commission shall be responsible to the President.

87 (1) The Commission shall advise the President on development planning policy and strategy
(2) The Commission shall, at the request of the President or Parliament or on its own initiative:
(a) study and make strategic analysis of macro-economic and structural reform options;
(b) make proposals for the development of multi-year rolling plans taking into consideration the resource potential and comprehensive advantage of the different districts of Ghana;
(c) make proposals for the protection of the natural and physical environment;
(d) make proposals for ensuring the even development of the districts of Ghana by the effective utilization of available resources; and
(e) monitor, evaluate and co-ordinate development policies, programmes and projects.

(3) The Commission shall also perform such other functions relating to development planning as the President may direct”.

Lastly, the Constitution Review Commission 2011, has told us that, “There was an overwhelming call by Ghanaians throughout the country for the institution of a long-term, strategic, and relatively permanent National Development Plan in order to steer the nation into prosperity. This was in spite of the fact that national development planning was not one of the indicative sets of issues that were used by the Commission to facilitate discussions on the review of the Constitution. The Commission agrees with the people of Ghana and recommends that a new National Development Planning Commission (NDPC) be established by the Constitution as an independent constitutional body with dedicated funding, charged with the development of a National Development Plan. The new NDPC should be composed of technically competent representatives of major political parties, traditional authority, the private sector, civil society, and all regional planning officers.

As far as is practicable, the Plan itself must be based on the Directive Principles of State Policy and must be long–term, strategic, relatively permanent, binding, and holistic, covering both the hard and soft aspects of development. This will improve the current practice of short-term planning and the reliance on political party manifestos that do not garner broad consensus. It will also address
the spate of abandoned projects all over the country. Any citizen may enforce the Plan in a court of law or other adjudicatory body. The Plan, including any changes to it, must be approved by Parliament. The Ministries, Departments and Agencies (MDAs) should be responsible for implementing the Plan and the NDPC responsible for monitoring and evaluating the implementation of the Plan and submitting annual Monitoring and Evaluation (M&E) reports to Parliament. The annual budgets of the government would have to be completely consistent with the Plan. This mechanism will ensure that government expenditure is effectively disciplined, especially during election years.”

We must not seek to invent the wheel. All that has to be said for the establishment of a National Development Plan has been said. I have thus sought to go back to 1978 and trace the history of our subject matter. History is always a guide in the development process of a nation, if only we can learn its lessons. Unfortunately, we do not often learn the lessons. Hence the difficulties we encounter. But sooner or later we shall. The study of past events – especially in human affairs is important for any nation if she chooses to progress.

Through all of the Proposals I have dealt with, there is a common thread of continuity, a common thread of agreement. This is based on the need to have a plan for our economic, political and social development. Why has there been so much unanimity and agreement on this need? That, in itself is a justification to have a National Development Plan. We learnt when we were children that two plus two always equals four – whether the reference is to angles or angels, oranges or orangutans. The principle never changes.

**So it must be with the planning of the economy.**

There is a gamble, is there not, when the colour of the political party which forms the government of the day changes and the economic policies which were used to develop the country change or have to change. A political party in our system forms a government for four or eight years. What are four or eight years in the life of a nation? Yes, circumstances do change and we with them. So does the weather. But we have not yet disputed the fact that night follows the day, and that after the rain comes the sun.

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15 Executive Summary, Report of the Constitution Review Commission pp 2 and 3
If our principles of government change with the changes in the political colour of the government as the reed changes according to the direction of the wind, of what value is the Constitution?

History comes in again. Without history, we do not know the precise scope of what it is that it is our business to know. It must be part of our rational study, not only as a first step, but a constant reminder to us that compromise, consent and consensus are important words of wisdom in the vocabulary of governmental and democratic development.

It leads to stability. Stability leads to progress. Progress leads to the welfare of the people. For such, we have governments. For such, we have the Constitution. And as the old adage has it, ‘the welfare of the people is the Supreme Law’.

I am not unmindful of the fact, in its White Paper on the recommendations of the Constitution Review Commission, the Government of the day did not accept the recommendations of the Commission regarding the establishment of the National Development Planning Commission.

May I say that the Government had not rejected the concept, the underlying principle of the concept.

One has the feeling, at times, that the concept of national development planning is confused with what has been described by economists as planned economy. That is not so. In a planned economy the Government takes all the major decisions about what should or should not be done, what should or should not be produced and who should get what. The term planned economy is used in contrast to what is described as the market economy in which decisions are taken by independent individuals, companies and firms.

It is claimed that a planned economy enables wasteful duplication and unemployment to be avoided. Goods and services are also distributed fairly. The system requires an enormous amount of information and personnel. The former Soviet Union was associated with this sort of planned economy.
On the other hand, what has been proposed, by the Constitution Review Commission, is a body (NDPC) comprising;
(a) the Minister of Finance,
(b) the Governor of the Bank of Ghana,
(c) the Statistician-General,
(d) one Regional Planning Officer for each region,
(e) one representative of each of the major political parties,
(f) two representatives of the National House of Chiefs,
(g) two representatives of the private sector,
(h) two representatives of organized labour,
(i) two representatives of civil society and
(j) the Director-General of the Commission.

Such a body is, obviously, national in character and charged with the very important responsibility to:

(a) develop a long-term comprehensive strategic multi-year National Development Plan that has in-built medium and what term plans, and

(b) monitor the implementation of the Plan.

For these functions, the Commission with regard to the Directive Principles of the State Policy, will among other things,
(a) develop programmes, projects and activities that will insure the even development of all parts of Ghana;

(b) develop a plan which will cover all areas of national life including development plans and social, economic, history, environment, infrastructure, agriculture, good governance, tolerance, national orientation and family life.

That is a tall order quite different from the issues of planned economy. Its essence, if properly managed is to have a national consensus on the way the economy of the country is organized. Parliament will have the opportunity to approve the Plan in the process of which there would be consultation and agreement reached so that the over-all output is a plan approved, as it were, by the nation as a whole.
When all is said and done, governments exist for the benefit and welfare of the people. Governments do not exist or are not created where men who govern think only of winning elections or their stomachs and their ideologies.

Government is not a personal issue. It is a very serious business and for that matter a national concern. Governments are not established to create “haves and have not”. Governments exist for the advantage of the people as a whole. It is not meant to be extrinsic and adventitious, nor for the nonsensically effused of some of the party’s political activities.

The good of the people is thus the object of the government of the day. The exercise of its powers must reflect the will of the people based on compromise, consensus and consent. These basic principles require a national outlook in the policies and programme of those who govern.

Thus the essence of a National Development Plan is a means to achieve a national outlook in the affairs of the public body. It will ensure continuity of a purpose which transcends petty political party squabbles, the ignoble ambitious of politicians, the absence of acrimony in our political discourse as regards our economic development and make way for the broad speedway of progress for the nation as a whole.

The concept of the National Development Plan is in harmony with the aspirations and the desires of the people of Ghana. As envisaged and demonstrated, it is intended to be national in character, to be part of the milieu (part of the environmental condition) in which the people of Ghana live. It is a measure by which to attain an end, not an end in itself. National development is social because individuals in our society act directly on each other. Meanwhile, it must be noted that the National Development Plan will act directly on all of the people - as a family.

There has been too much centralization in the hands of the few. Our experience educates us and we have come to know that the few do not always act for the common good of the majority. History itself made that evident. The aim of the National Development Plan is to make it possible for the common man, the individual citizen of Ghana – indeed all persons in Ghana – to have an inheritance in the management of the economy.
The people of Ghana are now aware of their inheritance. The future depends on the positive response to this awareness. We are being tested in our faith in the common man and woman of Ghana – the ultimate judges of what our leaders do or do not do.

Let us look forward to the happiness which the compromises and the consensus in the National Development Plan brings to us all in endeavouring to meet the desires, the expectations and the aspirations of the ordinary child, man and woman of, and in, Ghana.
QUALITY EDUCATION
FOR
QUALIFIED WORKERS

George Kwaku Dzeto
Introduction

It has been observed that a nation’s economic growth and the living standard of its people can be positively influenced by the quality and quantity of its human resources. McDonald et al (2013) contended that, for the world to successfully come out of the economic downturn of recent years, there is the need for countries to increase the skills of its workforce as the necessary aid to economic growth. It is in the light of the above that Enemali (2006) categorically stated that, “Manpower is the basic resource; it is the indispensable means of converting other resources to mankind’s use and benefit”. How well we improve the quality of our vocational education programmes, develop and employ human skills is fundamental in deciding how much we will accomplish as a nation¹.

The wealth of a nation is as much dependent on the accumulation of “human capital” as the accumulation of material capital. Investment in quality education is, therefore, seen as the acquisition and increase in the stock of people with the requisite skills, education and experience which are critical to national development.

Throughout the world, particularly the countries of Sub-Saharan Africa, governments are renewing efforts to promote Technical Vocation Education Training (TVET) with the belief that skill formation enhances productivity and sustains competitiveness in the global economy². It is in the light of this, that, Dzeto

¹ (Enemali, 2006; cited in Atsumbe et al, 2012): Repositioning Vocational and Technical Education for Effective Manpower Production in Nigeria, pg 106,
observed that since a skilled workforce is a precondition for economic growth, Ghana needs to strive to amend the current economic structure that hinges on exporting natural resources in their raw state to value addition. He further posits that, massive industrialization engendered by varied processing effort will create a spiral effect in various sectors thereby leading to transformation (Dzeto, 2014).

Adam (2011) contended that the main objective of TVET is to orient trainees for the world of work with the curriculum emphasizing the acquisition of employable skills (30% theoretical and 70% practical training). The expectation is that TVET will promote skills acquisition through Competency-Based Training (CBT).

According to a World Bank report about 80% of all basic skills development in Ghana take place in the informal sector. It further stated that 1 out of 3 young people between the ages of 18 and 25 years have undergone some informal skills development as against 1 out of 4, some 15 years ago. The report further established that, about 55% of graduates from Junior High Schools are unable to enter into Senior High School. Out of this, only 7% continue by entering into formal TVET, while the majority go into apprenticeship in various trade areas in the informal sector (World Bank, 2006 - cited in COTVET, 2010).

However, MacDonald et al. (2010) found out that, whereas the global demand for skilled workers has strengthened, the capacity of national economies to meet that demand has declined. This is particularly true given the following facts:

1. An extra one billion people in the world will become of working age within the next decade;
2. Those from 15 to 25 years of age in developing countries represent 85% of the world’s population; and
3. Conservatively, 89 million more secondary training places are needed by 2015

As noted by Dzeto (2014), that though Ghana has shown much concern for Vocational and Technical Education through its laws, little has been done to strengthen the sector. There are still no linkages between the training institutions and the industry, thus creating a gap between what is taught and
what the industry needs. Various reports have also confirmed that, Ghana lacks long term policy on human capital development. This absence of a strategic policy on human capital development has resulted in the marginalization of technical and vocational education. It has also led to the issue of mismatch between educational outputs and labour market demands and the continuing struggle to make tertiary education relevant and responsive to the demands of the economy\(^3\).

However, a developing country like Ghana needs to industrialize to sustain economic growth in the future which is balanced and focused on value-added products. In order to achieve this shift or transformation, the workers need to have certain skills to produce high quality products which can lead to a good reputation of Ghanaian products nationally, regionally and internationally. In relation to the above, the paper is aimed at examining the challenges facing post-secondary education in Ghana with special emphasis on informal vocational training (apprenticeship) and tertiary education in Ghana. The paper also sought to offer useful recommendations for strengthening TVET in Ghana. In line with its goal, the paper is divided into three broad parts. The first part gives a brief introduction to the need for human capital formation that will be a driver to economic development as well as perspective from literature on the role of TVET in national development.

This section ends by critically examining technical and vocational education in the Ghanaian context by focusing on the current situation. Part two of the paper focuses on the assessment of quality TVET in Ghana. This section looks at the features of the formal and informal TVET sectors and discusses in details the indicators of TVET. Efforts by successive government to improve the informal sector training receive attention in this section. Also, an assessment of the quality of tertiary education is considered by looking at the standards versus demands of the economy.

The final part of the paper discusses teacher quality issues, and assessment of the working ethics of teachers and how that impacts positively or negatively in the delivery of quality teaching and learning. The major challenges of the TVET
sector is extensively discussed under this section and some policy recommendations were made for implementations.

**The Role of TVET in National Development: Perspectives from Literature**

In his paper on the impact of human capital on the labour market, Alam (2007) noted that investment in education and training benefits not just the individual but the society as a whole. He continues that returns on investment for society will include skilled workforce, a prerequisite for global competitiveness and economic growth. For the individual, a better career path, increased earnings and a better quality of life will be the ultimate benefits.

Again, Fagerlind and Saha (1989) consider ‘human capital’ as that of education and training among other things that raise the productivity of workers, and increase their lifetime earning capacity.

However, Alam (2007) further suggests that governments only concentrate on ensuring Technical and Vocational education receives boost when there is increased demand for skills, when labour supply shows rapid growth, when employment grows quickly, or when employment increases significantly. In his view, the TVET only receives governmental attention because it provides both unemployed young people and older people jobs, reduces the burden on higher education, attracts foreign investment and ensures rapid growth of earnings and employment, as well as reducing the inequity of earnings between the rich and the poor.

On the contrary, Zymelman (1976), Psacharopoulos (1987) and Tailak (1998) argues that TVET provides a lower Rate of Return (RoR) than general education. In his rebuttal, Bennell (1996) argues that even if TVET students are less ‘academically brilliant’, the RoR for TVET is still high.

Again, Colin (1999) also in support of that position established that TVET also provides general education to the students apart from orienting trainees for the world of work. In his somewhat aggressive criticism, Foster (1965) points to Technical and Vocational education as a fallacy in development planning,
referring to them as effective only if the acquired skills are utilized properly. Colin shares that view but added that TVET can play a vital role in development planning, but warns that if the policy makers do not make it up to date and TVET schools do not have enough qualified teaching faculties and sufficient facilities to offer quality TVET, it will not be useful. He also claims that intrinsically these are not limitations of TVET but limitations of the educational policy of a country. In his counsel for balance, Bennell (1996) insists that although TVET has been a powerful influence in development planning, indiscriminately offering TVET may have negative impact on a nation’s development.

Arriagada and Ziderman (1992) differ from that position, saying TVET does not play an appropriate role in development, claiming that the higher investment needed for TVET does not seem to be compensated for by high returns. However, their definition of TVET can explain a good significant role of TVET in development: “Vocationalization refers to efforts by schools to include in their curricula those practical subjects which are likely to generate among the students some basic knowledge, skills and dispositions that prepare them to think of becoming skilled workers or to enter other manual occupations.”

From the foregoing, the World Bank Policy Paper on TVET (1991) introduced the following factors that must be considered in order to maximize the benefit of TVET for national development.

- Well timed modern courses linked to local and global demand;
- Relevant and up to date TVET courses need to be developed;
- Proper justification in respect of an individual country as to the best level to introduce TVET courses; and
- Wider range of TVET courses need to be developed taking into accounts demand and cost effectiveness.

The paper also noted that TVET courses should be offered for durations that take into account students’ classification in terms of their merit, ages, job market and a few.

**Present Situation of TVET in Ghana**

The discussion above indicates that offering different TVET programmes may
have a significant role to play in achieving national development. All things being equal, TVET institutions in Ghana are expected to focus 30% of their instructions on theory, committing the remaining 70% to practical hands-on training that caters for the requirements of one’s chosen profession, depending on the level at which the training is acquired. However, the TVET sub-sector is confronted with many challenges ranging from equipping trainees with needed skills to placing them where those acquired skills can be put to optimal use (refer to challenges for details).

Experts theorized that before joining the labour force, workers need to be trained to ensure higher productivity in the performance of their tasks. Atcharena and Caillods (1999) proposed that workers are adequately trained before joining the labour force. They further make a strong case for in-service training to maintain up to date skills.

Unlike the formal sector, the informal sector is also challenged in many respects, due to ineffective monitoring and lack of appropriate structures. The typical wayside artisans’ trainees (apprentices) can hardly boast of any theoretical instruction, as his/her trainer (master) may him/herself barely have the minimum education to allow for passing on the gained knowledge to the trainee at the workplace, simply because it is impossible to keep an empty sack standing straight without a hook to its neck.

On the other hand, the formal TVET sub-sector in Ghana does not allay the fears of Foster and Colin (1999) who are opposed to the whole concept of technical and vocational education, because the skills acquired are hardly well utilized or up to date, as TVET schools do not have enough qualified teaching faculties and sufficient facilities to offer quality TVET training. The current implementation in the country suffers many other weaknesses and constraints ranging from low public image to running courses that fail to make students highly employable. Closely connected to the above is the quality of students that enter into this TVET institution. It is often found that, they are either school drop outs or those who are unable to make the grades for the regular school system. Additional setbacks include the quality of trainers (staffs), inadequate and obsolete training equipment and facilities that in some cases cannot be glossed over. The quality of teaching and learning given the limited facilitator preparation coupled with the ‘disorganized’ instructional materials also require serious attention.
Another major missing link in the formal TVET system is the absence of a direct relationship or link with industry, resulting in serious mismatch between supply and demand for skills. Any serious observer must also worry over the absence of grading for the few, who take the trouble to sign up for practical attachment. Leaving that at the discretion of students must not be an option.

There is no gain saying that the supply-driven training mode adopted by the formal training institutions leaves products from such institutions with limited options as emerging industries, especially communications and oil and gas, are yet to show any greater interest in such graduates because their expertise does not match what is required in those sectors. Again, Ghana has taken the decision to build more secondary educational institutions with the focus on the teaching of the liberal studies and sciences rather than TVET institutions, which has resulted in producing graduates rather than skilled manpower. TVET is inherently multidisciplinary in nature, and depends to a significant extent on specialists from relevant disciplines in the country as well as those in developed countries where multidisciplinary approach has been the nature of their training (Watts, 1985). In those multidisciplinary environments where the needs of various sectors are factored into the training, graduates will find it easy fitting into existing employment structures.

Furthermore, though higher skills levels are required to boost productivity, underpin economic growth and create job opportunities, TVET is poorly perceived and often being preserved for those unable to attain the grades needed to enter regular high schools. Unless TVET begins to gain traction as an important component in socio-economic development of Ghana, it will ultimately have serious consequences for the country’s economy in the near future. It is therefore important to tap on the potentials of the sector, taking into account the known challenges and strategies to improve on TVET for sustained socio-economic development of Ghana.

Assessment of The Quality of Informal Vocational Training in Ghana

The informal sector of African economies absorbs the vast majority of new entrants into the labour market. Many men and women in search of work and
income find trade and vocation attractive and an as easy way of creating one's own employment. They start a micro-enterprise, usually in an urban area, where they will work alone or with one or two others who may be apprentices (World Bank, 2002).

Recent research shows that in Ghana, about 300,000 youth receive skills training in the informal sector per year. The average duration for the training is 3 years, but may vary depending on the sector and the individual. In some cases, a trainee is required to serve their trainers (masters) for a period varying from 3-12 months after the training period. It is believed that this period offers the participants the opportunity to acquire extra experience relevant for the chosen profession. Before training there is usually a verbal or written agreement between the Master and the apprentice or his or her parents or guardian. It is required that the apprentice pay a training fee ranging between GH 50.00 to GH 700.00 with an average of about GH 200 for the period. Unlike the formal system, there are no formal entry requirements. Testing and certification by the Master or Madam but in many sectors the certification is done through trade associations (Laing, 2013). The system of testing and certification affect the standard of training.

COTVET (2010), has identified the informal sector as a major area of concern in the TVET System in Ghana. It also suggested that during training, the trainee should have access to the tools and equipment that are used in the industry. Even though some institutions are better equipped than others, the general situation is less than satisfactory (Ibid).

The main features of Informal Training in Ghana are as follows:
1. Self-regulated and self-financing system
2. Open to vulnerable groups and drop-outs
3. Demand oriented and purely practical
4. Low cost and possibility to earn little money
5. Strengthens informal sector competitiveness (‘cheap labour’)
6. Acquisition of entrepreneurial skills
7. Unincorporated and unregistered
8. Household-based activities
The following are the core challenges observed in the sector:
1. No standardization (explain further)
2. Lack of career progression
3. No nationally recognized certification
4. No minimum criteria for entry
5. Quality of training varies strongly
6. Difficulties of coping with technological change
7. Danger of exploitation of apprentices

The formal TVET sector comprises of two main providers i.e. the Ghana Education Service and the National Vocational Training Institute. TVET operates as one of the ten Divisions of the GES and has the mandate to provide Pre –Tertiary Technical and Vocational Education and Training, carry out assessment and provide certification. The informal vocational training institutions, on the other hand, do not form part of any of the above regulatory institutions. The sector is open and vulnerable to many forms of manipulations by their operators. There are no standards and the quality is not assured. It is also worth noting that, informal sector qualifications cannot be compared across board i.e. a graduate apprentice trained in Accra under a very good work environment cannot be compared to a graduate trained in the rural areas where facilities and equipment are lacking. In effect, there are no standards to guide trainers in the informal sector.

