Many African countries have experienced unprecedented rates of economic growth since the turn of the century. During this period, some of these countries graduated to “lower-middle-income” status, and excitement grew about the rise of Africa’s expanding middle class. Yet their economic transformations display characteristics that could constrain future growth. Patterns of urbanization without industrialization, rapid growth of low-productivity jobs in the informal economy, and a neglected agriculture sector with increased need for imported foods are all areas for concern as Africa continues to develop.

Using Ghana as a case study, Ghana’s Economic and Agricultural Transformation: Past Performance and Future Prospects integrates economic and political analysis to explore the challenges and opportunities of Africa’s transformation. The book examines Ghana’s overall economic performance since the major Structural Adjustment Program in the mid-1980s and provides an in-depth empirical analysis of performance of the broader economy and the agricultural sector over the past four decades. The book explains why Ghana’s economy, despite more than 30 years of continuous growth, has not transformed more substantially, why the agricultural sector has not played a greater role outside of cocoa exports, and what must be done to achieve a successful transformation in the future.

Why Agriculture?

Prevailing economic opinion suggests that few African countries can hope to become major manufacturing hubs like those in Asia. One of the more promising options for generating productive jobs lies in transforming agriculture, because the agriculture sector remains the dominant employer in Africa and serves a rapidly growing market at both country and continental levels. Africa’s demand for food is growing fast and is projected to more than double by 2050, driven by population growth, rising incomes, rapid urbanization, shifts in national diets toward greater consumption of higher-value fresh and processed foods, and more open intraregional trade policies. Moreover, agricultural growth can help leverage rapid growth in the larger agri-food system, including agro-processing and trading.
Exploiting this potential will require a major shift from traditional to more productive, market-driven farming practices as well as the development of agricultural value chains and the broader agri-food system. This is an important growth opportunity for Africa, but requires that African governments be willing to invest in agriculture and create the enabling environment for a market- and private-sector-led transformation. Success clearly depends on the economic factors driving different options, domestic political forces, donors’ influence, and institutional capabilities. Unfortunately, with few exceptions, in recent decades national agricultural policies on the continent have ranged from half-hearted to detrimental, despite enormous opportunities to grow the sector through available productivity-enhancing technologies. As such, evaluating the future prospects for agricultural transformation requires consideration of the political-economy dynamics shaping the feasibility of available choices.

Why Ghana?

Ghana has been viewed as one of Africa’s success stories in terms of growth in per capita income, agricultural output, the achievement of middle-income status, reductions in poverty, maintenance of peace and social cohesion, and multiparty democracy. Despite this exceptionalism, Ghana shares many characteristics with other countries on the continent, including a transformation process that has not created enough productive employment, especially for the estimated 20 million citizens who are under the age of 30.

About 75 percent of Ghana’s total growth in labor productivity between 1984 and 2011 was attributable to within-sector labor productivity growth. Only 25 percent was attributable to structural changes involving the movement of labor from low productivity work in traditional agriculture to more productive jobs in the modern agricultural and nonagricultural sectors. The low gain in labor productivity from structural change in Ghana reflects the fact that, while many workers have moved out of agriculture, many have moved into services (Figure 1), where labor productivity is similar to or even lower than in agriculture.

Although Ghana has done well with its minerals and cocoa exports, it has been less effective at producing more manufactured and nontraditional agricultural exports for the world and West African regional markets. In fact, the country seems unable to compete effectively with imports like rice, poultry, processed foods, and manufactured consumer goods that are supplying large shares of its rapidly growing domestic markets. Yet enhancing exports or import substitutes in these areas promises to create many jobs, boost national per capita income, absorb a growing labor force, and enable more workers to shift out of traditional agriculture.

Key Findings

This book brings together a wide range of primary and secondary data, at the micro, regional, and macro levels, to identify some of the reasons why agriculture has struggled to perform and how it could be transformed. Among other insights, the following key messages emerge.

Urbanization has led to more nonfarm jobs but little agricultural intensification

By 2010, Ghana’s urban population surpassed 50 percent of the total population for the first time. Although some urbanization has been driven by the country’s large cities, significant growth has also been due to the development of small cities and towns that have strong links to rural hinterlands. This demographic shift has had a major impact on rural livelihood patterns. In addition to migration to urban areas, there has been widespread diversification of rural livelihoods, and many rural households are engaging in the rural nonfarm economy on a full- or part-time basis while retaining their farm base. The result has been a substantial decline in the share of households that depend primarily on agriculture (Figure 2).