Even though informal sector training according to the World Bank offers skills enabling workers to adapt to new technologies in the workplace and to be responsive to changing employment needs, the objectives and content of the curricula are derived from occupational standards, or more directly from analysis of the tasks that are to be carried out on the job. The effectiveness of these curricula are thus primarily determined by the extent to which trained persons can use their skills when employed (World Bank, 2002). In view of the fact that, the training is not based on any laid down procedure or formal rules and regulation, it compromised the standards of Vocational Education and Training (VET).
Certification Standards of Informal Sector Training

It is observed that informal sector training in Sub-Sahara Africa is usually not certified. This is because, the sector is self-regulated, heterogeneous and usually a household-based activity which is initially overlooked by public authorities (World Bank, 2002, p 24). This is not very different from what pertains in the Ghanaian setting. In Ghana, some trade associations have attempted to develop standards, specifications for qualifications, conduct the assessments for those specifications and processes and award certificates. An example is an attempt by the Ghana Hairdressers Association to regulate all its members, but the extent to which they have succeeded remains a question. Again, the Association of Dressmakers have also introduced certification exams for their members but face similar challenges in their efforts. The scope and coverage of these regulatory measures is nothing to write home about. In the light of these efforts, many apprenticeship trainees graduate from their trade professions without certificates. What is even more worrying is that, even if the certificates are awarded, they often do not meet national standards.

Indicators of Quality Vocational Education

According to Van den Berghe (1997), the quality of Vocational Education and Training (VET) is a longstanding concern shared by all stakeholders. The perception of whether or not a VET system is effective can obviously vary from one stakeholder group to another. Ideally, all stakeholders must feel they have sufficient opportunity to influence the objectives that are set and also the selection of quality indicators used to measure the attainment of those objectives. Thus it has historically been considered from pedagogical, economic, sociological, customer and management perspectives (Van den Berghe 1997b: cited in Blom et al, 2003). Schofield also suggested the following as indicators as far as quality concerned: effectiveness, fitness for purpose, efficiency, accountability and ethical practice and fair dealing (Schofield 2000: cited in Blom et al, 2003). One other important factor that cannot be left out in ensuring that VET systems remain effective is to plan for them to be evaluated and revised in a timely manner. Schofield (2000) contested that though the term quality is subjective, all vocational institutions that exhibit these features are considered quality.
However, where VET quality systems are based on national qualification frameworks and formalised standards for the registration of providers there is generally a higher degree of consistency in outcomes than in systems where certification of qualifications and accreditation of providers is less systematic. The National Centre for Vocational Education Research (NCVER) again contended that whichever indicators are used, they remain embedded in, or supported by, broader national contexts, whose features may be more influential in determining the quality of the systems’ performance than any local initiatives. NCVER also shares similar views with Van den Berghe (1997) and came out with the following indicators for measuring quality VET.

1. Range, content and availability of courses provided
2. Cost effectiveness and affordability of training
3. Management of the training process
4. The location and duration of training
5. Relevance, credibility and utility of training
6. Assessment processes
7. Competence of teachers delivering the programs.
8. Well-organised pathways from education to work and to further study (Blom et al, 2003)

**Figure 4: Interacting Framework of Quality TVET**

- Successfully interprets policy (national, regional, local) to enable best possible program offerings
- Appropriately funded and well managed
- Accountable to stakeholders
- Bound by principles of equity and ethics
- Informed by quality principles such as continuous improvement

- Developed in collaboration with, and responsive to feedback from stakeholders
- Articulate with further educational pathways
- Clear economic and/or social benefits post-completion
- Training is structured, sequenced, assessed, quality assured, certified
- Qualifications are nationally, mutually

- Internationally benchmarked
- Informed by all stakeholders
- National, local and institutional policies are synchronised
- Legislation and regulation are appropriate, well-informed, easy to interpret and follow
- Informed by research and flexible enough to be responsive

- Facilitated by excellent training
- Supported by appropriate physical and pedagogical facilities
- Encourage student achievement
- Enable participation
- Transform learners
- Culminate in work readiness
- Tailored to individual needs

Source: Adopted and modified from (Blom et al, 2003)
Feedback and Link to Industry

Many researchers have concluded that, the effectiveness of any vocational education or training is dependent on its ability to obtain feedback from its final users, namely the industry. However, the reverse is true in the Ghanaian setting. In Ghana, the majority of industries and companies that can help give practical skills to students are located in or around the capital, Accra, whereas the training institutions are located in the countryside. Industrial attachment is also left to the discretion of students. There is therefore no structured linkage between the training institutions and the industries. The Government does not give incentives to attract industries to giving opportunities to students for internships. Improving the linkage between Ghanaian industries and trainees of Vocational and Technical Training Centres is therefore a major concern for stakeholders.

The worse thing is that, internships are not supervised or graded, so students do not give the needed attention to it compared to other African countries. In developed countries like the UK, there exists a body (UK Commission for Employment and Skills) responsible for gathering information on standards and framework from employers and gives recommendation/ feedback to the government. This body is fully funded by the government.

The World Bank’s review of VET literature concluded that most modes of training prior to the entry into the labour force can yield good returns when there are jobs for graduates and the training is closely linked to effective employment demand. That is, when training is demand-driven (World Bank, 2002).

It also said that Ghana has shown much concern for Vocational and Technical Education through its laws, but little has been done to strengthen the sector. There are still no linkages between the training institutions and the industry. Thus creating a gap between what is taught and what the industry needs.

Efforts of The Government to Improve Informal Sector Training

The government of Ghana has made significant efforts to make informal sector training a credible alternative for the large number of Junior High School
graduates and drop outs. This is highlighted in the government’s white paper on the report of the Education Reform Review Committee (2004). ‘The government accordingly accepted the recommendation to constitute a National Apprenticeship Training Board to oversee and regulate apprentice training as well as handle issues concerning registration, certification, content and duration’ the paper stated. This is to make apprenticeship training in Ghana comparable to global standards. But are our graduate trainees meeting those standards?

Ngissah (2011) also established that many past governments (since independence) have introduced various educational reforms to meet the development aspirations of the nation, but it appears the most appropriate policy has not yet been found. According to the author, a number of educational reforms have been instituted of which the TVET sub-sector was not left out. Among some of these were: The Education Act of 1961, The Dzobo Report of 1973, the New Structure and Content of Education (1974), the Education Commission Report on Basic and Secondary Schools (1987/88), the University Rationalization Committee Report (1996), the Ghana Education Free Compulsory Universal Basic Education Programme (1996), and the Ghana Education Trust Fund Act, 2000 (Act 581).

These efforts can also be traced to Nkrumah’s educational plan when he decided to establish Primary Technical Schools to realise the linkage between education and national development. These schools were to run alongside primary schools to give concurrent training to boys and girls so that by the time a pupil left primary school he or she would have gained sufficient training to make him or her a semi-skilled worker. It would have also provided the platform for spotting talents in the various skills early among pupils early so that these could be nurtured to produce the likes of Bill Gates today. This is enough to say that Nkrumah envisioned that the introductory technical education at the primary schools would continue at the secondary level and eventually at the colleges of technology to complete a technological education. Consequently many Polytechnics, Technical Institutes and Vocational Training Centres were established. The establishment of the KNUST was the logical sequence for the production of applied Scientists and Technologists to make that impact whiles the existing University of Ghana was to concentrate on training Lawyers, Administrative and allied staff. A medical school was also established as part of the University to produce doctors for the country’s medical needs.
Again, the Government of Ghana planned a major reform in terms Technical and Vocational Training as indicated by its white paper on education (October 2004). The paper stated that, ‘there should be radical transformation in the quality of TVET graduates that TVET providers produce and TVET should be seen as a credible alternative to general education’. It is in pursuit of this radical transformation that COTVET was established in 2006. This new transformation introduced the Competency Based-Training (CBT) as the mode of delivery in practical schools in Ghana.

To achieve this goal of practical skills acquisition, Roeske (2003) explained that the Ghana Industrial Skills Development Centre was established in 2002. This centre, working in close collaboration with the Association of Ghana Industries (AGI) and the Ghana Employers Association (GEA), was tasked to harness the financial and material resources required for achieving excellence in skills training. A number of other institutions like the Integrated Community Centre for Employable Skills (ICCES), the Opportunities Industrialization Centre (OIC) and the Department of Social Welfare’s Vocational Centres were established as part of government’s effort to produce skilful technical personnel. Other innovative programmes like the Skills Training and Employment Placement Programme (STEP) and the Vocational Skills Project (VSP) were also put in place to produce skilful technical personnel for the job market (Ibid). In addition, a number of other projects were undertaken. These include an Austrian facility to upgrade five Technical Institutions, a South Korean project to upgrade training facilities at the Accra Technical Training Centre, an Africa Development Bank (AfrDB) project to upgrade ten Technical Institutions (TIs) and two Polytechnics, an Israeli facility to upgrade 19 TIs under GES and 11 TVET centres under the Ministry of Youth and Sports.

The Ghana Regional Appropriate Technology Industrial Service (GRATIS) and the Intermediate Technology Transfer Units (ITTU) also provided TVET trainees with additional and enriched practical skills to enable them to set up their own enterprises. However, despite a variety of new initiatives and policy directives over the last 50 years, Gale (2011) contended that TVET is still marginalised within the educational landscape and that the sector has consistently struggled to produce the skilled workforce needed to meet the needs of the Ghanaian economy (Gale, 2011).
Again, a critical look at the various development agendas of government shows that, government is informed about the challenge and has therefore made an attempt to promote the required links between industry and TVET but were all on piece meal approach. The question then is: “Have these beautiful documents impacted positively on the TVET in Ghana?”

**Brief Assessment of The Quality of Tertiary Education in Ghana; Standards Versus Demands of The Economy**

To some observers of the trend of education in Ghana, some of our new universities are no more than glorified high schools, colleges or polytechnics, if international standards and rigour of delivering quality university education are taken into account. Of late, it seems that some of our old traditional and universities have lost a part of their earlier pedigree as quality standards have plummeted and been diluted by the mad rush to embrace quantity (Sakyi, 2013). Sekyi, 2013, continued by saying that tertiary education should not be sought for its own sake but for what it can do for the individual and the nation.

According to the author, it is not bad per se for a nation to have many graduates and post-graduates, but then, the right type of education should be sought to add more value to the development of our community, country and the world at large. Furthermore, tertiary education should make us creative, problem-solvers, critical thinkers, entrepreneurs, and civilised people with refined manners. Ideally, tertiary education is to offer graduates with the requisite skills to be able to research into our culture and technology and preserve them, to offer solutions to problems of industry, to lead national debate on critical national and international issues, to extend the frontiers of knowledge, to nurture academic scholarship, and establish the foundations of research, to offer a national platform for collaborative research with foreign partners, to expand and create jobs through their multiplier effects on the economy among others (Ibid).

However, it is not strange these days to find a lot of half-baked graduates with their fake doctorates and professorships. This draws us closer to the discussion on the quality of tertiary education in Ghana. What are the standards and the demands of the Ghanaian economy?
The term ‘quality’ assumed importance from the 1980s to date in the
description of almost every aspect of life. But a broader definition of the concept,
as it applies to higher education, has been provided by Damme (2003). According
to the author the term ‘quality’ in a particular context is a discrete integration of
the following elements and functions for institutions and programmes:
1. The guaranteed realization of minimal standards and benchmarks;
2. The capacity to set its objectives in a diversifying context and to achieve them
   with the given input and context variables;
3. The ability to satisfy the demand and expectations of direct and indirect
   consumers and stakeholders of its service; and
4. The drive to excellence.

Quality cut across the strategic plan of most tertiary institutions in Ghana
because the commitment to quality and its improvement have been clearly stated as
critical to organizational success. Three main factors had been cited to explain the
concept of quality in higher education literature.

The first being the rapid increase in student numbers and the
accompanying increases in the fields of study, departments and institutions
(Vught and Westerheijden, 1994). Based on this, this paper attempts to raise
the question about the amount and direction of public expenditure on higher
education. While stakeholders in the larger society demand some basic quality
in the face of the increased enrollment, providers of resources (private and
public) demand accountability and value for money in the utilization of such
resources from institutions. The second factor has to do with the inability of
governments to accommodate the extra budget arising out of the expansion of
student numbers in institutions. With this, questions have often been raised
about the relative quality of the processes and product in higher education when
budget seemed to be overstretched.

Thirdly, the transition to technology-based economies as brought about in many
countries has caused policies to be directed at guiding students’ demand to the
fields that were perceived to be important for economic development or growth.
Laing, (2013) also found out that Ghanaian universities are producing more
human resource practitioners, marketers and administrators than can be
absorbed by the job market. Meanwhile there is a real demand for skilled workers
in many of our industries which is not being met.
Moreover, the quantum jump in enrolment and the instabilities occurring in the environment of universities had necessitated an increasing concern for the introduction, maintenance and improvement of quality education in these institutions. The perception of quality and the contribution it made to the survival of universities in their turbulent environments had therefore become too important to be overlooked in any meaningful study of higher education. The concept of quality issues arising in higher education across the globe leave stakeholders to ask one question: “Is Ghana maintaining the status quo of quality practices in tertiary education and does the standard meet the demands of the economy?”

**Equiping Tertiary Education for Better Students’ Training: The Ghanaian Situation**

Tertiary education in Ghana is seen as the education offered after secondary level and at universities, polytechnics, specialized institutions, open universities and any other institution to provide training that leads to the award of diploma or degree qualifications (Committee on Review of Education Reforms in Ghana, 2002). In Ghana, tertiary education is provided by various public and private institutions with diverse mandates. For instance, we have universities, polytechnics, college of educations, nursing and agricultural training institutions and other professional training institutions training people in all spheres of human endeavour. The programmes they offer include: arts, humanities, sciences and technology, agriculture among others. The above description of tertiary education has implication for policy formulation and management. However, since education is seen as a public good, one would expect the government to play a lead role in ensuring that tertiary education receives the required resources and equipment to foster better student training. But should we leave everything to the government?

Education and training under the pre-colonial period (Education Ordinance of 1882), amended in 1887, focused largely on primary and secondary education. Three Teacher Training Colleges were established under the Guggisberg plan (1919-1927), the trust of which was to improve the quality of education and strengthen linkages with the local economy to deal with the rising unemployment problem that the Colonial model created. However, since 1992,
the tertiary environment in the country has drastically expanded from 22 and now being a total number of 138 accredited tertiary institutions in Ghana (refer to Table 1). These institutions, however, lack the required equipment to prosecute their agenda (NCTE, 2011).

Table 4: Type and Number of Accredited Tertiary Educational Institutions

<table>
<thead>
<tr>
<th>Types of Institution</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Universities</td>
<td>9</td>
</tr>
<tr>
<td>Public Specialized/Professional colleges</td>
<td>6</td>
</tr>
<tr>
<td>Chartered Private Tertiary Institutions</td>
<td>2</td>
</tr>
<tr>
<td>Private accredited tertiary institutions</td>
<td>58</td>
</tr>
<tr>
<td>Polytechnics</td>
<td>10</td>
</tr>
<tr>
<td>Public Colleges of Education</td>
<td>38</td>
</tr>
<tr>
<td>Private colleges of Education</td>
<td>3</td>
</tr>
<tr>
<td>Public Diploma Awarding Nursing Training Colleges</td>
<td>15</td>
</tr>
<tr>
<td>Private Diploma-Awarding Nursing Training Colleges</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>138</strong></td>
</tr>
</tbody>
</table>

Source: National Accreditation Board, 2011

Several papers have emphasised that, successive governments have made several attempts to ensure that tertiary education is focused on the socio-economic development of the country. For instance, Ghana’s Vision 2020 placed emphasis on science and technology, with the additional aim of making education more relevant to the socio-economic realities and national aspirations. The GSGDA I (2010-2013), and now the GSGDA II, targeted infrastructure and promotion of linkages with the industry. But one may ask if all these efforts have yielded any results? Some researchers concluded that because all the approaches were piecemeal in nature, it never had the anticipated impact on the lives of Ghanaians. Rather, it has resulted in the marginalization of tertiary education in the absence of a long-term human development strategy; mismatch between educational output and the labour market and the continuing struggle to make tertiary education relevant and responsive to the demands of the economy.
It was also found that, successive governments have not been able to meet the increasing demand for tertiary education in Ghana, though they continue to expand in terms of student numbers. Data from the National Council for Tertiary Education (NCTE) revealed that about 3% of the children who enrolled into primary schools finally gained admission into public tertiary institutions, compared to 30-40% for the corresponding age group in some developed countries. More so, the gross enrolment ratio for tertiary education in Ghana at present is only about 10%.

It is observed that tertiary education in recent times has experienced very large increases in enrolment rates, but have not resulted in adequate expansion of physical infrastructure and equipment. This is a major challenge in the country because the situation has placed undue pressure on facilities and staff in both public and private tertiary institutions. For instance in the public universities, enrolment increased from 9,000 in the three public universities (University of Ghana, University of Cape Coast and Kwame Nkrumah University of Science and Technology) that existed in 1987 to 115,346 in nine public universities in 2010 and is still increasing. One would think that the insurgence of private tertiary institutions will ease the pressure on public institutions. But the situation here is different because, private tertiary institutions are preserved for the affluent or privileged few in society. For instance 24,300 students enrolled into private tertiary schools in the 2003/2004 academic year and further increased to 28,700 in 2005/2006. This figure again increased to 58,731 in 2011/2012/ for the 48 accredited private institutions culminating into an average of 1224 students per university, compared with an average of about 19,200 per university in the six public universities that existed in 2011. This figure is not to presuppose that, there are no prospective students at home. A chunk of the populace is still at home waiting to be enrolled one day.

There are also serious challenges with the admission procedure into the tertiary institutions in Ghana. There is no equity in admission to read science based programmes, even though they are the drivers of economic development and technological advancement. It was observed that though the output of science students from the Senior High Schools (SHS) are quite high, very few qualify gain admission to read/study medical science, pharmacy, nursing, engineering courses etc. For example in 2012, about 46% of students who
enrolled in the University of Ghana Medical School came from only 15 of the
country’s over 700 Senior High Schools while the 82% of medical students
admitted to the Kwame Nkrumah University of Science and Technology (KNUST)
also came from the same schools.

**Why are tertiary institutions deviating from their mandate?**

Trends in student enrolment in tertiary institutions clearly show that Ghanaian
tertiary schools are deviating from their core mandate. Nkrumah’s vision for the
three (3) public universities [KNUST, University of Ghana (UG) and University of
Cape Coast (UCC)] is not what is currently prevailing. He established KNUST
with the mandate to train 90% of the nation’s human resource in science and
technology based disciplines; but now KNUST competes with UG in the
training of law and art base programmes. This has resulted in resource
wastage and duplication of efforts. This is because resources are wasted in training
students in areas that are not relevant to the economic development of Gha-
na and for that matter the Ghanaian job market. For instance in the University
of Ghana, enrolment pattern for 2012 shows that the majority of the students
are reading the Arts i.e. theatre arts, dance, religion, languages and the like.
One would have thought that this new trends would have caused significant
transformation of our arts industry. The arts industry is the third largest foreign
exchange earner for Ghana’s neighbour, Nigeria. Is Ghana ready to learn from
Nigeria?

In the light of the above, some researchers and policy makers argue that
these courses have little practical relevance to business and technology in the
Ghanaian context hence they are incapable of transforming the Ghanaian
economy. It has also been observed that the arts programmes run by tertiary
institutions come with a strong voice on confirmed needs. Thus academic
programmes are not designed to fit into national development plans - a vision Nkrumah
shared - but rather the zeal to attract students who are willing to pay fees for degrees,
diplomas and the relevant certificates irrespective of what good chances the
acquired qualifications will offer them. Most of these students graduate and seek
to work in the business environment but lack the necessary training.
Secondly, the applied sciences and engineering programmes with practical backgrounds, are facing serious problems in terms of laboratory equipment for practical training and research in the various tertiary institutions in the country. Moreover, Christou (1991) argued that, because of the limited laboratory facilities, the curriculums in institutions of higher learning generally places more emphasis on classroom instruction and de-emphasizes skill development. Thus, students have virtually little or no laboratory experience prior to entering the industry. This poses serious challenges for the intake of students into the various professional areas.

The main reason for this development is the semi-autonomous status that our tertiary institutions have assumed i.e. they are made to finance their own recurrent and capital expenditure in some cases. This, is partly responsible for the deviation. Thus, they offer demand-driven programmes that enable them to attract the maximum number of students to enable them realise the required revenue to finance their day-to-day operations.

Even though tertiary institutions are semi-autonomous, they are supported by the government of Ghana which has invested so many resources into education in general. For example, currently the budget for education is 30%, with the expectations that these investments must turn into new knowledge generation and innovation. Society at large expects much from tertiary institutions in the country.
Table 5: Students/Teacher Number and Ratio in Broad Disciplines in the Universities in Ghana in 2010/11

<table>
<thead>
<tr>
<th>Institution</th>
<th>Discipline</th>
<th>Enrolment</th>
<th>No Of Teachers</th>
<th>STR</th>
<th>Norm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UG</strong></td>
<td>Science</td>
<td>5,141</td>
<td>274</td>
<td>19:1</td>
<td>18:1</td>
</tr>
<tr>
<td></td>
<td>Medicine</td>
<td>2,390</td>
<td>135</td>
<td>18:1</td>
<td>12:1</td>
</tr>
<tr>
<td></td>
<td>Engineering</td>
<td>248</td>
<td>37</td>
<td>7:1</td>
<td>18:1</td>
</tr>
<tr>
<td></td>
<td>Humanities</td>
<td>29,478</td>
<td>399</td>
<td>74:1</td>
<td>27:1</td>
</tr>
<tr>
<td><strong>KNUST</strong></td>
<td>Science</td>
<td>8,874</td>
<td>264</td>
<td>34:1</td>
<td>18:1</td>
</tr>
<tr>
<td></td>
<td>Medicine</td>
<td>1,927</td>
<td>99</td>
<td>19:1</td>
<td>12:1</td>
</tr>
<tr>
<td></td>
<td>Engineering</td>
<td>3,961</td>
<td>113</td>
<td>35:1</td>
<td>18:1</td>
</tr>
<tr>
<td></td>
<td>Pharmacy</td>
<td>825</td>
<td>33</td>
<td>25:1</td>
<td>15:1</td>
</tr>
<tr>
<td></td>
<td>Humanities</td>
<td>10,197</td>
<td>166</td>
<td>61:1</td>
<td>27:1</td>
</tr>
<tr>
<td><strong>UCC</strong></td>
<td>Science</td>
<td>4,395</td>
<td>193</td>
<td>23:1</td>
<td>18:1</td>
</tr>
<tr>
<td></td>
<td>Medicine</td>
<td>192</td>
<td>19</td>
<td>10:1</td>
<td>12:1</td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>5,707</td>
<td>86</td>
<td>66:1</td>
<td>23:1</td>
</tr>
<tr>
<td></td>
<td>Humanities</td>
<td>5,823</td>
<td>163</td>
<td>36:1</td>
<td>27:1</td>
</tr>
<tr>
<td><strong>UEW</strong></td>
<td>Science</td>
<td>6,102</td>
<td>113</td>
<td>54:1</td>
<td>18:1</td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>2,042</td>
<td>65</td>
<td>31:1</td>
<td>23:1</td>
</tr>
<tr>
<td></td>
<td>Humanities</td>
<td>6,501</td>
<td>163</td>
<td>40:1</td>
<td>27:1</td>
</tr>
<tr>
<td><strong>UDS</strong></td>
<td>Science</td>
<td>8,354</td>
<td>259</td>
<td>32:1</td>
<td>18:1</td>
</tr>
<tr>
<td></td>
<td>Medicine</td>
<td>1,821</td>
<td>97</td>
<td>19:1</td>
<td>12:1</td>
</tr>
<tr>
<td></td>
<td>Humanities</td>
<td>9,746</td>
<td>97</td>
<td>100:1</td>
<td>27:1</td>
</tr>
<tr>
<td><strong>UMAT</strong></td>
<td>Science</td>
<td>138</td>
<td>9</td>
<td>15:1</td>
<td>18:1</td>
</tr>
<tr>
<td></td>
<td>Engineering</td>
<td>1,447</td>
<td>62</td>
<td>23:1</td>
<td>18:1</td>
</tr>
</tbody>
</table>


It can also be inferred from the table above that, the number of teachers (lecturers) teaching humanities far outweigh those teaching science and science related programmes. Similar trends exist in students’ enrolment for these programmes which consequently affect student-to-teacher ratios and for that matter the quality of outputs in the long run.
**Mandate of tertiary Institutions and the status-quo**

According to the Polytechnics Act 745 (1992), polytechnics in Ghana were established with the objective to provide:

a) A tertiary education in the field of commerce, manufacturing, technology, science, applied social sciences, applied arts and any other fields approved and accepted by the Ministry of Education.

b) Opportunities for skill development, applied research and publication of findings.

Though the Polytechnics were upgraded to tertiary status to offer practical programmes to develop middle level manpower at every level for industrialization, the scenario created is that most of the core mandates of the polytechnics are not being fulfilled. They are simply moving away from their core objectives. Statistics show that Polytechnic programmes are now being dominated by business and humanity programmes (Accounting, Marketing, Purchasing and Supply, Banking and Finance, Secretaryship and Management etc). These programmes attract a larger number of students compared to the sciences. This is a major threat to polytechnic education and defeats the main objectives of establishing the polytechnics because universities and polytechnics have different mandates.

Polytechnic education is faced with series of challenges because the polytechnics are not well resourced and equipped to make them attractive to fulfil their requisite mandates to train middle level manpower, especially in the technologically based activities to enable them fill the competency gap in technology in the Ghanaian economy.

More so, the country has very little number of technical institutions (less than 30), to feed these polytechnics. Thus the high number of students in the polytechnics enrolled in business and humanity programmes compared to the sciences over the past decades.

The core businesses of tertiary institutions are the acquisition of new knowledge through research, application of the new knowledge in solving societal problems as well as teaching. But tertiary institutions are faced with challenges in terms of equipment and the education of professionals. In terms of research, in
connection with the academic staff, currently tertiary institutions in Ghana conduct little or no research. Academic programmes are introduced without reference to the regulatory procedures. This situation does not conform to quality standards of accountability, control and compliance, improvement or quality enhancement. Thus for tertiary institutions to meet the standard and demands of the economy, they need to comply with the quality standards.

Another major source of worry is student supervision and the delivery of lessons. The current Student to Teacher Ratio (STR) does not guarantee these. The situation is even worse with the advent of newly established tertiary institutions - as they are mandated to get affiliation with the existing public universities for a period of mentoring, guidance and the award of degrees of the mentoring institution before such a private institution can be granted a charter as a full-fledged university that can award its own degrees and diplomas. Some universities are overloaded as a result of this development. For instance, University of Ghana (UG) alone is monitoring about 22 of these university colleges. Equally, only University of Cape Coast (UCC) and University of Education, Winneba are taking care of all the 38 public teacher training colleges (now College of Education) and the 3 private colleges of Education. This situation has resulted in ineffective supervision and guidance, thus leading to considerably compromising standards (NCTE, 2011).

In addition, due to the lack of facilities and other infrastructure, the 38 Colleges of Education that were created out of the old teacher training colleges are under-enrolled. Similarly, way the Polytechnics do not reach their maximum capacity of training professionals due to infrastructure problems.

Another area worth mentioning is the issue where students are not allowed to pursue courses of their interest. Especially in public institutions, prospective students are forced to read what they never applied for. Most often, students who have interest in disciplines like business or medicine are forced to undertake courses like drama, dance, languages etc. After graduation, some of these students may not be fortunate to secure employment, thus the high level of unemployment rate in the country.

The question is: “Why not invest in training students to meet the growing
business environment in Ghana?" Is it not possible for stakeholders to invest and expand the business, science and technical schools to accommodate the demand rather than invest in areas that students and the job market have no interest in? In the UG Business School for instance, the cut–off point for the 2011 admissions was 7As for males and 6As for females. Is it fair when a student who had 5A’s, which is an excellent grade by all standards is not allowed to read administration but rather given a combination of Art courses that he has no interest in? This is a major challenge because not all parents can afford private tertiary schools; thus the majority of students are left with no choice but to take up courses in which they have no interest thereby compromising the future careers of many.

Again, gaining admission into our public universities for a Master’s program is also another fascinating issue. A considerable number of Ghanaians travel out of the country after their first degrees to pay huge sums of money to undertake Masters programmes in their various fields of interest. The pertinent question is, ‘why’? This is just to dodge the frustrations that one goes through in terms of longer years and the possibility of one not being able to complete the programme within the two year period in Ghana. Meanwhile, colleagues who travel to Europe are able to complete the same programme in one or two years without any hitches. This would definitely not be the case if they could have the same or a comparable quality of education right here in the country.

**Assessment of Teacher Quality: Do Teachers have The Opportunity for Further Training?**

According to Snook et al. (2013), officials and politicians favour the term “teacher quality”. However, there is no agreed definition of what this means in practice, other than raising student achievement scores. In a research on teacher quality assessment, Thomas (2012) contested that despite substantial increases in government spending and a myriad of well-intended policy initiatives targeted at improved academic outcomes, performance in many schools is disappointing. With the adoption of corporate management models in educational governance and the prevailing climate of ‘outcomes-driven’ economic rationalism in which such models operate, issues of accountability, assessment monitoring, performance indicators, quality assurance and school effectiveness are widespread.
However, economic and industrial issues surrounding school effectiveness and the teacher, especially sensitive ones at the present time, given the level of consensus regarding the importance of school education as an essential element of both micro and macro-economic reform, and in meeting the constantly changing demands of the modern workplace (OECD, 1986, 1989, 1993 cited in Rowe, 2003). Again, Murdoch (2003), asserted in a study of Australia that if the country continues with its reluctance to invest in the quality of its secondary and tertiary educational infrastructure, and especially in teacher quality, “…Australia will end up even further behind the international economic ‘8-ball’ than it is at present, such that Paul Keating’s ‘banana republic’ prognostications will become a reality”.

What Murdoch postulated for Australia is what is happening in Ghana now. Thus Paul Keating prognostications are also real for Ghana. Although the government of the day does make further studies compulsory for teachers, the study leave operated by the Ghana Education Service is often open to administrative manipulation - people pay bribes in order to be considered for study leave. In some instances, beneficiaries of such study leaves are usually party ‘foot soldiers’. The impact of the situation is even more severe among TVET teachers. Due to changes in technology and the effect of globalization, these teachers need constant in-service training to be updated on technological change. In Ghana, it is not strange to meet a technical teacher with no knowledge in Information and Communication Technology.

The above situation is not very different from what pertains in the tertiary institutions. In-service training is left to the discretion of individual lecturers. The current Students Teacher Ratio (STR) also puts undue pressure on lecturers by hindering their ability to enrol for further studies. However, the introduction of PhDs as the minimum entry requirement for lecturers in Ghana has forced most of the young lecturers to enrol for further studies. These serve as a boost to the human resource capacity of our universities but the number of teachers still does not commensurate with the increase in student numbers.

Furthermore, the NCTE STR norms presuppose that academic staff will have the requisite complement of postgraduate students to assist as teaching graduate assistants as in the case of the world's top universities. For instance, Manchester
University which has a total academic and research staff of 5,600 for 39,953 students (2013) as compared to only 845 for 37,257 students at the University of Ghana (2012). In Manchester, about 1846 of the staff are purely for research to find more innovative ways of doing things whereas 1889 are engaged in teaching only, and the rest engaged in both teaching and research. More so, about 30% of the total graduate student population at Manchester University are graduate student research assistants. Can the same be said about Ghanaian universities? In the case of Polytechnics, the total enrolment in the ten polytechnics as at 2011 is 43,113 with an average of 4,311 per polytechnic. This shows a decrease in enrolment of 7% from the previous year’s enrolment of 46,079. It again indicates that the polytechnics are not attracting the required numbers as anticipated because there are few lower level institutions to feed the polytechnics. It must be emphasised that in Ghana, the STR alone puts a lot of pressure on academic staff, and so teachers find it very difficult to enrol for further studies.

The assessment of quality of teachers cannot also be completed without mentioning the National Council for Tertiary Education (NCTE) and Student Teacher Ratio as the quality standard performance indicators. The use of STR as performance standard indicator differs from institution to institution. For example in the universities the (STR) ratio is as follows: 12 students per teacher in medicine, 18 students per teacher in engineering and 27 in humanities. In the polytechnics, 25 is accepted for the humanities. The table below presents the students teacher numbers and ratios in broad disciplines in the universities in 2010/2011 academic year.

**Table 6: Trends in Science/Humanity Enrolments in Polytechnics and Universities in Ghana**

|----------------|--------|--------|--------|--------|--------|--------|--------|---------|---------|

*Source: NCTE, 2011*

The number of students enrolled to read the sciences in tertiary institutions determines the funding requirements for an institution. Large number of enrolled students without related increase in funding compromises quality. But is teacher quality enough measure to guarantee quality outcome?
Assessment of The Working Ethics and Attitudes of Teachers

Major educational studies found out that teacher quality and their ability to create a good learning environment are critical to achieving the main objective of education. Trainers are expected to have very good working ethics and the right attitude for the teaching profession. This can only be achieved in countries that are able to carry out good assessment prior to entry into the training institutions (Colleges of Education). However, some analysts and researchers blame the poor working ethics and attitude of teachers on poor remuneration and incentives in the sector.

Given the privileges and priorities available to teachers, one would think that they should rather have ‘love’ for their teaching job. Teachers enjoy allowances during their training and have jobs ready for them to do after graduation as compared to their counterparts in the universities. With all these, their attitude towards teaching work leaves much to be desired. Some of them refuse postings to the rural areas of Ghana. In contrast, the well-performing private schools are dominated by pupil (untrained) teachers who have, however, the right attitude (teach with passion) for the job. Majority of the few teachers who accept postings to rural schools treat their job as a part time one. As a result of this, the rural schools are dominated by untrained teachers. They enjoy long hours of break and close school at their own time. Some teachers even absent themselves on normal working days to run their own businesses. This makes the fundamental principles of equity in education a fallacy. There is therefore the perception, that, a great number of teachers are ‘not called to teach’. This situation runs through tertiary institutions thereby affecting the performance of pupils from public schools. This invariably compromises standards of teaching and learning as far as education is concerned in Ghana.

Tertiary Education (University, Vocational and Polytechnics Training) in Ghana Vis-A-Vis other Developing Countries

Comparing tertiary education across board can be challenging as standards and what is perceived to be quality is sometimes based on a national qualification
framework. However, some internationally accepted indicators are used to show how well tertiary institutions are doing.

The Global Competiveness Index is based on key Research and Innovation factors that assess performance of higher education and training institutions, technological readiness and general innovation systems of the country. Though innovation is seen as key elements in ensuring national growth and national competiveness, the Global Competiveness Reports show an index for Ghana with a score of 3.65 with a ranking of 114 as compared to South Africa ranking 50, Rwanda 70, the Gambia 99 and Benin 104. In fact the performance of Ghana shows that we still have a long way to go if we want to make huge strides in our economic development (WEF, 2012).

In addition to this, Ghana also faces several challenges in developing research and innovation systems. According to the National Science, Technology and Innovation (STI) policy of 2010, some of the challenges include inadequate scientific expertise in the country; low science population culture, inadequate budget and resource allocations etc. Table 3 above depicts the operations (STR) in tertiary Institutions for 2010/2011.

In Ghana, the high increases in student numbers in the Universities led to congestion of facilities as well as a decline in the quality of learning. Ghana’s Gross Enrolment Ratio (GER) has grown from 3% in the 1990s to 9%in 2011. This implies that the vast majority of eligible Ghanaians still do not have access to tertiary education as compared to situations in countries like Mauritius, South Korea and others. where the percentages range from over 25% to almost 100% as shown in the world bank analysis below

Table 7: Enrolment ratio of selected countries

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<tbody>
<tr>
<td>Botswana</td>
<td>8</td>
<td>7,403</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>3</td>
<td>595</td>
</tr>
<tr>
<td>Ghana</td>
<td>9</td>
<td>1,283</td>
</tr>
<tr>
<td>Mauritius</td>
<td>26</td>
<td>7,593</td>
</tr>
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With the challenge facing tertiary institutions in Ghana, the Government is to find a way to increase access beyond the 9% GER and at the same time improve quality through enhanced facilities and funding. In addition, the national policy in Ghana for all tertiary institutions is that the average enrolment of students to read science programmes should be 60% because it is assumed that for industrial and technological take off to occur in a country, there is the need to train a higher number of science and technology graduates up to the tertiary level to create the environment for their absorption into the labour and production sector of the economy.

One major challenge is that, private institutions are unable to mount science-based courses due to the high costs but are striving to enrol the critical mass of students that will enable them to make their institutions financially viable. The current 2012 science to humanities enrolment ratio (refer to Table 2) in the 48 private universities that submitted returns to the NCTE is 20:80 (Addae-Mensah, 2013). In terms of the quality training of students, the current statistics show that both the private and public universities are focused more on training at diploma and undergraduate levels with few post graduate and research outputs. The situation is worrying because the current number of students enrolled in PhD and Masters programmes in the science disciplines is low. This tells you that the universities cannot produce the needed manpower to cater for its intended tertiary education.

The diverse configurations of the higher education sector in Africa reflect various historical influences along with the contextual—as well as global pressures—brought to bear on this sector. For example in South Africa, the number of
students enrolled on PhD programmes is around 1500 from 13 universities at a particular period. This gives a rate of 115 PhDs per university per annum. Comparing Ghana to other African countries, the rate is around 2 PhDs per million of population. The University of Ghana has produced 140 PhD in the last decade; an average of just about 14 PhDs per annum.

According to Addae-Mensah, the top universities in South Africa - University of Cape Town, Pretoria and Stellenbosch have a post graduate ratio of 28.5, 28.2 and 35.2 per cent respectively. With this comparison, universities in Ghana do not meet that standard yet. There is the need to do more work to attain that height (Addae-Mensah, 2011).

Cameroon, for instance, is also differentiated along linguistic lines as well as the nature of programmes resulting from the country’s two linguistic and higher education traditions. The higher education system in Cameroon strongly resembles that of France, and shares a lot in common with those of Francophone African countries like Senegal. Other universities are also specialized research and career-focused training institutes and schools, and advanced professional schools. The government’s decree of 1993 regarding the organization of the higher education system in Cameroon allows the universities to develop within their mission and mandate, specialized institutes or centres for scientific and technological studies, research, professional training or further training. Essentially, the higher education system is divided into two groups: the larger university sector and the smaller, highly selective, non-university sector. However, the overall system is richer than a simple binary system.

In the context of international trends, most African countries offer differentiated post-secondary education consisting of a mix of training colleges, technical/vocational institutes, polytechnic-type institutions and universities (Sawyerr, 2002). In conclusion, tertiary education needs to be transformed in Ghana. The traditional colleges and universities should remain relevant and lead in knowledge production for national development. Admittedly however, the sector is still burdened by a number of long standing challenges some of which have been highlighted. Ghana as a nation can do better than what is currently prevailing. Ghana’s economy and development could experience substantive growth if the necessary steps are taken to solve the systematic problems plaguing our educational system. This may perhaps make more Ghanaian students to pursue graduate studies right at home and as well attract more foreign students like
other developed nations. Ghana can do better irrespective of political, ethical and religious affiliations.

**Major Challenges and Recommendations - The Way Forward**

Vocational and technical education in Ghana is faced with a number of challenges. Some of the challenges include financial and equipment challenges, weak linkage with industry, mismatch between the labour market demands and output, unqualified trainers and others. Details of these challenges are listed below.

Materials and equipment challenges: The paper revealed that inadequate supply of instructional materials (training consumables) and inadequate training facilities contribute significantly to the inefficient training participants go through. In some instances, obsolete training equipment is used. The problem has forced trainees to concentrate all efforts on passing final exams similar to the regular schools. In the final analyses, Ghanaian TVET graduates do not meet the demands of the job market, hence resulting in the large numbers of unemployed in Ghana.

Restriction in cut-off points: Even though Senior High School (SHS) graduates need a minimum aggregate of 24 points to enter into the university, students with aggregate 12 to 18 still find it extremely difficult gaining admission into the public universities especially to read science based programmes. Due to the extremely competitive cut-off aggregate points for admission to read science based programmes, which are drivers of economic development and technology, only few do gain admissions to read medical sciences, pharmacy, nursing, engineering courses and a few. For example in 2012, 46% and 82% of students who gained admission to University of Ghana Medical School and KNUST Medical School respectively came from only 15 of the countries over 700 Senior High Schools (NCTE, 2011). This phenomenon, the paper thinks does not allow full development of human capital but have become a necessary evil since they are used as gate-keeping a mechanism to offer admissions to students into few opportunities that exist at the training institutions due to high cost of training students in the sciences.
Weak linkages with industries: it is also observed that the educational system is poorly linked to local industries for hands-on-experience for both instructors and trainees. Trainers no longer enforce students’ internship. This is left to the discretion of students. More so, the school curricula are not developed based on market demand, because industry players are not involved in the development of the training guides. The foregoing leads to ineffective and inefficient training of students.

Mismatch between educational outputs and the labour market: Closely linked to the above is the training gap that exists labour market demands and what is actually supplied. This concern was raised by the World Bank (2012) as one of the factors governments need to consider in order to maximize benefits from Technical and Vocational programmes. Because there is virtually no link between the two players (educational institutions and industry players), the training is not market oriented and hence the gap. This does not enhance employability since practical hands-on exposure to actual work is not integrated into TVET.

Legal framework: The absence of a clear legal framework for regulating the governance of TVET has resulted in weak, fragmented and ineffective mechanisms for supervision and coordination of TVET programmes that are characterized with unnecessary duplication and poor resource utilization. A clear example is having two bodies regulating TVET in Ghana (GES and NVTI). COTVET is also incapacitated in terms of logistics and human resources to effectively regulate activities in the sector. Therefore, examination and certification in the sector is hanging in the balance and does not meet international standards.

Weak/Absence of Research in TVET: The available data is either out-dated or inadequate and though there is on-going research in different areas of the sector, more remains to be done to boost the image of TVET in Ghana.

Lack of Co-ordination and inadequate monitoring in TVET training: It is also observed that, TVET activities are poorly coordinated if monitored at all. This leads to disproportionate duplication in the production of skilled personnel across the entire sector. It also results in mismanagement of scarce resources, conflicts of jurisdiction and under-utilization of available training facilities as well as payment of high fees in some cases. Weak supervision, monitoring and oversight
responsibilities of the private providers are major challenges. Additionally, there is a difficulty in creating relevant statistics to assist in planning, irregular sensitization strategies, lack of in-service training of staff and many others. This is because there is no central steering or management committee for the sector. Because of this responsibility and accountability are left to the ‘auto pilot’.

Inadequate funding: Successive budget statements in Ghana reveal that, governments over the years commit between 30%-35% of its total budgetary allocation to the educational sector. But the question one may ask is, ‘what percentage out of this do they give to the TVET sector?’ Technical education is not well resourced to equip trainees with the requisite skills needed for the industry, especially in technological based activities to enable them fill the competency gap in technology in Ghana’s economy.