Due to associated increases in population density and market access, urbanization often is hypothesized to lead to more intensive farming practices, both in terms of land-use patterns and use of modern inputs such as fertilizers, herbicides, and mechanization (known as the “induced innovation hypothesis”). However, the book’s analysis shows that this dynamic is predominantly limited to the less-urbanized northern part of the country, and even there the pattern has been a shift toward technologies and land-use practices that increase labor rather than land productivity. This is primarily because rural wages have risen sharply with urbanization and growing rural nonfarm employment. Apart from some limited irrigation systems for rice production and small pockets of high-value agriculture near big cities, there is little evidence of agricultural intensification leading to increases in land productivity. This presents a challenge for the future because past patterns of agricultural growth have depended on expanding crop area, either by clearing
virgin forest or reducing the length of traditional fallow periods. Both options are reaching their limits in much of the country, and future agricultural growth will increasingly have to come from growth in land productivity.

**Public investments have been insufficient outside the cocoa sector**

Public investment in agriculture plays a crucial role in promoting agricultural growth and shaping its distributional outcomes. Analysis of trends in public agricultural spending over the period 1961–2012 shows that the bulk of the spending has gone into the cocoa subsector (Figure 3). The noncocoa subsector, which includes all the country’s food staples, has been neglected. Moreover, government spending on agriculture averaged only 2 to 3 percent of total government expenditure between 2001 and 2012, which is low even by African standards and far short of the 10 percent commitment made when Ghana signed its compact with the Comprehensive Africa Agriculture Development Programme (CAADP) in 2009. Although a rebound in spending on the noncocoa subsector has occurred in recent years due to an expansion of subsidy programs, such as the Planting for Food and Jobs program, spending on complementary investments in rural roads and other essential rural infrastructure remains low. Given current macroeconomic imbalances, agricultural investments increasingly need to be more strategic and focused, with potential for long-term impacts.

**Value chain development will require more proactive government intervention**

These public sector spending patterns have implications for the development of Ghana’s agricultural value chains, both the input supply chains that provide farmers with modern inputs and the value-adding activities that extend from farm production through postharvest handling, processing, and marketing. Ghana’s agricultural output continues to be dominated by cocoa along with roots and tubers, which together account for about 75 percent of the total value of agricultural output. Low levels of public investment outside the cocoa subsector have constrained the business environment for Ghana’s other commodities. Consequently, agricultural output has not matched the growth in domestic demand for foods like rice and tomatoes, nor has agro-processing expanded to meet a growing urban demand for processed and pre-cooked foods. Instead, imports of rice, poultry meat, and processed tomato paste have risen rapidly, while nontraditional agricultural exports like pineapples have languished. These failures are attributable to a lack of improved seed varieties, an absence of quality control through grading and pricing along value chains, inadequate postharvest handling, and the scarcity of large-scale agribusinesses willing or able to lead the development of new export markets.

Proactive public interventions for certain commodities have been key in many other developing countries, as Ghana’s Cocoa Board (Cocobod) has been for the country’s cocoa sector. Analysis of Cocobod’s success helps inform where interventions in other commodity value chains could be beneficial, including seeds, credit, quality control, and organizing farmers into groups. Of particular importance

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**FIGURE 2** Annual growth rate in employment between census years and agricultural share of total employment in census years, 1960–2010

**FIGURE 3** Agricultural public expenditure in Ghana by subsector, 1961–2012

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Source: Authors’ calculation using data from the five rounds of censuses from the Ghana Statistical Services.

Note: Agricultural employment share is for the census years, which is the ending year of each period along the x-axis.

Source: Authors’ illustration using data from various reports on the financial accounts of the government and the Ghana Cocoa Board.

Note: GHS = Ghanaian cedi. Expenditure on the cocoa subsector is the general administrative expenditure of the Ghana Cocoa Board, which is a public corporation. Expenditure on the noncocoa subsector is by the government of Ghana.
is proactive engagement of the government with private sector players in coordinating value chain investments and developing grading systems through various forms of institutions, such as multistakeholder platforms, that many projects in Ghana are experimenting with already.

**Governance affects long-term commitment to transforming the agriculture sector**

Ghana's democracy, political stability, and large-scale investments in education and healthcare have significantly reduced poverty and improved literacy. However, indicators of Ghana’s public sector and financial management often have been volatile and lower than indicators of other African countries at equivalent levels of development. In addition, the agricultural sector has been victim to populist initiatives that are quickly implemented, not rigorously evaluated, and then abandoned once a new political administration comes to office. This is problematic for agricultural research and development as well as value chain development, both of which usually require a long-term commitment of resources and oversight.

To enhance the transformative potential of agriculture while recognizing limited government capacities, more effort will be needed to strengthen relationships with business and target scarce resources to selected value chains with the greatest growth and employment potential. Complementary efforts to enhance public sector capacity building are also needed. With the devolution since 2012 of certain agricultural functions to the country’s 254 metropolitan, municipal, and district assemblies, such capacity building should be focused on local governments as well.

Overall, the Ghanaian experience is typical of the broader African struggle for sustainable structural change. Agriculture offers options for improving transformation, and this book contextualizes the viability of those options given political-economy constraints, past investment decisions, and the broader global environment in which Ghana, and much of Africa, must now compete.

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