Poor public perception: Another major, if not the greatest challenge facing TVET in Ghana is the low prestige it enjoys from the public. Technical and vocational education is usually perceived as a field for unintelligent kids. It is often found that, kids who enrol here are often school drop-outs or those who are unable to make the grades for the regular schools. Most parents and guardians have dreams of their wards becoming Medical Physicians, Pilots and Accountants. Trades like Auto Mechanics and Carpentry are considered to be the preserve of children who do not have the mental ability to pursue a university education.

As a result of the foregoing, bright kids who should be considering TVET as a major option in their choice of second cycle education do not opt for it. The reasons being that VET graduates are discriminated against at the work place, they are poorly paid and also find it difficult to get promotion as compared to their counterparts from the universities.

Other challenges: Apart from the issues discussed above, there are many other challenges hindering the performance of the sector. Among them are:

- Uninspiring teaching methodologies
- Poorly equipped workshops; Lack of Science laboratories
- Poor approach to entrepreneurial skills training (properly differentiated from methodology)
- Uncompetitive management capabilities
• No encouragement from Government for school based projects
• Poor and neglected infrastructure in some cases
• Lack of higher qualified work force to accelerate the development of TVET

As Ghana aspires to join the league of developed nations such as Germany and others who have benefited considerably from TVET, there is an increased need for skilled workforce. This paper offers a number of policy recommendations to better the lots of TVET and tertiary institutions in general. These recommendations are detailed below.

Improving the image of TVET: TVET must be rebranding for people to understand how important it is for national development. Stakeholders must work to improve not just the image, but also the quality of students who find TVET programmes attractive. This will happen through a sustained campaign through road shows to basic schools to attract prospective students with tangible opportunities that TVET training offers students. The authorities must also consider the celebration of TVET week and honour successful industry players. It will be essential to run programmes in the media showing the gap that exists and how students can take advantage of those opportunities. With strong career guidance and counseling in schools, pupils will strongly patronize technical and vocational education.

Increasing the acquisition of practical knowledge: The characteristic feature of the TVET system in Germany is that, the provision of knowledge and practical skills is linked to the acquisition of the required job experience. This ensures that training proceeds under the same conditions that the trainee will work when practising his chosen occupation. On the job, a trainee will be able to learn how to handle the constantly changing demands of the job. Also, learning by doing will give a sense of achievement and provide a special source of motivation for the trainee. It promotes independence and a sense of responsibility, which are prerequisites for the quality of labour in a developed industrial country. By tackling concrete tasks under true working conditions, the trainees can give evidence of the knowledge and skills they have acquired and experience the success of their efforts. In addition, the trainee knows how to appreciate the variety of social relationships that exist in the work life. This is one of the surest ways to achieve the much anticipated objective of the TVET in Ghana.
Encouraging the involvement of stakeholders: All key stakeholders should be convinced of what the system is capable of doing in terms of national transformation. Industrial practitioners should also be involved directly in the training process. Trade professionals should be tasked to handle 70% of the practical aspects of the training while the regular instructors handle 30% of the theory aspects to ensure a balance in TVET training. This paper also proposes that the cooperation and collaboration between training institutions and the industry becomes mutually beneficial. By this arrangement, the synergy between the industry and training institutions can be enhanced. This is because there is a direct link between training capacity and the demand for skilled labour. The negative consequences of misdirected planning can therefore be avoided. In addition to that, industries which are the direct beneficiaries of the skills that graduates acquire, should also be encouraged to invest in the training institutions.

Creation of a Directorate of TVET within the Ministry of Education (MoE): It has also been advocated that COTVET be aligned to the MoE with a strong research team. This will empower it to take concrete initiatives and decisions bordering on the growth of the sector with a financial muscle as well as quality human resources to meet its set objectives. There should also be a periodic review of the various indices provided for under the law, COTVET Act 781 (2006), as well as the Legislative Instrument (LI) to assess how far the implementation of TVET is faring regarding the prescriptions under the law. This will allow for the needed adjustment to meet industrial needs. This can help establish whether the training processes have ensured that graduates from the training institutions are equipped with the necessary knowledge and skills for the emerging sectors of the economy in order to contribute to growth. The directorate should also motivate industries that are the direct beneficiaries of the final products (trainees) to invest in the training institutions. The regulatory institutions must be in the position to prevent statutory TVET institutions from running liberal arts and business courses. The current state of affairs has contributed to the paradox of training more people for non-existing jobs to the detriment of industries requiring specific expertise who are hardly present and capable. We also recommend Entrepreneurship as a core course for all TVET institutions, regardless of the level, to prepare the minds of trainees on how to start up their own business as well as linking them to sources of support that will help them develop and build sustainable businesses.
Periodic In-Service training for trainers: Furthermore it is imperative that the trainers we have in our classrooms, workshops and laboratories are constantly abreast with trends in the industries through training on the job. Thus, periodic in-service training should be made a requirement. This is one sure way of bridging the gap which currently exists between training institutions and the industry. That is, trainers should either be industry practitioners or have access to regular career enhancement courses.

Instituting career progression: The regulatory bodies must make it a point to institute career progression for practitioners in the sector. The informal sector, which trains a vast majority of TVET practitioners, must also be modernized and encouraged to adopt more scientific methods of training. There must also be clear routes of qualification and progression from the initial TVET programmes leading to career progression. Such a qualification framework should make it possible that there is opportunity for progression not only within TVET but also in higher education. This is what the National TVET Qualifications Framework being implemented by COTVET, seeks to achieve.

Increasing funding to TVET sub-sector: Though it is on record that the budget for education in Ghana is over 30% of all public expenditure, stakeholders complain that only 2% of this finally gets to the TVET sector. The government should therefore make TVET one of its priority areas and dedicate at least 8% of the budget education to the sector. The Ghana Educational Trust Fund (GET Fund) should consider TVET institutions as a priority. Also, least 1% of our oil and gas revenue to the sector for human resource development for the sectors own benefit. We also believe that one effective way of resourcing vocational and technical institutions is to give them minor jobs such as producing school furniture, maintaining machines and equipment of local government administrations. On the one hand, they can cater for functions of the local assemblies to raise revenue for their activities. This will among other things expose trainees to professional ways of executing such contracts and meeting deadlines. To add to the above, there is also the need to set aside special funds for scholarship for technical and vocational teachers. This will be a morale booster for TVET teachers.
Improving coordination and supervision: There is also the need to enhance coordination among key stakeholders operating around the technical and vocational sector to achieve maximum results. Leaving the system to ‘auto pilot’ is not the way forward. Supervision must also be strengthened in the sector with particular attention to pedagogy. The establishment of a TVET directorate at the Ministry of Education will be a step in the right direction.

Establishing a Technical University: Since technical school graduates have appetite for degrees, there is the need to establish module Technical Universities to enhance the image of TVET. There is also the need to expand lower technical education up to the ordinary National Diploma level to serve as a main source of students to the polytechnics, to create the polytechnic line of production as a unique career path.

Strengthening apprenticeship systems: Considering the contributions of the informal sector to skills development and the growth of small scale businesses in the economy, there is an urgent need for the government to intervene by way of regulating the operations of the sector. By strengthening COTVET, it will be in a better position to prescribe better standards and ensure that apprentice graduates are certified properly after graduation. It is believed that when these operations are properly monitored, the informal sector graduates will be able to meet international standards in the face of globalization.

Conclusion

It can generally be agreed that vocational and technical skills are fundamental prerequisite for development and economic stability in any country. It is also clear from the paper that the negative perceptions surrounding the sector are not baseless. These perceptions are being driven by the poor learning environments and limited prospects for graduates. Furthermore, tertiary education should make us creative, problem-solvers, critical thinkers and civilised people in society (Sakyi, 2013). Instead, people graduate from tertiary schools ‘half-baked’ and unable to contribute to the socio-economic development of the country.

However, the key problems in the case of Ghana include unregulated informal sector (apprenticeship), training curricula not linked to the requirements of the
industry, inadequate and obsolete training equipment, lack of financial resources and the unqualified or low quality of trainers and students including others. For the industrialization drive, much focus and attention must be dedicated to this part of our educational sector. The government and all stakeholders must “walk the talk” to ensure that the country gets maximum returns from TVET. The paper also highlights a blend of possible policy responses to address some of the key challenges to improve the coalition between training and the needs and expectations of the industry. In doing this, we have to:

• Develop and strengthen the career guidance system in basic and secondary schools;
• Expand the policy linkages and dialogue between the TVET system and small and medium size industries;
• Introduce capacity development training for master crafts men (carrier progression); and
• Conduct a promotional campaign to improve the perceptions of the sector.

It is also the responsibility of COTVET and all concerned stakeholders to figure out a way to tap the enormous potentials from the informal apprenticeship programmes for sustained growth and poverty reduction.


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TOWARDS AN EFFICIENT
FINANCIAL SECTOR
IN GHANA

Samuel Kobina Annim (PhD)
Introduction

Although in recent times a consensus has emerged that financial sector development has a strong relationship with the growth of an economy, the impact of an efficient financial sector remains unclear. The growth of an economy (the effect of finance on the productivity of the real sector) in this context, is interpreted as an output of a developed financial sector while impact is viewed from the perspective of reduction in poverty and inequality and sustained growth that is, development. The lack of clarity as far as this relationship is concerned partly emerges from the appreciation of a financial structure/system (bank-based or market based) and more importantly, the limits of finance as a tool. The channels, through which these impacts can be achieved, also vary and, therefore, it calls for a complex discourse on what constitutes an efficient financial sector.

The culminating effect of the discourse is a wide range of financial sector policies including liberalizing the operations of the sector, striking a balance between regulation and liberalization, ensuring financial access and inclusion and instituting mechanisms for responsible finance. In view of the forgoing, the aim of this paper is to review the financial sector in Ghana based on specific issues such as growth of the banking sector, interest rate perspectives in the Ghanaian context, the currency implications of the performance of the financial sector and finally assess the structure and performance of the microfinance market and emerging issues namely, financial inclusion and responsible finance.

Based on the review, suggestions are made for both empirical and theoretical oriented research to enhance the chances of instituting an efficient financial sector in Ghana.
Growth of the Banking Sector and Interest Rates

Ghana’s financial sector has seen remarkable development since it was deregulated during the economic reform era. From a sector that was characterized by less than ten (10) financial institutions in the late 1970s, now (April 2013) boasts of twenty-nine (29) licensed/representative Commercial Banks, one hundred and thirty-three (133) Rural and Community Banks and a host of semi-formal and informal financial institutions and foreign exchange bureaus. In addition to the banks, the financial industry in Ghana has other two components namely, insurance and financial/capital markets. These sub-sectors have recorded remarkable growth over time. As per the 2010 National Insurance Commission report, there were ninety (90) financial institutions engaged in insurance related activities relative to about thirty (36) insurance related institutions in the year 2000.

On the front of capital markets, the number of listed companies on the Ghana Stock Exchange has increased by 60 per cent (from 22 to 36) in the last thirteen (13) years. While the growth in numbers is promising, it does not necessarily translate into efficiency and stability of the financial sector. Indeed, in the context of stability, the International Monetary Fund (IMF) alludes to a number of vulnerabilities albeit the growth and seemingly structural transformation of the financial industry in Ghana. Among the factors alluded to by the IMF are: foreign banks’ domination, government’s influence on five of the commercial banks, lack of access to long term finance and weak internal control mechanisms in the banking industry (IMF, 2011). The growth in the number and diversity in financial institutions has engendered several changes in regulation and supervision of financial institutions in Ghana.

The first generation of financial sector reforms were launched under the Financial Sector Adjustment Programme (FINSAP) in 1988. The Banking Law (PNDCL 225) was revised in 1989. The innovations in the new law included (i) the tightening of risk exposure limits, (ii) establishment of tighter capital adequacy ratios, (iii)
strengthening of accounting standards and making them uniform for all banks, (iv) broadening the scope for audits of the banks, (v) imposition of stringent reporting requirements, and (vi) improvement of on-site and off-site supervision of banks by the Bank of Ghana. A revised Bank of Ghana Law (PNDCL 291) was also enacted in 1992 to give more supervisory powers to the central bank.

Since 2003, the financial sector in Ghana has operated within the framework of the Financial Sector Strategic Plans I and II (FSSP). Within these arrangements there has been considerable legislative progress including the passage of the following: Payment System Act 2003: (Act 662); The Banking Act, 2004: (Act 673); The Long Term Savings Act, 2004: (Act 679); Venture Capital Fund Act 2004: (Act 680); Insolvency Act 2006: (Act 723); Foreign Exchange Act 2006: (Act 723) (Exchange Control Act); Credit Reporting Act 2006: (726); Insurance Act 2006: (Act 724); ARB Apex Bank Regulations 2007: (LI 1825); Central Depository System Act 2007: (Act 733) and Banking Amendment Act 2007: (Act 738)

These laws were aimed at liberalizing the industry and ensuring the autonomy of the Bank of Ghana (BoG). However, it is worth noting that BoG’s regulatory power, if excessive and not based on evidence-based strategies, has the tendency of stifling the efficiency and performance of commercial financial institutions. Trends of financial soundness indicators reported by the IMF indicate that from 2003 to 2010 both return on assets (ROA) and return on equity (ROE) in the banking system decreased. While ROA decreased from 4.3 to 2.7, ROE fell from 53.1 to 28.6.

The above trends in performance by implication of efficiency of the banking system, motivates an inquiry into the possible causes of the decline from 2003 to 2010. Among the potential factors is the role of the regulatory mechanism. The issue of regulation comes along with the following questions: who is regulating? What is being regulated? And how is the regulation being done. While it is imperative to ensure the growth and maturity of banks via proper mechanisms including a well coordinated nationwide credit bureaus and functional judicial systems, these are not the direct responsibility of the BoG. However, BoG is expected to coordinate and ensure that second-tier systems for supporting regulation function well. One of the most recent developments in the
financial policy discourse relates to the regulation of microfinance institutions.

**Interest Rate Control Regime**

The determination of interest rate between 1957 and 1986 was the sole prerogative of BoG. However, decisions about the interest rates during this period were in line with the objective of the government to extend credit to the priority sectors of the economy at the lowest possible cost. The BoG determined both the minimum interest rates for deposits and the maximum lending rates. The agricultural sector for example, was given preferential lending rates, which in some instances, were lower than the minimum savings deposit rates. The structure of interest rates that was set by the BoG did not make room for loan maturity or risk. As a matter of fact, the incentive of various banking institutions to extend credit to businesses and individuals was often perverse because riskier sectors such as agriculture were accorded a preferential rate (Brownbridge & Gockel, 1996).

During this period, the nominal interest rates of the country were far below the prevailing rates of inflation. Bawumia (2010) noted that while the interest rate between 1961 and 1965 remained fixed at 4.5 per cent, the inflation rate increased from 6.2 per cent to about 22.7 per cent during the same period. Due to this, the real interest rate in the economy remained negative (see Figure 1 below) for most periods before the 1980 economic reforms. This consequently resulted in a higher demand for credit. It also provided incentives for borrowers to borrow more and rather discouraged people from savings.

In addition to interest rate controls, credit allocation regulations were put in place by 1964. The credit control regulations specified among other things that banks were required to adhere to include³:

- Hold 100 per cent foreign currency cover with the BoG for sight balances due to banks abroad.
- Hold 48 per cent and 54 per cent of their deposit liabilities in the form of liquid reserves for the first and second main cocoa seasons respectively.
- Banks also need to obtain approval from the BoG credit control committee for individual loans that exceeded GH¢10,000 for purposes other than agriculture and industry.

This was done to channel credit to the priority sectors of the economy (agriculture, industry and exports). The credit control took the form of maximum acceptable percentage increases in the stock of loans to each sector, with priority sectors allotted greater increases than non-priority sectors.

Despite this interventionist approach to achieve the broader socio-economic goal of allocating financial resources to priority sectors of the economy, the priority sectors, especially the agricultural sector lacked the necessary funding to propel the growth of the sector. The supply of credit to the priority sectors slumped sharply in real terms between 1970 and 1983. The economy witnessed a drop in credit to all the non-government sectors (including both priority and non-priority sectors) by 6.2 percentage points over the period, 1977 to 1983 (World Bank, 1986). Bawumia (2010) asserted that, the credit regulation scheme of the government proved to be ineffective because they were contravened by the very authority that formulated it. Also, the government pressurized state-owned banks to grant loans to non-performing state-owned enterprises that were running at a loss. State-owned banks were also pressurized to extend finance to unbankable projects to meet developmental and political objectives. This situation meant that the credit control scheme did not effectively end the declining proportion of credit allocated to the priority sectors of the economy (Aryeetey, 1992).

Figure 5: Trends in Inflation, Nominal and Real Interest Rates before the Economic Reforms

Source: Bank of Ghana
Figure 5 shows that the real interest rate before the economic reforms was negative over a long period. This actually made it unattractive for banks to give out loans, especially to the private sector of the economy. Brownbridge and Gockel (1996) identified a fall in the financial depth combined with crowding out by the government’s borrowing requirements as the main reasons for the decline in the aggregate volume of funds which banks had to lend to all non-government borrowers. About 87 per cent of net domestic credit was given to the government in 1983.

The periods of intervention in the financial sector had repercussions on the development of the sector as well as the growth of the Ghanaian economy. The interest rate and credit control schemes of the country basically resulted in the repression of the financial sector. Brownbridge and Gockel (1996) further reported that the broad money to GDP ratio which had been relatively stable at around 20 per cent between 1964 and 1974, rose briefly in the mid 1970s and then collapsed to 12.5 per cent by 1984. Also, the currency/M2 ratio went up from 35 per cent in 1970 to 50 per cent in 1983. This trend reflected a process of disintermediation from the formal financial system. Bank deposit was only 7.4 per cent of GDP in 1984, having reduced from 19.5 per cent of GDP in 1977.

The decline in the financial depth of the country was the result of sharply negative real deposit rates, which discouraged savers from holding financial assets in the various commercial banks; the currency seizures of 1979 and 1982; the freezing of bank accounts and the decree authorising the government to demand details of customers’ bank accounts from banks all served to wear down public confidence in holding domestic currency and using the banking system. On the flip side, these occurrences encouraged the use of informal financial intermediaries and the holding of savings in the form of physical assets, such as buildings and construction materials, or even foreign assets. Long waiting times in banks, a consequence of inefficiency and the lack of large denomination bank notes, also dissuaded the public from depositing cash in banks. Furthermore, the banks were deterred from active deposit mobilisation because interest rate controls and the very high statutory reserve and liquid asset requirements prevented banks from channelling depositors’ funds into remunerative outlets. Banks in some cases refused to open new time and savings deposit accounts and refused to pay interest on accounts above a certain threshold (Leite, 1982).
This situation actually resulted in financial distress among banks within the country. State-owned financial institutions were the most affected. Development Finance Institutions (DFI) were the first to have run into serious difficulties as most loans from these institutions were directed towards non-performing state-owned enterprises. This was followed in the mid-1980s by the emergence of distress in the two main commercial banks (GCB and SSB). As a result, banks were rendered bankrupt based on non-performing assets (NPAs). There was the need to restructure the banks in 1989-1991 after a total of GH¢62 billion of NPAs was identified in the banking system and replaced by BOG bonds. NPAs were later transferred to the Non-Performing Assets Recovery Trust (NPART) in 1991 (Brownbridge & Gockel, 1996).

**Transition from Controlled Interest Rate Regime to Market Determined Regime**

Owing to the poor economic performance in the 1970s and 1980s, the major financial sector reform in Ghana was initiated in 1987 with support from the World Bank and the IMF. The financial sector reforms began with the partial liberalization of interest rates. Interest rate liberalization was followed by the removal of credit ceilings in 1988 and then by the liberalization of the exchange rate market. This brought about some form of liberalization in the financial market. The Financial Sector Adjustment Programme (FINSAP) and the Financial Sector Adjustment Credit (FSAC) began in 1989. This was done in order to restructure distressed banks and clean up non-performing assets to re-establish the profitability and reliability of financial institutions in the country. The FINSAP was also aimed at reforming responsible legislation and the supervisory system that will permit new entry into the financial markets and developing stable money and capital markets. In 1992, the country adopted indirect instruments of monetary control and this brought about the introduction of a market determined Treasury bill rate.

The second phase of FINSAP was operational over the period, 1993 to 2000. The second phase focused on the privatization of state-owned banks and the development of Non-Banking Financial Institutions (NBFIs) to fill up the gaps in the financial markets not served by the banking institutions. The period also saw the establishment of new privately owned banks. The milestone in the financial
sector reforms was the incorporation of the Ghana Stock Exchange (GSE) in July 1989. The establishment of the GSE provided an avenue for raising financial savings as well as contributing to capital formation.

Despite the fact that the country was able to achieve a great deal in terms of the liberalization of the financial market within the period of its implementation (1989-2000), by 2001, there were still a number of constraints in the country's financial market. These included low financial intermediation, crowding out of the private sector in the credit market, financial exclusion and illiteracy, high nominal interest rate spread, cash domain payment system, complex foreign exchange regime and the lack of a legal framework that defines the rights and responsibilities of both borrowers and lenders (Bawumia, 2010).

These lapses within the financial market called for a new set of reforms to push the national agenda of putting Ghana in a position of an international financial centre within the West African sub-region. This led to the implementation of home grown financial sector reforms between 2001 and 2008. Some of these reforms were later placed under the banner of the Financial Sector Strategic Plan (FINSSP) in 2003. The main objectives of FINSSP were, among other things, to promote efficient savings mobilization; make the financial sector the preferred source of finance for domestic companies; establish a stronger regulatory regime that was more 'user friendly'; make Ghana the financial gateway to the Economic Community of West African States (ECOWAS) and to realize a diversified domestic financial sector within a competitive environment. To achieve these objectives, the country undertook comprehensive legal reforms to bring about the needed changes in the financial sector.

The legal and regulatory reforms that were undertaken between 2001 and 2008 have, among other things, resulted in further independence of BoG, providing it with the freedom to implement monetary policies in the interest of the financial sector without having to wait for approval from the Government or any other authority. The reforms also came with the concept of universal banking and this effectively eliminated the monopoly enjoyed by commercial banks in the retail-banking sector. This is because the concept of universal banking removed limitations on banking activities. It allowed banks to choose the type of banking services they could offer based on their capital, risk appetite and
business orientation. Hence the BoG also increased the minimum capital requirement for banks. This was to ensure that banks would be able to handle the additional risks that would come with universal banking. Accordingly, foreign banks were made to recapitalize to meet the new minimum capital requirement of GH¢60 million by the end of 2009. Domestic banks were however given up to the end of 2010 to recapitalize to the tune of GH¢25 million and to GH¢60 million by December, 2012 (Bawumia, 2010). Similarly, the minimum capital requirement for deposit taking non-bank financial institutions (NBFIs) and financial houses were also increased from GH¢1.0 million and GH¢1.5 million respectively (GIPC, 2010). The recapitalization of the banks was also in line with the objective of the reforms to make Ghana an international financial hub to provide a wide range of cross-border financial services to clients in other countries through the International Financial Services Centre (IFSC).

The Venture Capital Trust Fund (VCTF) was also established in 2004 to provide investment capital to small and medium enterprises (SMEs) at rates below the market rate. A major landmark that was also achieved under the home-grown financial sector reform between 2001 and 2008 was the enactment of the Payment System Act 2003, resulting in the introduction of an electronic payment system (E-Zwich) in April 2008. It was expected to bring electronic payment closer to all Ghanaians (both banked and unbanked). However, based on a report by the implementers of E-Zwich system, the patronage has not been impressive. The expected acceptability of the payment platform by both potential users and major retail shops has not been forthcoming.

The period from 2001 to 2008 also witnessed the automation of trading at the Ghana Stock Exchange with efforts to harmonize its activities with West African markets such as the Nigerian Exchange Market and BRVM in Cote d‘Ivoire. The main purpose was to ensure that investors and issuers get easy access to all of the West African market to ensure greater financial development.

To further ensure that Ghana had a relatively well regulated and highly competitive financial market and also, to ensure the safety, soundness and stability of the entire financial system in line, BoG in 2011, set up a microfinance office within the Banking Supervision Department to regulate and supervise the activities of the ever increasing number of microfinance institutions in the country.
The home-grown financial sector reforms have led to some notable gains in the country’s financial sector. For example, the total assets of banks grew by 40.9 per cent to GH¢5,837.78 million in 2006. Similarly, the total assets of financial institutions (Banking and Non-Banking Financial Institutions) increased by 28.8 per cent to GH¢24,987.4 million at the end of 2011 (Bank of Ghana, 2011). The period also saw growth in domestic credit to both public and private sector institutions. Credit to these institutions rose by 59.9 per cent at the end of the third quarter in 2007. The reforms also came with increased competition among banks and NBFIs with branches of the various financial institutions spreading across Ghana. The banking industry for instance witnessed massive expansion in the number of branches across the country. For instance, between 2004 and 2006, the number of branches increased by 23.5 per cent. One hundred and two (102) new branches of various banks in the country were established in 2010 (Akuffo-Duah, 2011).

The improvement in Ghana’s Financial Sector as a result of changes in policies and regulation of the Financial Sector was reflected in the World Bank’s Annual Financial Sector Ratings. The Financial Sector Ratings assessed the structure of the financial sector and the policies and regulations that affect it.

Figure 6: Financial Sector Rating

*Sub-Saharan

Figure 6 indicates that Ghana has over the years implemented the best of financial sector reforms. Ghana has since 2007 been rated at 4 which is far above
the average of sub Saharan African countries and also above the average of lower middle-income countries. This gives an indication of how the nation has been able to move away from a regulated and ineffective financial sector to an improved one. It also suggests that the World Bank and the IMF supported financial sector reforms and the home grown financial sector reforms might have yielded some positive results. This is partly due to the macro-economic stability the country has enjoyed over the period since the Economic Recovery Programme (ERP). Figure 2 indicates, however, that Ghana’s financial sector ratings dipped in 2012. This gives an indication that the regulations and policies by the main regulatory body, Bank of Ghana, is falling short of previous performance and this is defiantly not good for the economic growth of the nation.

Financial Sector Reforms and Growth

The macro-economic stability which has resulted in relatively low levels of inflation rates have seen real interest remain in the positives for most of 1987 to 2011. This situation led to increase in deposits in the country. The 2011 annual report of the Bank of Ghana, pointed out that, the 28.8 per cent increase in assets of banks and NBFIs was mainly funded by deposits, which went up by 36.7 per cent. Loans and advances also went up by 22.5 per cent. Credit is, however, concentrated in few sectors of the economy. The commerce and finance, services and manufacturing sectors together accounted for 66.5 per cent of the total outstanding credit in January 2008 (GIPC, 2010).

Nevertheless, the stable macro-economic trend, coupled with relatively high economic growth rate has not really come with increased levels of growth of some sectors of the economy as well as employment. The cost of borrowing in the country is still high, despite the improvements the country has seen in the financial sector.
Major factors that have been identified as hindering the growth of business in Ghana are the cost of credit and access to credit in the country (Association of Ghana Industries, 2010). The most affected sectors are those requiring long-term credit which is perceived as risky. Among the several factors that can be attributed to the high cost of credit and constraints with access to finance is the issue of the focus of regulation. For instance, if regulation focuses on capital adequacy (which is the case for Ghana – a classical example is the recent increase in capital adequacy required of microfinance institutions), it encourages banks to protect some assets, and rely more on fee-based income.

**Figure 8: Trends in the lending rate across selected countries**
In a discussion with a colleague on the perception of the cost of credit, he laments as follows: “The processing fee charged on personal loans in some Ghanaian banks is enough to pay for the entire interest on loans for some banks in Europe, USA and other advanced countries. Perhaps the risk has been overpriced. Compared to other countries in the sub-region, banks in Ghana charge one of the highest interest rates. This cannot be attributed to risk alone, since the business and political climate is identical in most sub-Saharan African countries” (Male aged 35 years). Figure 4 corroborates the above. The lending rate in Ghana since 2000 has been persistently greater than the average lending rate in Kenya, South Africa and Nigeria.

In all, Ghana’s financial sector has witnessed great improvements since the 1987 financial sector reforms. The financial sector is one of the fastest growing sectors of the Ghanaian economy today and has experienced high growth rates over the last two decades with improved profitability and efficiency. However, very little is seen from this sector in terms of becoming the driving force of economic growth in the country. In other words, the growth of the financial sector was expected to make available a cheaper source of financing for the productive sectors of the economy for their expansion and to increase employment. However, one cannot authoritatively say that this objective has been achieved.

Challenges of the Financial Sector in Ghana in Relation to Economic Growth

One major problem has been high interest rates hindering economic activities in Ghana (Association of Ghana Industries, 2010; Kwakye, 2010). The high cost of credit to the productive sectors of the economy tends to be so high that it makes it difficult for firms to expand their businesses, increase their levels of employment and improve the growth of the economy. Ghana’s relatively high interest rates and high cost of credit make the country less competitive in attracting investment which inhibits its economic growth. Lending rates in the banking industry at the end of June 2010 ranged from 23.5 per cent to 37.5 per cent, with an industry average of 30.63 per cent. In contrast, savings deposit rates ranged from 2.0 per cent to 11.5 per cent, with an industry average of 7.25 per cent. This leaves an intolerably large interest spread in the country. Real lending rates in the country are also very high as compared to real interest rate on deposits. Banks’ average
real lending rate virtually doubled from 12.01 per cent in June 2009 to 21.11 per cent in June 2010. During the entire period, the banks’ average real savings rate remained, though decreasingly negative. The real savings rate during this period ranged from -12.24 per cent to -2.27 per cent (Kwakye, 2010). This demonstrates the extent to which savers have borne the brunt of banks’ policies. The situation is not favourable for mobilizing savings for accelerated growth of the economy. Throughout this period, the average spread between banks’ lending-and-savings rate ranged between 24.83 per cent and 21.83 per cent (Kwakye, 2010). This situation therefore calls for pragmatic efforts to reduce the country’s relatively high interest rates to enhance economic growth and employment.

Persistent government borrowing from the domestic financial market has been cited as one of the major causes of high interest rates in Ghana (Kwakye, 2010); Association of Ghana Industries, (2010). The Government of Ghana is a major player in the financial market since it competes with other users of funds. Therefore, it tends to have greater influence on the amount charged on loans in the form of interest rates. Ghana has over the past eight years experienced a relatively high budget deficit averaging over 5 per cent of GDP. This situation serves to increase the economic risk that the banking industry attaches to the loans given out. Thus the high budget deficit/public debt the country has been experiencing over the years indicate that, the capacity of the government to service its debt may be compromised and the risk of default is high. The debt level of the country has also seen dramatic increases over the period. The government of Ghana debt to GDP ratio, for example, increased by 49.4 per cent in 2012. The total public debt in the country has increased from US$15,350.08 million in 2011 to US$18,832.77 million at the end of December, 2012. Out of this, the growth of domestic debt stood at 30 per cent. In all, domestic debt constituted about 53 per cent of the total public debt (Ministry of Finance, 2013). This tends to have major impact on the interest charged on loans to both the public and private sectors of the economy. The high level of government indebtedness and the relatively high larger-than-planned borrowing of government as a result of the persistent budget deficit of the government have been identified as playing a dominant role in the determination of interest rates in the financial sector (Centre for Policy Analysis, 2010).
Figure 9: Trends in Nominal Interest Rates and the Budget Deficit


Figure 9 indicates the trends in budget deficit and nominal interest rate in Ghana from 1980 to 2011. A similar trend is observed for interest rates and government deficits. This seems to confirm the assertion that increasing government expenditure result in increased government borrowing from the domestic financial market which tends to push interest rates in the country upwards. One way of reducing the high interest rate in the country is therefore through the reduction in the recurring budget deficit and government borrowing from the domestic financial market. The main sources of the budget deficit in Ghana include the rising wage bill of government employees, shortfall in government tax revenue, subsidies on utility and fuel prices and high interest payments.

The rising government wage bill is mainly as a result of the implementation of the Single Spine Salary Structure (SSSS), which resulted in an increase in personal emoluments by 65.8 per cent on year-on-year basis (Bank of Ghana, 2012). It is, therefore, important for the government to ensure that increases in the salaries of government employees come with increased productivity to adequately compensate for the increase in the salaries. Another source of concern has been the government’s subsidies on utility and fuel prices. In 2012 alone, utility and fuel subsidies amounted to GH¢809.0 million, with additional GH¢9,528 million due to be paid in 2013. The cash payment that was made in 2012 was 72.1 per cent higher than the budget target of GH¢470.0 million. Given that, a considerable proportion of the government’s deficit has been financed through borrowing from the domestic financial markets, higher than budgeted subsidies, implies further borrowing from domestic sources.
The operational costs of the various commercial banks have played a major role in the determination of interest rates in the economy. The Ghanaian Banking Industry is characterized by high operational costs comprising administrative costs, the costs associated with inadequate financial infrastructure, the high costs of administering numerous small deposits and borrowers who lack sufficient identity and credit reference. All these contribute to the high rates of interests experienced in the country today. To reduce the cost of operations, banks need to bring greater efficiency in bank operations, particularly relating to the management of personnel, processes, and technology. By making prudent choices with respect to these elements, banks can significantly improve productivity in different operations and achieve substantial reduction in operating costs.

Another contributing factor to the high rates of interest in the country has to do with the problem of Non-Performing Loans. This tends to have some form of influence on bank interest charges as a way of insuring against possible future losses from these loans.

**Figure 10: Movement of Lending rate and Non-performing Loans**

*Quarter/picture not clear

*Source: Bank of Ghana (2013)*
From Figure 10, non-performing loans (NPL) in the banking industry moves in the same direction with lending rates of the banking sector. To help solve this problem the nation has to develop adequate legal and accounting infrastructure necessary to assist the banking industry to solve this problem. It is also important for the banking industry to adopt best practices in the management of funds. This can be done through regular monitoring of risk elements and asset-liability gaps. This can enable banks to better manage liquidity risks, which can contribute to lowering the interest rates in the country. Additionally, the introduction of hedging mechanisms can play a useful role in solving the problem of NPL. This may start with short-term derivatives such as forward rate agreements and interest rate swaps before moving to sophisticated options and longer dated transactions.

Another major issue in the financial sector of Ghana is the lack of efficient risk assessment mechanisms, hence banks tend to set and maintain high interest rates in order to screen out high-risk borrowers. It is, therefore, important for the Bank of Ghana to assist in developing institutions that would utilize modern and efficient techniques of measuring and disseminating risk profiles of potential borrowers to the banks. Such efforts should also include suitable legal measures for adopting rigorous accounting standards by firms, implementing fair disclosure regulations, setting up credit bureaus and credit rating agencies with professional competence. In addition, setting up mechanisms for wide sharing and exchange of credit information among banks and other stakeholders, and other measures for ensuring transparency and accountability in the banking sector should be introduced.

Under the market-oriented practice adopted by the Bank of Ghana, unilaterally imposed regulatory mechanisms are unlikely to contribute towards reducing the interest rates in a sustained manner. Increasing reserve ratios, for example, would more likely induce the banks to increase interest rates to cover the higher cost of loanable funds. The obligation to keep 9 per cent of deposits of the banks in the form of reserves at the Central Bank serves a useful objective, especially in the system where there is no deposit insurance, the fact that the reserves are unremunerated constitutes a cost to the banks, as they have to pay interest to customers—however low that may be. However, measures like the introduction of deposit insurance can contribute to cutting down the
high interest rates. Similarly, the state can consider the introduction of other plausible measures of reducing interest rates, such as introducing refinance facilities and market stabilisation funds, ensuring greater predictability of Bank of Ghana’s stand on inflation and monetary policy, and creating higher capability to procure funds and wider access to international markets for funding and hedging the interest rate risks.

Since the use of persuasion by the Bank of Ghana has failed to yield any positive results in terms of reducing the interest rates in the country, there is the need for the bank to consider other options. One possible option will be to put a limit on interest spreads. The various commercial banks should however, be allowed to continue to set the levels of their lending and deposit rates. Since deposits represent banks primary source of funds for lending, imposing a limited mark-up of lending rates over deposit rates would not appear to be out of order. Even if this measure leads to both lending and deposit rates remaining high, it will at least achieve the useful purpose of ensuring that due return is paid on savings.

**Stabilising the Domestic Currency**

Structural imbalance in the demand and supply of foreign currencies has been the feature of the foreign exchange market in Ghana. This form of structural imbalance exerts depreciating pressures on the Ghana Cedi and thus poses a constraint on the development of the foreign exchange market in Ghana. It also affects the development and efficiency of the country’s financial sector. This structural imbalance in the economy can be attributed to the seeming gap between savings and investment that persists. In a capital-poor, lower middle-income economy like Ghana, which also has a very poorly developed financial market, the capital investment and development needs of the country far outstrip the levels of domestic savings. Hence, under such conditions, current account deficit may be inevitable, and this potentially exerts pressure on the currency to depreciate.

The large current account deficits that occur as a result of this structural imbalance are largely financed by Official Development Assistance (ODAs) as well as private capital flows. It is important to note that the flow of ODAs in the recent past has reduced because Ghana has reached the middle-income status.
Hence, besides the depreciation pressures on the Cedi, there is also an inherent vulnerability of the exchange rate to changes in market sentiment. Ghana recorded a budget deficit of Gh¢ 2,065.0 million in 2012 which represents about 3.9 per cent of the GDP of the country. This development has been attributed to the worsening trade balance and increase in services and income payments (Bank of Ghana, 2011). This form of developments in the country’s current account is definitely not healthy for the stabilization of the nation’s currency and for that matter the sustained economic growth of the nation. Additionally, spending decisions of the government, especially during election years have not proved helpful to the stabilization of the domestic currency. The Figure below indicates the movements in monthly real effective exchange rate from January 1995 to November 2012.

**Figure 11: Movement in the Real Effective Exchange Rate**

![Image of Graph](https://example.com/graph.png)

*Source: Bank of Ghana*

From Figure 11, the Ghana Cedi has tended to depreciate against major currencies in the world at the tail end of every year. This is the result of the festive season in which the importation of goods and services increases in the country. The situation is compounded in every election year as a result of the political business cycle which has persisted since the start of the fourth republic. In Ghana, the problem of the political business cycle is evident by the excess spending that occurs in the country during election years and followed by
three years of relative austerity. There is, therefore, the need for the country to take pragmatic measures to reduce the depreciation of the Ghana Cedi. This is because such depreciation makes it difficult for businesses to adequately plan for future expenses.

The recent depreciation of the local currency can be traced to a number of factors. These include: the expansion of the economy, increased trade with China, the political business cycle and uncertainty about the 2012 general elections, excess liquidity in the banking system and liquidity overhang as well as the reassessment of projections for oil production.

The increasing volume of trade with China has also contributed to the exchange rate woes of the country. Over the past eight years the country has seen dramatic rise in the importation of goods and services from China which basically prefers the payment of such imports in cash to letters of credit, which would spread the payments over a period of time. This situation increases the seasonal pressures on the stability of the Cedi. Much of the demand for foreign exchange in cash occurs in the forex bureau market. There is the need for the central bank to increase the supply of foreign currencies in the forex bureau market, especially, during the Christmas season where the nation experiences relatively large depreciation of the local currency. Also the central bank could negotiate with their Chinese counterparts to allow for letters of credit to spread out the payment for imports from the country.

Excess liquidity in the Banking system has also been identified as a major contributor to the instability of the domestic currency. When banks hold excess reserves that exceed the required reserve of 9 per cent of total deposits, they may either loan out the excess reserve for private consumption or investment, or resort to the purchase of foreign exchange. In Ghana, due to the high lending rates, most of these banks may resort to the purchase of foreign currency since domestic investors may find it very expensive to go for loans from these banks. Hence as stated earlier, there is the need for steps to be taken to reduce the lending rates in the country to boost domestic investment as well as to help curb the depreciation of the domestic currency by encouraging the various banks to loan out excess reserves rather than purchasing foreign currencies with it.
It is important to note that, the expansion of the economy from low-income country to a middle-income country status has come with increase in economic activities and a higher demand for imports. It has been estimated that a percentage increase in the GDP of Ghana generates an increase in imports by 1.14 per cent (Centre For Policy Analysis, 2013). This is definitely not healthy for the country’s current account balance. There is the need for steps to be taken by the government to encourage domestic production of certain commodities for which the country has a comparative advantage in its production and reduce the importation of such commodities as a long-term measure. Since the country can do very little in terms of reducing the importation of goods and services, it is necessary for the nation to intensify its export promotion activities to help increase the foreign exchange earnings of the country. This can be achieved when both the comparative and competitive sectors of the economy have been identified, categorically defined and tagged as national policies rather than government’s plan for growth. This should be approached from an assessment of the external markets, global gaps for commodities and resource availability in Ghana. Beyond the resource availability, models of the growth path of countries that have consciously created a market for themselves should be reviewed.

Additionally, decisive action must be taken by the government to solve the persistent problem of political business cycles that have affected the stability of the country’s currency since the beginning of the fourth republic. The issue of high fiscal indiscipline that comes with excessive fiscal deficits during electioneering periods has had a great effect on the stability of the Cedi. Studies by the World Bank have revealed that a comparison of fiscal balance between years before elections and election years generally indicate that the fiscal balance of the country deteriorates by about 1.5 percentage points. The Cedi experienced huge depreciations in 2000, 2004, 2008 and 2012, which were all election years. In 2000, for example, the Cedi depreciated by about 100 per cent against the US Dollar. The nominal exchange rate rose from GH¢0.35 in January 2000 to GH¢0.70 by the end December 2000. More recently, the Cedi depreciated by 20.5 per cent, year on year, against the US dollar from June 2011 to June 2012. Such spells of fiscal deficit motivate the need for a detailed inquiry into the sources of expenditure and the associated returns.

In all, stabilizing the domestic currency will require a greater commitment on
the part of the government to maintain fiscal discipline at all times, remove all institutional and policy barriers blocking savings and investment, review cash payments for imported goods and institute strategies to reduce imports. While some efforts have been made to produce domestic commodities such as rice to curb importation, the outputs have failed to match-up with foreign brands leading to non-patronage of domestic goods.

Microfinance, Financial Inclusion and Responsible Finance

This section focuses on the emerging bottom-up approaches that rely on financial services to address issues of poverty and inequality to ultimately drive the growth of the sectors of an economy. The debate in this area is active and for that matter evolving. However, the discussion, as far as this paper is concerned focuses on two supply-side operational issues: the expected role of the government in these areas and emerging issues that require active research in the effort to identify workable, scalable and sustainable strategies. The discussion is preceded by an overview of the players in the microfinance industry.

Microfinance retail service providers in Ghana can be classified into nine (9) categories namely: the Commercial Banks rolling out microfinance schemes, Rural and Community Banks (RCBs), Savings and Loans companies (S&Ls), Credit Unions (CUs), Individual ‘Susu’ collectors and companies, Financial Non-governmental Organizations (FNGOs), Microfinance Companies and Individual Money Lenders and Companies. This backdrop of different operators is useful in appreciating the heterogeneity of the sector in the context of the dual objectives being financial sustainability and poverty reduction. In 2004, a research commissioned by the BoG with technical and financial support from the World Bank, revealed significant differences in the outreach of microfinance retail service providers. The study found that FNGOs and RCBs reached lower end of the market (relatively poorer) clients, while CUs and S&Ls reached non-poor clients. Also, from the perspective of financial sustainability, differences were observed across the microfinance retail services providers.

The study had important policy implications as it provided information which indicated that a category of microfinance retail service providers could best be
used to reduce poverty, provided strategies for integrating (up-scaling) such financial institutions into the main stream financial sector and lastly it unearthed the best practices in the industry.

Another stakeholder in the microfinance industry in Ghana is the network organization of microfinance in Ghana - Ghana Microfinance Institutions Network (GHAMFIN), apex associations including the Credit Union Association, Ghana Association of Microfinance Companies (GAMC), ARB Apex Bank, and support institutions such as the Ministry of Finance and the academia notably the University of Cape Coast. The wide variety of stakeholders in the sector is partially explained by the social mission of the microfinance paradigm. One of the major challenges of the several stakeholders is the potential rivalry and duplication of goals. In this regard, the quest for achieving an efficient financial sector is to consciously institute mechanisms to harmonize initiatives of the different stakeholders. Since earlier attempts to bring all these stakeholders together had failed, a high level coordination mechanism such as one under the auspices of a parliamentary Committee may be required.

The skewed concentration of the microfinance debate on outcomes, particularly financial sustainability and poverty reduction, has led to the neglect of operational issues such as efficiency and governance. Importantly, the efficiency of microfinance institutions should be viewed from the social as well as financial perspectives. This paper, therefore, seizes the opportunity to highlight some of these important elements that drive the agenda of achieving overall efficiency in the financial sector.

Annim (2012), in an empirical study, calculated both financial and social efficiencies of Microfinance Institutions (MFIs) based on cross-country data and made the following two observations: while financially efficient microfinance institutions fail to reach poorer clients, social efficiency is associated with reaching poorer clients. The author found that at the country level, overly bureaucratic processes in property registration and the lack of adequate credit information adversely affected the efficiency of microfinance institutions. These observations suggest that the goal of reducing poverty via microfinance is reliant on both the social efficiency of microfinance institutions and the role of the government in ensuring that support institutions are functional. The lack
of a credit bureau specifically for the microfinance sector in Ghana, can be associated with the high default rate and the attendant high interest charged by microfinance institutions.

The second issue on the supply-side relates to the governance and regulation of the MFIs. The discourse on governance transcends corporate governance to ‘external’ governance and regulation. This implies that it is important to ensure that the social mission of microfinance is considered as well as the financial. For instance, BoG’s regulation of MFIs should cover issues related to the social mission of the paradigm. In connection with the regulation of microfinance in Ghana, the capability of BoG to effectively ensure prudential and non-prudential operations should be reviewed. This concern is prompted by the size, heterogeneity and dynamism of the MFIs in Ghana. For instance, in terms of size (number of MFIs in Ghana), a desktop review suggests that as of 2014 over 2,500 institutions were offering microfinance services. This number of MFIs is simply overwhelming for the current staff capacity and technological mode of operation of the BoG. Also, while the BoG, to a very large extent, has the capacity on issues related to prudential regulation, its ability to regulate the microfinance sector from a social development and poverty reduction perspective remains to be verified. A second-tier regulator to provide guidelines to protect clients and ensure the achievement of poverty reduction objectives of MFIs may be required.

In the area of research, the sector has to promote relevant national studies including impact assessment of microfinance interventions and performance of the different institutional structures in Ghana. A country like Bangladesh has incorporated detailed questions on microfinance activities in routine household level panel surveys. In Ghana, the questions related to finance in the Living Standard Survey are general – not specific to microfinance – and are cross-sectional, thereby inhibiting the reliability of any causality inference.

To achieve an efficient microfinance sector requires a better understanding of both the supply and demand sides. There is the need for nation-wide panel surveys to understand the operational and impact issues related to microfinance service delivery as well as issues related to spells of poverty (movements in and out of poverty), vulnerability (likelihood of being poor) and inequality.
Closely related to the issue of microfinance are the topical issues of financial inclusion and responsible finance. Statistics from the Global Financial Inclusion (Global Findex) Database indicates that as of 2011, about two-thirds of Ghanaians aged 15 years and above do not have an account with a formal financial institution. Contrasting this statistics with the recent rapid evolution of financial institutions ignites a number of concerns. However, it is worth noting that the availability of financial institutions does not automatically translate into their use. Indeed the theoretical literature on access to finance posits that the use of financial services depends on four (4) factors namely, availability, affordability, reliability and continuity. The recent discourse on responsible finance suggests that the onus is on financial service providers to ensure that the use of finance is based on a thorough understanding of the characteristics of the potential user in terms of need and ability to use the service. In addition, the potential user should be fully aware of the implications of the use of the financial services. In view of this, it is imperative to explore the reasons for underutilization of these institutions and other related factors based on these four (4) factors.

Summary and Conclusion

This paper has provided a review of financial sector performance and policies in Ghana. The paper alludes that since 1990, there has been a sterling growth in the number of financial institutions in Ghana. The growth in the number of financial institutions, to certain degree, has yielded diversification in the types of financial institutions. For instance, the insurance industry has grown rapidly in expectation that it would complement the activities of the banking sector and financial/capital markets. However, these increases in institutional actors have not been accompanied with consistent growth in efficiency and performance of all components of the country’s financial system. In response to this, the Government of Ghana should consciously go through the process of outlining strategies for a transformation based on the ideal mix between a bank-based and market-based financial system.

Interest rates remain high in Ghana compared to other countries in sub-Saharan Africa. Based on the review, a possible source of this is government’s borrowing. The immediate response is for the government to address the issue of fiscal deficit through a number of possible channels. These include reducing
hikes in expenditure during electioneering years; vigourously widening the tax base; promoting private sector development with the aim of reducing the wage bill of the government in certain sectors; cutting down on the consumption of imported goods based on an improvement in the quality of local commodities and identifying commodities that have both comparative and competitive advantage (based on research and national policy) to drive export earnings.

At the household and individual level, an efficient financial sector would achieve the ultimate goal of poverty reduction if sectoral reform is complemented with an entrepreneurship mindset and capability. That mindset should present entrepreneurship not as a second-best option but one to be pursued from an early age and with creativity and innovation. However, it is worth noting that the structures to enhance this drive such as incubators are imperative.

On the microfinance front, financial inclusion and responsible finance are critical aspects requiring our attention. The government needs to review its role in retail finance including the mandate of Microfinance and Small Loans Centre (MASLOC). The government should aim at integrating the microfinance sector into the formal financial market and contribute to poverty reduction through the following: Initiating and providing an enabling atmosphere for the creation of a credit bureau for the microfinance sector; addressing the challenges surrounding doing business in Ghana specifically reducing cost and length of time in registering property and enforcing contracts; instituting credit information outlets and developing a database for assessing the operational efficiency (financial and social) and funding the conduct of research to verify the poverty reducing impact of microfinance services. In terms of regulating microfinance institutions, BoG should pay attention to the social objectives of the microfinance paradigm and cede responsibility to a second-tier regulator such that the microfinance apex bodies have the capability to ensure MFIs adhere to their social objectives.
REFERENCES


TOWARDS AN EFFICIENT FINANCIAL SECTOR IN GHANA


THE TRANSFORMATION OF AGRICULTURE IN GHANA: CHALLENGES AND THE WAY FORWARD

By Kingsley Ofei-Nkansah
Introduction

Over the last two decades, Ghana has sustained an impressive economic growth record and to some extent, reduced poverty and hunger (Ghana Statistical Services, 2007). This economic growth has, however, not reduced inequalities, unemployment and under employment. Agriculture continues to be the critical economic sector, being the largest source of employment and livelihood, the leading export earner and the third largest contributor to the GDP, after services and industry. Agriculture, however, remains saddled with a lot of challenges that are inherent in its structure and its location within the wider economy.

Ghana has in the last three years maintained the impressive economic growth rate of over 7%, making it one of the world’s fastest growing economies. The growth rate remained over 6% between 2005 and 2010, and the poverty incidence declined from 51.1% in 1991/92 to 28.5% in 2005/6 (Ghana Statistical Services, 2007). The inequalities however, grew with the Gini Coefficient rising from 37% in 1992 to 42% in 2006 (Ghana Statistical Services, 2007). The economy continues to generate wealth from low value primary commodity exports while continuing to import high-value manufactured goods. Transforming the economy is necessary to sustain growth and development in the medium and long term. This is the case of an African country who are primary commodity and, more so, agriculture dependent (Breisinger, Diao, Kolavalli, Al Hassan, and Thurlow, 2011).

This paper discusses the challenges facing agriculture in Ghana with the view to making some recommendations for the transformation of agriculture as a necessary condition for the sustainable and inclusive economic growth and development. Specifically, the paper looks at the economic and social context; discusses three aspects of agriculture in Ghana, namely the characteristics, policies and programmes and the performance of agriculture; proposes
conditions for agricultural transformation; draws conclusions and makes some recommendations.

The Economic and Social Context

The economic growth trends in Ghana have been positive, recording a growth rate of over six (6) per cent since 2006. The economy is, however, currently faced with many economic challenges, including low productive sectors, huge disjointed informal sector, weak manufacturing sector, weak internal linkages between sectors, high external outflow of capital/financial resources and low rate of employment creation. In the last decade, services and industry have grown to catch up with and then surpass agriculture’s contribution to GDP, as shown in Table 1 and Figure 1 below. Agriculture’s position as a second largest contributing sector gave way to industry in 2011 when the latter got a big boost as a result of the oil exports.

Table 8: GDP Growth Rates by Sectors 2009 - 2013

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>2013 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>7.2</td>
<td>5.3</td>
<td>0.8</td>
<td>2.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Industry</td>
<td>4.5</td>
<td>6.9</td>
<td>41.6</td>
<td>11.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Services</td>
<td>5.6</td>
<td>9.8</td>
<td>9.4</td>
<td>11.0</td>
<td>8.9</td>
</tr>
<tr>
<td>Overall real GDP growth</td>
<td>5.8</td>
<td>7.9</td>
<td>14.0</td>
<td>8.9</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Figure 12: GDP Growth Rates by Sectors 2009 - 2013

Source: Ghana Statistical Service (2014)
The industrial sector - composed of mining and quarrying; manufacturing; electricity, water and sewerage and construction - has shot up as a result of the recent oil exploitation and export. Manufacturing, which produces consumer goods and some intermediate goods like cement, metals and building materials, remains underdeveloped. Industrial growth has therefore been based on additional primary commodity exploitation in the extractives, thus reinforcing the need for economic transformation.

The necessity and potential for agro-based industrial development has been strongly articulated. The services sub-sector comprises a wide range of activities including trade; repair of vehicles and household and other goods; information and communications; financial intermediations; transport and storage; hotels and restaurants and bars; real estate and other social services; public administration and defence; education; health and social work and other community, social and personal services (Ghana Statistical Services, 2012). This wide range of services are growing largely as a result of income derived from the agricultural sector and remittances. This growth has, however, not happened in response to the demands of agricultural production. The services could contribute significantly to sustained agriculture growth, when properly connected to stimulate efficiency and productivity of the agricultural sector.

There is increasing recognition that agriculture has a key role to play in realizing sustained economic growth in Ghana, and indeed other African countries. This is based on the large size of the agricultural sector in the economy of the country, its contribution to export, GDP, employment and livelihoods. There is also the huge potential for developing the manufacturing industry that produces implements, tools and simple machinery to reduce the drudgery in the agricultural sector that is still dominated by rudimentary tools like hoes and cutlasses. Meanwhile, the incidence of poverty is highest among food producers in an agricultural sector that is growing at an unimpressive average rate of about 4%, with the concentration on a few range of produce. It is in the agricultural sector that the battle for long-term economic development will be won or lost.
Agriculture in Ghana

The Characteristics of the Agricultural Sector
The agricultural sector comprises of four sub-sectors namely: crops, livestock, fisheries, forestry and logging (Ministry of Food and Agriculture, 2011). Activities take place in six different agro-ecological zones, primarily defined on the basis of rainfall and, to some extent, the natural vegetation. These are the Rain Forest, Deciduous, Transitional Forest, Coastal Forest, Guinea and the Sudan Savannah. All, but the two Savannah zones, have a major and minor farming seasons (in the year) with varying growing period for each of the farming seasons, as shown in Table 2 below – Rainfall distribution by Agro-Ecological Zones.

Some minor planting seasons are as short as 50 days as is the case with the coastal savannah and the deciduous forests. Besides, there are increasing manifestations of climate variability, such as variations in rainfall timing, volumes and predictability.

Table 9: Rainfall Distribution by Agro-Ecological Zones

<table>
<thead>
<tr>
<th>Agro-ecological zone</th>
<th>Mean annual Rain (mm)</th>
<th>Growing period (Days)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Major season</td>
<td>Minor season</td>
</tr>
<tr>
<td>Rain forest</td>
<td>2,200</td>
<td>150 – 160</td>
<td>100</td>
</tr>
<tr>
<td>Deciduous forest</td>
<td>1,500</td>
<td>150 – 160</td>
<td>90</td>
</tr>
<tr>
<td>Transitional Savannah</td>
<td>1,300</td>
<td>200 – 220</td>
<td>60</td>
</tr>
<tr>
<td>Coastal savannah</td>
<td>800</td>
<td>100 – 110</td>
<td>50</td>
</tr>
<tr>
<td>Guinea Savannah</td>
<td>1,100</td>
<td>180 – 200</td>
<td>*</td>
</tr>
<tr>
<td>Sudan Savannah</td>
<td>1,000</td>
<td>150 – 160</td>
<td>*</td>
</tr>
</tbody>
</table>

Source: MoFA (2010)

*Rainfall distribution is bimodal in the Forest, Deciduous, Transitional and Coastal Zones giving a major and minor growing seasons: elsewhere (Guinea Savannah and Sudan Savannah), the uni-modal distribution gives a single growing season.

The effects of climate change are already making their toll on agriculture with the increased intensity and frequency of extreme weather events (Ferdinand, Mawunya and Adiku, 2013). Even though the topography of the land is largely
undulating with gentle slopes of less than 1%, about 70% of the areas are subject to moderate (and sometimes severe) sheet and gully erosion. The soils have predominantly light textured surface horizons in which sandy loams and actual loams are common - some with slightly heavier textures varying from coarse sandy loams to clays. There are heavier textured soils occurring in many valley bottoms and in parts of the Accra Plains. These features bring up even more prominently the need for water management and irrigation, a deeper understanding of soil types and maintenance technologies and techniques, as well as farming systems that take due account of climate variability and change.

The main system of farming is traditional, small-scale, rain fed, using rudimentary tools, like hoes and cutlasses, depending mostly on seeds and planting materials that are not certified. About 70% of farm holdings are less than three hectares in size, with production determined largely by the rainfall pattern although soil factors are also important. Most food crop farms are intercropped. Mono cropping is mostly associated with larger-scale commercial farms and plantations, with more attention on rubber, oil palm, horticulture (pineapples, bananas, and coconut and to a lesser extent, rice, maize and Cocoa). Other cash crops are coffee, cotton, kola, shea nuts (Chamberlin, Jordan, 2007). The major starchy and cereal staples are cassava, cocoyam, yam, maize, rice, millet, sorghum and plantain; while fruits and vegetables include pineapple, citrus, banana, cashew, pawpaw, mangoes, tomato, pepper, okra, the eggplant, onion and Asian vegetables.

The relative importance of various food crop groups are shown in Table 9 showing the Proportion of cropped areas and the total production by food crop group. Roots and tubers are very important as they account for 42.55% of the total food crops area and 73.82% of total food produced. Cereals, on the other hand, are grown on 12.40% of the total food crop area, and account for only 1.76% of the total food produced.
Table 10: Proportion of cropped area and total production by food crop group

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Average area cropped 2008-2012 (ha)</th>
<th>Percentage of total food crop area (%)</th>
<th>Average production 2008-2012 (MT)</th>
<th>Percentage of total food production (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals</td>
<td>253,989</td>
<td>12.40</td>
<td>314,595</td>
<td>1.76</td>
</tr>
<tr>
<td>Roots and Tubers</td>
<td>871,730</td>
<td>42.55</td>
<td>13,180,791</td>
<td>73.82</td>
</tr>
<tr>
<td>Legume</td>
<td>327,688</td>
<td>15.99</td>
<td>3,522,856</td>
<td>19.73</td>
</tr>
<tr>
<td>Plantain</td>
<td>595,392</td>
<td>29.06</td>
<td>836,089</td>
<td>4.68</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,048,800</td>
<td>100.00</td>
<td>17,854,332</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: MoFA (2013)

Animal farming covering cattle, goats, sheep, pigs, poultry, fish (marine and inland fisheries – including aquaculture) are all largely on a small scale. Other farming activities receiving some rather little attention and interest are snails, mushrooms, beekeeping, grass-cutter and tree-crop production e.g., carob (prekese).

The total arable land is estimated at about 13,628,179 hectares with about 57.6% being cropped. Less than 0.5% of agriculture is under irrigation, thus underscoring the huge possibilities and potentialities for harnessing and managing water resources for agriculture in conditions of increasing climate change and variability.

Demographic changes, including urbanization as well as income growth tend to make different demands on various foods. People tend to eat less roots and tubers, and more grains, fish and animal products, with increases in social status and income. Depending upon factor endowment in various districts, programme and project interventions may have to consider what crop production to increase in order to leverage animal feed production, to step up livestock and poultry production.

Labour relations are highly segmented in the agricultural rural environment with about 1,574,931 farming households, farming about two hectares on the average. Farming activities depend largely on family labour and, in some cases,
little seasonally hired labour, with women and men making differentiated levels of contribution to various aspects or segments of the agricultural production-distribution value chain. With relatively more limited access to land and other productive resources, women tend to be more concentrated on food production, processing and distribution. Wage and contract labour relations of varied levels of development are present but limited to a few commercial agricultural enterprises producing largely for processing or exports.

Agriculture in Ghana is thus dominated by subsistence and semi-subsistence small-holder production units with weak linkages to industry and the services sector. It is also characterized by low level of technology application, low productivity and incomes and un-competitiveness in production, processing and distribution (Ghana Shared Growth and Development Agenda (GSGDA), 2013). Above all, it is the haven for large rural population who have virtually no alternative sources of livelihood. Since 2008-2010 a number of policy and programme interventions have been initiated to address the concerns in agriculture that are expected to transform agriculture in Ghana.

Policy and Programme Interventions

The main focus of agricultural development, over the medium-term, will be to accelerate the modernization of agriculture through the implementation of the Food and Agriculture Sector Development Policy (FASDEP II) and the corresponding investment plan as detailed in the Medium-Term Agricultural Sector Investment Plan (METASIP) and ensure an effective linkage between agriculture and industry (Food and Agriculture Sector Development Policy II (FASDEP II), 2007). The national vision for the food and agriculture sector is a modernized agriculture resulting in a structurally transformed economy and evident in food security, employment opportunities and reduced poverty.

FASDEP II emphasizes the sustainable utilization of all resources and commercialization of activities in the sector to meet market demand. It seeks to enhance the productivity of the commodity value chain, through the application of science and technology, with due regard for environmental sustainability. Like the GSGDA framework, the private sector is seen as the key partner in the implementation of the policy, while giving recognition to the critical role of
Farmer-Based Organizations (FBOs) to strengthen access to inputs and output markets, and ensure inclusive growth and development.

FASDEP II is also aligned to the five pillars of the Comprehensive African Agricultural Development Programme (CAADP): sustainable land development and reliable water control systems; improvement of rural infrastructure and trade-related capacities for improved market access; enhancement of food supply and reduction of hunger; development of agricultural research, technology dissemination and adoption; and sustainable development of livestock, fisheries and forestry resources. FASDEP II is consistent with this vision as it articulates six clear objectives for the development of the agricultural sector. Specifically, the sector is seeking to ensure Food security and emergency preparedness; improve growth in incomes; increase competitiveness and enhanced integration into domestic and international markets; ensure sustainable management of land and environment; increase application of science and Technology in food and agriculture development; and improve Institutional coordination and harmonization.

A number of broad Policy Principles are to determine the direction of the policy and guide implementation. These include allocating at least 10% of annual government expenditure to the agricultural sector; Targeting the poor in appropriate aspects of policy and programmes; Pursuing regional balance in agricultural development, building on regional comparative advantage; Designing programmes from a gender perspective, and work towards greater gender equality in the agriculture sector; Implementing Policy and programmes within the framework of decentralization and strengthening all agricultural structures of decentralization.

The Medium Term Agricultural Sector Investment Plan (METASIP) is the instrument for mobilising financial and technical resources to deliver the FASDEP objectives (Medium term Agriculture Development Plan (METASIP), 2010). Each of the six objectives constitutes a defined programme area; each of the six programme areas has a number of defined components that should contribute to the realisation of set targets (MOFA, 2010). These defined components for agricultural development objectives include, but not limited to, productivity enhancement, nutrition, diversification, food storage/
distribution, early warning systems, irrigation and water management, mechanization services, new products, pilot value chains, FBO and Outgrower developments, rural infrastructure, urban and peri-urban agriculture. Four major Government of Ghana (GOG) Programmes are, to different degrees, relevant for the advancement of many of the twenty-one components of the METASIP programme areas. These are the Agricultural Mechanization and Engineering Centres (AMSEC); the Fertilizer and Seed Subsidy Programme (FSSP); the National Buffer Stock Company Ltd (NAFCO) and the Youth in Agriculture Programme (YIAP).

Performance of the Agricultural Sector

On the basis of available data, some significant progress has been made in relation to meat production, value chains, marketing of staples, institutional development and coordination. These include increased volume of meat produced from goat, sheep, pigs and poultry (see Table 4 on Quantity of Meat Produced (2008-2012); nine (9) pilot value chains including sorghum, rice, oil palm, maize, mango, pineapple, soya beans, cassava, citrus and guinea fowls were developed, as officially reported at the Joint Sector Review of 2013; all the agro-ecological zones had at least two commodities within the pilot value chains developed; there was increased marketing of staples such as rice, yam and millet increased but that of maize fell short and some progress was made with institutional coordination as exemplified by the periodic meetings of the METASIP Steering Committee and the Agriculture Sector Working Group.

Table 11: Quantity of Meat Produced (2008-2012)

<table>
<thead>
<tr>
<th>Years</th>
<th>Beef</th>
<th>Chicken</th>
<th>Pork</th>
<th>Chevon</th>
<th>Mutton</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>19,553</td>
<td>31,056</td>
<td>17,002</td>
<td>17,444</td>
<td>15,881</td>
</tr>
<tr>
<td>2009</td>
<td>19,773</td>
<td>33,790</td>
<td>17,506</td>
<td>18,315</td>
<td>16,389</td>
</tr>
<tr>
<td>2010</td>
<td>19,993</td>
<td>37,247</td>
<td>18,010</td>
<td>19,226</td>
<td>16,916</td>
</tr>
<tr>
<td>2011</td>
<td>20,592</td>
<td>41,008</td>
<td>19,072</td>
<td>20,341</td>
<td>17,491</td>
</tr>
</tbody>
</table>

Source: Ghana National Poultry Farmers Association (2013)
The growth trends in agriculture, however, suggest that agriculture is far from meeting the expected annual average growth of 6-8%. Even though the crops’ sub-sector may appear to be doing relatively well, cocoa alone accounts for over ten per cent of the total growth (GSS, 2014) - see Table 5 showing Sources of Sectoral Growth. Forestry/logging and fisheries have also been growing at an average rate far below the projected six per cent.

Table 12: Source of Sectoral Growth

<table>
<thead>
<tr>
<th>Source of Sectoral Growth</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>2013 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>7.2</td>
<td>5.3</td>
<td>0.8</td>
<td>2.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Crops</td>
<td>10.2</td>
<td>5.0</td>
<td>3.7</td>
<td>0.8</td>
<td>5.9</td>
</tr>
<tr>
<td>Livestock</td>
<td>4.4</td>
<td>4.6</td>
<td>5.1</td>
<td>5.2</td>
<td>5.3</td>
</tr>
<tr>
<td>Fishing</td>
<td>-5.7</td>
<td>1.5</td>
<td>-8.7</td>
<td>4.7</td>
<td>5.8</td>
</tr>
<tr>
<td>Forestry &amp; Logging</td>
<td>0.7</td>
<td>10.1</td>
<td>-14.0</td>
<td>-1.4</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Ghana Statistical Service (2014)

Much of the increases in food production between 2008 and 2012 is largely due to increases in hectarage under cultivation rather than yield improvements and enhancement. Table 6 on Performance of Major Crops below shows that the area under maize cultivation increased by 23.14% while yield increased by only 7.47% during the period. The huge yield gaps stand out even more clearly in Table 7, showing Average Yield against Achievable Yield (Under Rain-Fed Agriculture). Only cassava made some progress recording a 23.9 per cent increase in yield between 2008 and 2012, while most crops record a yield gap of 20-80 per cent.

This gnawing yield gap is attributable to a number of factors including the limited use of certified planting material and fertilizers. There are also the poor agronomic practices, which is a reflection of the low human capital development and the weaknesses of Agricultural Extension Services. MOFA estimates that Ghana requires a total of 3,909 Agricultural Extension Agents (AEAs). The number of AEAs at post as of 2012 was 2,068, which is 53% of the required level. Out of the total number, only 279 are females i.e. only 13%. With a total of 1,574,931 households in the country, there can be only one AEA to...
households, on the average. This low extension – farmer ratio is one of the key obstacles to technology dissemination and application of modern methods that should help reduce the yield and productivity gap.

The low yields and productivity in agricultural production is compounded by on-farm-produce wastage and post harvest losses of quantity and quality, with dire implications for incomes and rural household food security. According to Dr. Joe Oteng-Adjei, Minister for Environment, Science, Technology and Innovation, Ghana loses between 20-50 per cent of all vegetables, fruits, cereals, roots and tubers produced each year, while it struggles to achieve food security and eradicate hunger (http://www.modernghana.com, accessed on 19th Nov, 2014).

**Table 13: Performance of Major Crops**

<table>
<thead>
<tr>
<th></th>
<th>Cultivated area (ha)</th>
<th>Yield (MT/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>846,258</td>
<td>954,430</td>
</tr>
<tr>
<td>Rice(milled)</td>
<td>132,795</td>
<td>162,360</td>
</tr>
<tr>
<td>Millet</td>
<td>182,231</td>
<td>186,700</td>
</tr>
<tr>
<td>Sorghum</td>
<td>275,857</td>
<td>267,210</td>
</tr>
<tr>
<td>Cassava</td>
<td>839,922</td>
<td>885,800</td>
</tr>
<tr>
<td>Yam</td>
<td>347,566</td>
<td>378,740</td>
</tr>
<tr>
<td>Cocoyam</td>
<td>251,852</td>
<td>224,570</td>
</tr>
<tr>
<td>Plantain</td>
<td>311,814</td>
<td>324,870</td>
</tr>
<tr>
<td>Groundnut</td>
<td>300,656</td>
<td>342,550</td>
</tr>
<tr>
<td>Soybean</td>
<td>161,270</td>
<td>162,670</td>
</tr>
<tr>
<td>Cowpea</td>
<td>61,824</td>
<td>77,250</td>
</tr>
</tbody>
</table>

Source: MOFA (2013)

Institutional coordination and strengthening is making some progress with the institutionalization of the METASIP Steering Committee, the Agriculture Sector Working Group and with the inter-ministerial coordination activities. There are, however, considerable weaknesses arising from the on-going decentralization process, and its implications for the functioning of the MOFA District directorates, within the framework of the District Assembly. The participation of non-state actors has been enhanced by the representation of the FBOs and CSOs in the
METASIP Steering Committee and other structures, and yet, as acknowledged by all members of these structures, the low capacity development of the CSOs and FBOs tends to reduce the extent of participation to the extent that low capacity manifests itself in the weak vertical and horizontal communication within civil society on issues of interest to the small-holder farmers in particular and agricultural operators in general.

Table 14: Average Yield against Achievable Yield (Under Rain-Fed Agriculture) %

<table>
<thead>
<tr>
<th>Crop</th>
<th>Average yield (Mt/Ha) 2011</th>
<th>Average yield (Mt/Ha) 2012</th>
<th>Achievable yield (Mt/Ha)</th>
<th>Average yield vrs Achievable yield 2011 (%)</th>
<th>Average yield vrs Achievable yield 2012 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cassava</td>
<td>16.0</td>
<td>16.8</td>
<td>48.7</td>
<td>32.85%</td>
<td>34.39%</td>
</tr>
<tr>
<td>Plantain</td>
<td>10.8</td>
<td>10.5</td>
<td>20.0</td>
<td>54.00%</td>
<td>52.70%</td>
</tr>
<tr>
<td>Yam</td>
<td>145</td>
<td>15.6</td>
<td>49.0</td>
<td>29.59%</td>
<td>31.78%</td>
</tr>
<tr>
<td>Cocoyam</td>
<td>64</td>
<td>6.5</td>
<td>8.0</td>
<td>80.00%</td>
<td>80.88%</td>
</tr>
<tr>
<td>Maize</td>
<td>1.7</td>
<td>1.9</td>
<td>6.0</td>
<td>28.33%</td>
<td>31.17%</td>
</tr>
<tr>
<td>Rice –Paddy</td>
<td>2.4</td>
<td>2.5</td>
<td>6.5</td>
<td>36.92%</td>
<td>39.08%</td>
</tr>
<tr>
<td>Cowpea</td>
<td>1.3</td>
<td>1.3</td>
<td>2.6</td>
<td>50.00%</td>
<td>50.77%</td>
</tr>
<tr>
<td>Soyabean</td>
<td>1.9</td>
<td>1.8</td>
<td>2.3</td>
<td>82.61%</td>
<td>77.39%</td>
</tr>
<tr>
<td>Groundnut</td>
<td>1.3</td>
<td>1.4</td>
<td>2.5</td>
<td>52.00%</td>
<td>55.20%</td>
</tr>
<tr>
<td>Millet</td>
<td>1.0</td>
<td>1.0</td>
<td>2.0</td>
<td>50.00%</td>
<td>52.00%</td>
</tr>
<tr>
<td>Sorghum</td>
<td>1.2</td>
<td>1.2</td>
<td>2.0</td>
<td>60.00%</td>
<td>60.50%</td>
</tr>
<tr>
<td>Cocoa</td>
<td>0.4</td>
<td>0.4</td>
<td>1.0</td>
<td>40.00%</td>
<td>40.00%</td>
</tr>
<tr>
<td>Pawpaw</td>
<td>46.7</td>
<td>46.5</td>
<td>75.0</td>
<td>62.27%</td>
<td>62.00%</td>
</tr>
<tr>
<td>Pineapple</td>
<td>50.0</td>
<td>50.0</td>
<td>72.0</td>
<td>69.44%</td>
<td>69.44%</td>
</tr>
<tr>
<td>Cotton</td>
<td>0.8</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tomato</td>
<td>7.2</td>
<td>7.4</td>
<td>15.0</td>
<td>48.00%</td>
<td>49.33%</td>
</tr>
<tr>
<td>Garden eggs</td>
<td>8.1</td>
<td>8.3</td>
<td>15.0</td>
<td>54.00%</td>
<td>55.33%</td>
</tr>
<tr>
<td>Pepper</td>
<td>6.5</td>
<td>6.7</td>
<td>32.3</td>
<td>20.12%</td>
<td>20.74%</td>
</tr>
</tbody>
</table>

Source: MoFA (2013)
Aside the low-recorded yields and overall productivity of agriculture, earnings in the agricultural sector are generally lower in comparison to other sectors. There continue to be limited income growth in the indigenous staple crops livestock and fisheries sub-sectors compared to the export crops; living standard surveys continue to record highest incidence of poverty among food crop farmers (GLSS 5). There are also high income variability due to seasonality in production and prices. Inadequate attention to value chain development, as evidenced by insufficient grading and standardization for most agricultural commodities and low levels of product development, call for more attention in order to improve integration into the domestic market.

Younger women and men get pulled to the urban centres because the conditions of life and work in agriculture in the rural areas are no longer an option. This tendency to migrate to the urban areas contributes to leaving agriculture in the hands of a relatively aged population. Even though the Youth in Agriculture Programme (YIAP) as an intervention has increased ease of entry into farming for the youth, it has not managed to sustain young women and men in farming as an occupation.

Aside the low incomes being realized, are the specific cases of low wages being paid in commercial agricultural farming ventures. There are also the growing incidence of occupational safety and health concerns, especially from the increasing use of agro-chemicals. These contribute to the low development of human capital in the rural areas and implicate overall productivity in agriculture. Dealing with debilitating health challenges like malaria, tuberculosis, HIV/AIDS and malnourishment are necessary conditions for building human capital for agricultural transformation. Finally Ghana is still a net food importer of loads of rice, wheat, tomatoes, onions, fish, meat, poultry, as well as huge amounts of agro-processed foods annually.

Even though Ghana may have a food security record that may rank high in Africa, coming third in Africa, after South Africa and Botswana, the growing importation of highly subsidized food and agro-based produce and products underscores the food security fragility, the foreign exchange drain, and the depression of markets for home grown food and the agro-processed products. As observed by various authorities, opening national agricultural markets to international competition
before basic institutions and infrastructure are put in place can undermine the agricultural sector, with long term negative effects for poverty, food security and the environment. (World Bank, 2008).

**Appraisal of Specific Agricultural Programmes**

Four major Government of Ghana (GoG) Programmes are, to different degrees, relevant for the advancement of most of the twenty-one components of the METASIP programme areas. The Agricultural Mechanization and Engineering Centres (AMSEC), Youth in Agriculture Programme (YIAP), Fertilizer and Seed Subsidy Programme (FSSP) and National Buffer Stock Company Ltd (NAFCO). Each of these Programmes is expected to contribute to the realisation of one or more of the components of METASIP in furtherance of Food security and emergency preparedness; Improved growth in incomes; Increased competitiveness and enhanced integration into domestic and international markets; Sustainable management of land and environment; Science and Technology Applied in food and agriculture development; and Improved Institutional Coordination.

**Youth in Agriculture Programme**

The GoG in 2009 introduced the Youth in Agriculture Programme (YIAP) as a module in the National Youth Employment Programme. YIAP sought to address youth unemployment, get the youth to strengthen agriculture and deal with the aging farmer population. “There is a compelling evidence of an ageing farmer population in Ghana which must be addressed in order to facilitate sustainable agricultural production” (Ministry of Food and Agriculture, 2011). The YIAP as such was designed to help the youth generate appreciable income to meet their basic needs, ensure food security, improve living standards and also to motivate them stay in the rural areas. More specifically, YIAP is expected to contribute to the six components of the Food Security and Emergency Preparedness Programme, namely, Nutrition, Diversification, Food storage/distribution, Early warning system, Irrigation and water management and Mechanization services.

The YIAP supports interested and selected youth by providing them with the necessary inputs (Tractor service, land preparation, fertilizer subsidy, pesticides and sacks) and advisory services (Training, extension information, technical
support and marketing avenues) which they could otherwise not afford. It was divided into four components namely Crops/Block farming, Livestock/Poultry farming, Fisheries/Aquaculture and Agribusiness (MoFA, 2011a). The programme provided financial opportunities to 80,000 beneficiaries cultivating about 47,000 hectares of land (ISSER, 2011).

The YIAP has had its share of challenges: keeping the youth in agriculture has been challenging because of a number of factors (Ohene, 2013). The returns on their farming activities is not appreciable; the drudgery associated with farming is still very present as the tractor services is limited mechanization that comes in handy only during land preparation; land scarcities and the fact that farm land is sometimes far from residence is yet another discouraging factor. Another disturbing fact about the programme is the low level of involvement of females. An overriding challenge is the fact that the youth have a very negative attitude towards farming as a vocation. Finally, there are governance challenges some of which are underpinned by political patronage and partisanship.

It is critical to encourage the youth into agriculture in order to promote innovation and new systems that would raise yields and improve overall productivity. Providing the initial support, especially land and other productive resources is necessary but not sufficient. Addressing the infrastructural deficits in the rural areas is also, necessary condition. Above all the Government, MoFA and District Agricultural Development Units and the YIAP coordinators must embark on vigorous sensitization of the youth, especially those who have just graduated from JHS and SHS, to develop a more positive attitude towards farming as an occupation. Besides, there is a need to address the overall socio-economic context which is characterized with low incentive mechanisms and poor rural infrastructure among others, in order to keep the young women and men in agriculture.

**Agricultural Mechanization Services Enterprise Centre**

In 2007, GoG introduced the AMSEC programme. It involved providing credit facilities to qualified private-sector companies to acquire an average machinery package of five tractors and matching implements at a subsidized price and interest rate. This is to make mechanization services for farm activities
readily available and affordable within each district that has the potential for mechanization, with the view to increasing agricultural output and productivity (MoFA, 2013). A tractor can clear half an acre of land in about two hours whereas a farmer using hoe and cutlass will clear same in about 96 hours.

The AMSEC has contributed to increasing supply of tractor services and helped to increase production at a relatively more affordable cost. Farmers who have benefitted have managed to save some funds on tractor services and channeled these funds into purchase of more fertilizers, pesticides and weedicides (Benin, 2014).

Mechanization targets are, however, far from being realized even though it is key to reducing the drudgery and freeing labour from the agricultural sector for other economic sectors, as is necessary in the process of transforming agriculture and the economy as a whole. AMSEC has its share of teething challenges. The government credit facility is expected to crowd in private-sector investment, especially in the tractor rental and mechanization services so that they will invest more in the business and eventually lead to enhanced accessibility for farmers (IFPRI, 2014). The AMSEC model is, however, considered unviable because it would increase financial burden on government over time and encourage more rent seeking behaviour and end up diminishing the role of the private sector (Boserup, 2014). The life span of the tractors has also been rather short as most of the tractors are second-hand ones. These tractors may not be bringing value for money. The situation may be worsened by the high cost of spare parts, which is compounded by the many different brands of machinery acquired for the programme (Buri, Imoro, and Ahiakpa, 2011). With these setbacks, the impact of AMSEC on the various outcomes (drudgery, farm practices and yield) was limited, though a little bit more successful in areas where farmers are organized.

There is obvious need to step up mechanization, increasing the range of mechanization equipment to cover different aspects of the farming process to reduce drudgery, expand farms, improve farm practices and contribute to reducing the yield and productivity gaps. The Centres should be better stocked and made more accessible by creating more Centres nearer to rural farming communities. The Programme may benefit from the financial sector playing the lead role and injecting more efficiency into it. There is also a need for standardization
procedures in the acquisition of machinery for any mechanization programme in order to help realize sustainability.

The Fertilizer and Seed Subsidy Programme

GoG re-introduced a nation-wide voucher-based fertilizer subsidy programme in 2008. The aim of the Programme was to make fertilizer and seeds affordable and accessible to small-scale food crop farmers and also to help mitigate the effect of rising energy and food prices on farmers. This fertilizer and seed subsidy programme was unique among others introduced in Africa, to the extent that the GoG engaged the private sector in its implementation. In 2010, the government changed the mode of the programme, the coupon system was discontinued due to a number of challenges. These challenges included high overhead and administrative costs, diversion of fertilizers from target beneficiaries, the loss of human hours on the part of MOFA officers who have to spend too much of their working hours policing the fertilizer distribution in particular. It also faced problems with delayed payments to importers and distributors, late imports by government with dreadful implications for planting times, and productivity. There have also been inefficiencies emanating from the rigidities brought into the system through the introduction of government subsidies that affected transport costs and fixed margins for the market players, thus giving no room for flexibility for players when there are changes in exchange rates or varying distances to farms and other related costs, with the result that dealers sell only at large rural centres and avoid remote places. This also had the effect of creating undue advantage for those who got access to fertilizers.

On the whole, subsidies may be useful in overcoming poor farmers’ inability to obtain credit, take risks, learn about inputs and to develop input supply to levels where they can capture economies of scale. Subsidies can also be justified on grounds of equity, preventing soil degradation, improving soil quality and contributing to preventing food price hikes. Fertilizer subsidies, however, can be costly, with costs rising over time; difficult to remove; badly targeted so that richer farmers get much of the benefit; and subsidies can undermine the development of commercial channels.

The policy of subsidizing requires serious improvement to ensure that farmers are actually receiving the subsidized fertilizers and in good time for them to derive
due benefits. Supporting advisory services are also a necessary component of such a policy. Such advisory services should, among others, promote the use of organic fertilizers in addition to the inorganic fertilizers that form the focus of GoG subsidy programme.

National Buffer Stock Company Limited

GoG in the year 2010, introduced the National Food Buffer Stock Company Limited (NAFCO) to purchase, sell, and distribute foodstuffs in the country. The mandates of NAFCO also extend to providing a guaranteed price and ready market to the produce of Ghanaian farmers. They are also supposed to boost Agriculture Production on order to make Ghana the bread basket of the sub-region, and also ensure the security of farmers and insulate them against losses resulting from the anticipated increases in production to mop up excess produce from all farmers in order to reduce post-harvest losses. In all, NAFCO is supposed to ensure stability in food prices in the country, create employment, and establish emergency food reserves and to some extent maintain macro-economic stability (FSG, 2010; GPRS, 2012). The National Food and Buffer Stock Company Limited takes it upon itself to supply foodstuffs to government organizations such as the military, schools, hospitals, and prisons in order to promote consumption of locally produced food. At the beginning of 2013, NAFCO had a reserve of 10,000 metric tonnes of grain storage in its grain and cereals bank, which was not much of the total grain output (Darko-Mensah, 2013).

NAFCO appears to have been beneficial in a number of ways. NAFCO gives farmers an assured market for their production. During the lean season, they help stabilize the price of produce by releasing their stock of produce to meet demand. NAFAC gives farmers the leverage to increase their acreage of production with the assurance that they have a ready market. The introduction of NAFCO complements and contributes to strengthening other national programmes such as the Agriculture Mechanization Services, Fertilizer Subsidy Programme and the establishment of the block farms within the YIAP. Based on price trends and market structure conduct performance, maize price stabilized in 2010 during the first year of NAFCO.
NAFCO also has had its share of teething challenges: Hon. Kofi Humado, the then Minister in charge of Food and Agriculture, had occasion to admit that NAFCO is not in a sound financial position during the period of speculations (Afanyi Dadzie, 2014). Other players have also observed that NAFCO is not accessible to farmers in their communities (http://www.info@gh.headlines.com accessed on 19th April 2013). What is more, the Company has limited storage and, therefore, unable to support the greater part of its supply base. This defeats the primary purpose for which the NAFCO was set up. The company is hiding behind a new directive of dealing with farmers through LBCs to shirk their core responsibilities and cover up their inability to provide market for the produce of the farmers.

The idea of NAFCO is a good one that must be supported to scale up into a viable business entity devoid of politicization and the usual patronage and rent seeking. Adequately financed and properly managed, NAFCO could complement private sector initiatives in grain storage that utilises a new phase of rural infrastructural development.

**Agricultural Policy Gaps**

Though the content and direction of agricultural policy and programmes have been lauded and for a good reason, a critical examination of the policy documents – the FASDEP and the METASIP – in the light of agricultural performance to date, however, bring out some gaps. Coming to terms with these policy gaps are necessary to deal with structural impediments for transformation.

Even though the FASDEP noted the high level of differentiation among farmers, the Investment Plan (METASIP) does not make any clear indication for targeting the large stratum of resource poor farmers, the majority being women. This differentiation among women and men farmers in general is compounded by spatial/regional and gender differentiation. Gender considerations are captured in the FASDEP, often times as a social concern, seeking to address the issue of equality and empowerment. It should be useful for the quest for agricultural transformation if women’s empowerment is seen and pursued not only as a social or right issue but also as an economic issue, relevant for addressing shortfalls in labour productivity. More concretely, even
though FASDEP rightly highlighted the issue of women’s access to productive resources – land, farm inputs, seeds, etc. - and the heavy work load of women, these are not directly addressed in policy and programme implementations.

To increase competiveness and enhance integration into the domestic and international markets, FASDEP underscores the importance of building congenial environments in local markets - this has not been addressed in the METASIP and yet it is critical. There is also the need to realize the cultural outlook of a populace with low human capital development and realize the need for standards in all stages of the supply and value chain. Coordination between the different segments of the value chain is, therefore, very critical.

Sustainable management of land and environment are not adequately addressed by policy, as there is no explicit provision for integrating it into agricultural extension services. The implications for the weak land ownership and use rights for investments in land are critical and yet not addressed. Again, there are no plans to address the lack of national agricultural land use policy.

The fact that the much-needed agricultural inputs are largely imported is not an issue in the discussions on agriculture from the economic, social and environmental point of view. There is the need to appreciate the importance of producing agricultural inputs as a critical element in the quest for transformation. The debate on biotechnology and the doubt associated with genetically modified planting materials or animal varieties, is conspicuously ignored and yet it is critical for the attitudinal and psychic frames that inform the dissemination and receptivity of innovation in agriculture. There are also no policy instruments addressing issues of relevance to the FASDEP objective 5 - science and technology applied in food and agriculture development. Challenges that need to be addressed include duplication in research efforts, the limited research on indigenous staples and innovative systems of farming and the weak data base on women and the resource poor farmers.

Improved institutional coordination appeared to be receiving some attention, but indeed the METASIP components do not address critical issues like well-defined exit strategies for Development Partners projects and weak coordination among projects. Multi-stakeholder engagement is necessary because it promotes the
right to participate as an end itself. At the same time, and potentially, it serves as a means for the realization of desirable ends, and in the context of agriculture, it should translate into improvements in the laws and policies that are developed, the innovative linkages that should ensure progressively higher yields and returns from the market as well as reduced post-harvest losses.

Box 1: A Critique of High External Input in Agriculture

Economic transformation of agriculture entails economy wide interventions that complement the processes within agriculture. Inflationary trends tend to affect the fortunes of those in agriculture more. For example, over the last eight years, the non-food inflation has been significantly higher than the inflation for food items, with the implication that farmers get relatively less from their engagement in the market. They pay relatively more for agriculture inputs and consumables and receive less for their food produce. Income inequality between the rural and urban, between the food producers and non-food producers are key issues that must receive more attention than has so far been the case (GLSS 5).

More fundamental is the critique of the unlimited dependence on high external input agriculture (HEIA), whose value is controlled by forces outside the economy of Ghana, and over time, contributes to the transfer of increasingly more wealth out of the economy. High external input agricultural development processes tend to raise productivity for the higher strata of the highly differentiated farming population who can afford it. It, therefore, widens the gaps between them and the resource poor farming women and men. Again, HEIA, like agro-chemicals, tend to have serious environmental implications generally, and more so given the low human capital environment within which it is being promoted. Again, it results in overexposure with adverse effects for the health of producers, labourers, communities and consumers. Thus HEIA has serious economic, social and environmental implications that have to be addressed. In the transformation of agriculture, we needs to take a critical look at the different ways in which the country can, in the medium and long–term, pursue agricultural transformation using a combination of systems that
ensure higher productivity, higher returns for producers, better environmental integrity, stronger linkage with research and development processes that are home grown and finally ensure that the benefits of the farming activity accrue fairly to the small-holder producers.

Towards Agricultural Transformation in Ghana

Ghana’s Medium Term Development Policy Framework clearly states that the midterm development plan in Ghana is to “lay the foundation for the structural transformation of the economy within the decade ending 2020, through industrialization, especially manufacturing, based on modernized agriculture and sustainable exploitation of Ghana’s natural resources particularly minerals, oil and gas” (NDPC 2010, 5). The 2013 Agricultural Joint Sector Review identified key challenges facing the agriculture sector as follows: Rain-fed Agriculture; Inadequate mechanized services for field activities; Poor access to road infrastructure leading to high cost of transport and post-harvest losses; Inadequate warehouse and storage facilities; Inadequate and high cost of capital for long-term agricultural investment; Inadequate capacity in RBM; Inadequate AEAs in the Districts and the Regions; Late and inadequate release of funds and Inadequate logistics specially for field staff. Even though dealing with each of these challenges will contribute to agricultural growth and development it will not necessarily transform agriculture.

Agricultural transformation is a structural and systemic process that should increase the per capita food and agricultural productivity; raise the income levels of farming households well above the poverty line; contribute to securing household food and nutrition security; deal with rural underemployment and unemployment beyond agriculture; release rural labour for manufacturing and other economic sectors; provide safety nets against social, economic and environmental shocks; institutional harmonisation and coordination. A necessary pre-condition for the realization of the conditions for agricultural transformation are political and macro-economic stability that allow for inclusive growth and the consolidation of systemic changes.

Beyond these pre-conditions, there is a broad agreement that there is the need for a favourable environment for investment and governments need to invest
more in public goods such as rural or feeder roads, agricultural research and extension services, irrigation infrastructure, electricity and energy, post-harvest storage infrastructure as well as rural schooling, clean water and health care (African Progress Panel, 2010). This would amount to addressing the infrastructural gap in a manner that contributes to stimulating investments in agriculture and the rural economy. It should also contribute to building the human capital base and make the farming population healthier, better informed and more productive.

To move agriculture forward in an inclusive transformative manner, there is the need to address a number of constraints and challenges, concurrently and with the view to realizing synergies. Key among these constraints and challenges are the rural finance and the income distribution challenges; the land question; the yield and technological gaps; the input and output marketing challenges; institutional challenges and gender constraints.

The Rural Finance Question and Income Distribution Challenges

Rural economies are not well endowed with financial resources to boost investments that can transform agriculture. Various structural, institutional and legal factors as well as markets at all levels contribute to siphoning wealth from the rural economy. The terms of trade between agricultural and non-agricultural products is skewed against the interest of the farmer. Most farmers are extremely disadvantaged as they pay very high prices for inputs, equipment and non-agricultural consumer goods in an environment where they end up receiving abysmally low prices for their produce. Compounding the rural income distribution inequities, is the fact that some marketing arrangements tend to make farmers bear much of the risk involved in producing while marketers take an unfair share of the wealth created. Yet another income transfer mechanism working against the farmer is a host of illegitimate credit market arrangements – formal but more so informal – which charge very high annualized loan interest rates compared to interest rates on savings. This suffers the farmers’ ability to access finance for operations and constitutes one of the ways in which income transfer takes place to the detriment of the farmer. Beyond these, Government
interventions that directly levy/tax or fix prices of export crops end up taking so much from the rural economy.

The low level of investments in agriculture must also be addressed through the complementarity of efforts. First, all efforts should be made to check and reverse the mechanisms for syphoning resources from the rural agricultural sector so as to make a larger amount of investable funds available from the resources generated in the rural areas. Secondly, the Government and all stakeholders should work together to stimulate private sector investments in agriculture by dealing with the institutional, legislative, bureaucratic and governance challenges which reduce private sector resilience to natural and market risks/shocks associated with agriculture, as well as the low rate of returns to agricultural projects. Thirdly, Government efforts to attract more investments into agriculture should include consistent sustained efforts to institute progressive tax regimes, which will help to raise investible domestic revenue for agricultural infrastructure, while reducing inequalities. The rural finance question and rural income distribution challenges may seem difficult to seem handle, but it can be effectively addressed and must be addressed in order to transform agriculture in Ghana.

Addressing the Land Question

Addressing the land question is necessary for agricultural transformation. Increasing and strengthening small-scale farmers’ access to land should be a move to help women and men who are into farming for the sustainable development of the land. There is the need to improve ownership and land use rights so as to give long-term protection to both owners and users. This should encourage users to invest in the land, to maintain soil quality, invest in infrastructural development like irrigation and a lot more.

The land question in Ghana, like elsewhere, is sensitive but addressing it to strengthen rights, especially by women farmers, is a necessary condition for transforming agriculture. The land question is becoming even more complicated in the light of growing tensions around investments in land, often described as land grabs, and resulting in the displacement of large communities of rural people. Addressing the land question is, however, not a sufficient condition for agricultural transformation, as access to land is meaningful only to the extent
that the farmers have knowledge or information, health, inputs, finances and other productive resources to ensure that the community of small scale farmers are the sources of decisions pertaining to the development of the land and are adequately rewarded for their productive activities.

Addressing the Yield and Technological Gap

There is abundant evidence that there is the need to address the yield and technological gaps. The technological gap is multifaceted. It should seek to reduce drudgery at various stages of the farming process, increase efficiency, increase yield per hectare and yield per farmer as well as overall factor in terms of productivity - reduce post harvest losses and transaction costs. It includes mechanization of various activities, introduction of various innovative farming techniques that address specific needs such as weed control – be it biological, chemical, or physical; water control and management techniques; soil fertility maintenance techniques and technologies; land preparation techniques that serve different purposes; various integrated agricultural practices such as agro-forestry; and a wide range of agronomic and cultural practices. Research and development institutions that are driven by local priority interests and needs and advisory/extension services that are accountable to communities of women and men in agriculture should contribute to turning out knowledge and disseminating useful knowledge and information and ensuring its applicability and application.

In the short term, closing the technological gap entails the establishment of a framework for women and men farmers to access and profitably use appropriate technologies for land preparation, soil maintenance, weed and pest control, water management, harvesting and handling of harvested produce and storage. Underpinning the technological gap are limited financial resources, low development of human capital (training and education, etc.) and low development of social capital (the weakness of FBOs) that could leverage financial resources and harness technical knowledge and mechanization.

In the medium term, research and development for transforming agriculture should be informed by a much broader conception of mechanization which sees agricultural mechanization as the application of mechanical technology and increased power to agriculture, largely as a means to enhance the productivity of
human labour and often to achieve results well beyond the capacity of human labour (FAO/UNIDO, 2008). This conception includes the use of tractors of various types as well as animal-powered and human-powered implements and tools, and internal combustion engines, electric motors, solar power and other methods of energy conversion. This mechanization also includes irrigation systems, food processing and related technologies and equipment. It seeks to provide varying levels and types of improved mechanical technologies that are appropriate, that is, compatible with local, agronomic, socio-economic, environmental and industrial conditions.

Addressing the huge yield gaps should receive a great deal of attention, as that alone could double overall agricultural output. The availability and accessibility (cost) of certified materials/seeds and animal breeds/varieties is necessary. Complementary agronomic and breeding conditions like the proper application of fertilizers, weed and environmental control and other cultural practices should also be present to ensure profitability on investments. A number of operational practices may be worth mentioning for the purpose of throwing more light on the wide range of possibilities that should be explored and deployed, in tandem to address the yield gap. These include better use and management of water; better management of soils to prevent compaction, erosion and leaching; soil testing for appropriate practices; introduction of productivity enhancing conservation and integrated farming systems like agro-forestry; improved seeds, especially those that are locally produced and patented by Ghanaian seed breeders, using conventional breeding methods; increasing application of organic and inorganic fertilizer, with definite plans for organic fertilizer development and promotion and gradually replacing imported inorganic fertilizer with locally produced ones; integrated pest management; managing and utilising agricultural waste; managing water and sanitation for farming purposes and a few. Adopt research and disseminate the finest of best practices for enhanced yields using low external input. Climate variability and change are already impacting on agriculture as indicated above; and there is the pressing need to scale up research efforts and developing climate-resilient, climate smart agriculture.

Strengthening farmer-extension-research linkage within a framework of enhanced multi-level coordination of processes and structures in MoFA as well as the decentralisation governance structures should enhance the efficient dissemination of knowledge and information. This could benefit from the
application of ICT to leverage social capital development (groupings and organisations) and human capital development (knowledge and information access and utilization) and strengthen linkage with financial mobilization efforts. The need to explore indigenous practices that are founded on sound scientific principles is key. In this connection, there are well-tested innovative systems like the System of Rice Intensification (SRI), which should be explored further, replicated and scaled up, as discussed in Box 2 below.

**Box 2: System of Rice Intensification – An Innovation**

The System of Rice Intensification (SRI) is an innovation in rice production systems that is still evolving. There are over one million small farmers using the innovation to produce rice, who are recording marked increases in factor productivity and incomes. It is an innovation which addresses the major constraints affecting the livelihoods of small and poor farmers: their limited resources of land, labour, water and cash, as well as losses from pests and diseases and adverse climatic conditions. SRI is a biologically-driven innovation which does not require rice farmers to purchase and use any external inputs, since its benefits are derived from changes in the ways that their existing resources are used for rice production.

Generally speaking, SRI methods are seen to have the following impacts compared to their conventional counterparts:

- Depending on current yield levels, output per hectare is increased usually by 50% or more, with increases of at least 20%, and sometimes 200% or more.
- Since SRI fields are not kept continuously flooded, water requirements are reduced generally by 25-50%.
- The system does not require purchase of new varieties of seed, chemical fertilizer or agrochemical inputs, although commercial inputs can be used with SRI methods.
- The minimal capital costs make SRI methods more accessible to poor farmers, who do not need to borrow money or go into debt, unlike many other innovations.
• Costs of production are usually reduced by 10-20%, although this percentage varies according to the input-intensity of farmers’ current production.
• With increased output and reduced costs farmers’ net income is increased by more than their augmentation of yield.

Although SRI was developed for improving production of irrigated rice, its concepts and methods are now being extended to rain-fed rice production and also to other crops such as wheat, finger millet and sugar cane. Thus, SRI could have much wider impact on the agricultural sector through the innovative application of the principles and practices that underpin SRI.

**SRI as a production system**

SRI is basically a set of modified practices for managing rice plants and the soil, water and nutrients that support their growth. It is a crop husbandry methodology that was developed inductively and justifiable in terms of principles that are well-grounded in agronomic science.

SRI can be fully organic, since resulting plants are more resistant to pests and diseases - but if not enough biomass or labour is available to supply the soil with organic matter, mineral fertilizers can be used. Also, agrochemicals can be used for pest control but are usually not needed or uneconomic. Generally the best yields and highest incomes with SRI methods come from organic crop management. The methods are successful with both traditional/local varieties and with new, improved varieties and hybrids so that they can be used within the full range of subsistence to ‘modern’ agricultural production systems (Norman and Kassam, 2008). A recent study concluded that “there is a dual advantage in the SRI method, viz. reduction in cost of cultivation (Rs 2,410/ha) (operational costs) and increase in yields (1.52 t/ ha) (31 %). Thus, owing to its economic viability, SRI has potential for the up-scaling of production (Rama Rao 2011).
Dealing with the Input and Output Marketing Challenges

Agricultural development entails access to a wide range of inputs, equipment and services. A robust and reliable scheme for ensuring access to appropriate inputs and their optimum utilization should be addressed. The cost of these inputs are sometimes prohibitive. The role of FBOs in improving engagement of the inputs market could help deal with the input market challenges. There is also the challenge of finding reliable marketing farmers’ produce. Access to reliable markets is necessary to get agriculture going. Increasing productivity and production sometimes leads to depressed market prices which discourage more investments into farming. Marketing strategies dealing with variety of products and marketing channels should be explored through the development of value chains, development of marketing infrastructure, collaboration among producers through FBOs, and proper linkages with agro-processing industries. Price and tax mechanisms should be explored to generate the appropriate mix of incentives for producers, aggregators and agro-processors. These should appropriately inform strategies for implementing an industrial policy, which is seeking to develop agro-processing industries for a multiplicity of reasons including post-harvest loss management, stable markets for producers competitiveness in the domestic, sub-regional and global markets.

Market considerations should inform decisions about what to produce for the local market, with the view to realizing synergies with industries. Statist interventions to secure markets for small holder farmers can be useful instruments when skilfully deployed, as may be the case in using Government procurement of domestic rice for Ghana School Feeding Programme. Developing clearer perspectives on the role of different segments of the value chain of various agriculture produce in the enhanced productivity context is useful so as to deal with some of the mechanisms siphoning resources from the rural economy.

Address the Institutional Challenges

Coordination and complementary interventions in dealing with the key constraints is necessary for meaningful results. The institutional arrangements at the national, regional and district levels need to align interventions with
policy and ensure that interventions at the district level are in synch with national policy. The appropriate mix of policy interventions within agriculture and between agriculture and other policies is necessary to realize meaningful synergies that should leverage systemic change. In this connection, industrial (especially manufacturing), trade and agricultural policies should be connected strategically and must be constantly reviewed to ensure high level of coherence.

Strengthen social capital in the rural environment through the formation of groups and organizations that leverage access to resources including information and share risks in their engagement with others along the value chain. FBOs, nucleus – out-grower schemes and some contract farming arrangements have the potential of strengthening the teeming millions of small-holder farmers whose consolidated activities hold an essential key to rural agricultural transformation. Strategically using social protection interventions to uplift the resource poor would protect them against livelihood risks that may arise from environmental, climatic, social and economic shocks. It also prevents the rural poor from adopting coping strategies that damage and deplete the natural resource base and other assets. Institutional responses and interventions will have to be tailored to specific circumstances at various levels and spaces, with tested governance principles guiding all responses. Ultimately, the level of organization of the farming women and men would determine their empowerment and ability to stand together in demanding the implementation of policies that contribute to agricultural transformation.

**Dealing with the Gender Issues**

Transforming agriculture is a phenomenal process that requires the mobilization of large rural population to raise agricultural productivity and earnings or seek non-agricultural means of livelihood that are rewarding. It should be a highly inclusive process which duly appreciates the diversity of operators and interests in agriculture. In particular all efforts should be informed about the socially differentiated roles of women and men and address to the structural factors that disadvantage women in agriculture. Addressing the land and finance questions in a fundamental manner is critical but not sufficient. It is also necessary to address the human capital development needs of women and men who are farming.
Conclusions and Recommendations

Transforming agriculture in Ghana is a historical necessity that must be strategically pursued over a period of at least two decades during which period the country must enjoy relative peace, political stability and macro-economic sanity. The conditions for transformation should necessarily include providing relevant public goods that should progressively reduce the infrastructural gaps, reduce transaction costs, provide the relevant knowledge, information and advisory services. The efforts should also address and deal with various mechanisms that ensure a structured siphoning of wealth from the rural economy, as that would release funds for more productive agriculture and non-agricultural activity that could provide decent employment and stem the tide of rural-urban migration. Social capital development through varying levels and methods of organizing of farmers/producers is a necessary part of the arrangements for stemming the tide of financial outflow and enhancing the knowledge and information dissemination that are critical for addressing various gaps and challenges. These assume that agricultural policy and programmes recognise the critical role of small holder farmers in the transformation processes and target the rural population for consistent human capital development, while recognizing the important role that large and medium-scale commercial farms have to play. Effectively collate, aggregate and scale up proven sustainable methods and systems of farming while adopting and integrating new proven sustainable methods, technologies and systems and work towards gradually reducing high dependence on external inputs without sacrificing productivity. Ultimately, policy coherence, good governance, social justice and gender equality are essential guiding posts for the coordinated and harmonized efforts to ensure an effective all-inclusive agricultural take-off that is sustainable and transformative.

a. The African Union and NEPAD should, through the CAADP process and beyond, provide policy guidelines that appreciate political and economic realities of small-holder agriculture, so as to get the appropriate multi-level responses to address income distribution in the countries, and ensure a dynamic mobilization of all relevant resources to transform agriculture.

b. Multi-level and cross-sectoral interventions that appreciate the systemic needs
of agricultural transformation should be well synchronized and coordinated to address all the challenges in tandem.

c. Stakeholder engagement at the national level and along value chains should actively partner the Government to ensure that total and sustained mobilization happens in an environment of political and macro-economic stability.

d. Support infrastructural development that is consistent with regional and national needs using approaches that support decent employment creation and promote national and regional integration.

e. Promote research and development that ensure national and regional ownership and relevance.

f. The transformation of agriculture is possible under conditions of peace and macro-economic stability, as well as dynamic leadership at all levels, good governance established and sustained by law and the organized activism of the majority of the citizens.
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This publication is a collection of six (6) papers that were presented at the panel discussions and it is hoped that they are useful for policy makers, politicians and other stakeholders in our quest in developing our nation.

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