
Articulating and Mainstreaming Agricultural Trade Policy and Support Measures

An FAO study based on analyses for Bangladesh, Ghana, Nepal, Sri Lanka and Tanzania

Policy Brief 5 – Highlights of the country case study - Ghana. May 2011

Introduction

This brief presents key highlights of the Ghana case study under the FAO Project *Articulating and Mainstreaming Agricultural Trade Policy and Support Measures*. The objectives of the Project were to contribute to improving the process of: i) articulating trade policies consistent with overall development objectives; ii) articulating appropriate trade support measures; and iii) mainstreaming these policies and support measures into development frameworks such as the Poverty Reduction Strategy Paper (PRSP).

Mainstreaming of trade policies is defined as a process whereby trade policies are drawn from, and are consistent with, development strategies articulated in the apex policy framework such as the PRSP. In a mainstreamed process, policies, programmes and support measures are mutually consistent across key policy frameworks, create synergies and avoid inconsistencies. This is the sense in which mainstreaming has been analysed in the country case studies. The main policy frameworks reviewed for Ghana were: 2006 PRSP (Growth and Poverty Reduction Strategy or GPRS II), 2004 Ghana National Trade Policy, 2005 Trade Sector Support Programme (TSSP), 2007 Agricultural Policy – the FASDEP II, Agricultural Sector Plan (2009-2015), and ECOWAS Trade Policy and Agricultural Policy (ECOWAP).

Key highlights

Ghana's trade and economic policies have remained fairly liberal for about two decades now - Since about early 1990s, Ghana's economic and trade orientation and policies have been considered to be fairly liberal. According to a recent World Bank study on price distortions, there have been marked reductions in the

negative taxation of agricultural tradables: about 40% in the 1970s, 28% in the 1980s; 8% in the 1990s; and 3% during 2000-04.

There are relatively few divisive issues on the export side – For the main export crop, cocoa, overall taxation at the farm level has fallen significantly from 80% in the 1980s to 22% in the mid 2000s, with farmers now receiving a 70-80% share of the export price. But some debate continues on the rationale of the export tax and its level. For non-traditional exports, there are no export taxes, and the focus of debate is on the forms and appropriate levels of fiscal incentives to producing and exporting enterprises.

But more intense policy debates take place for the import-competing food sub-sector - The declining self-sufficiency rates of many basic foods attract widespread public attention, both for reasons of the high import bills and high levels of poverty among the producers of these products. The role and level of tariff protection in maintaining or raising the level of self sufficiency are thus topics that come up frequently. These debates have taken place in relation to several food products, the prominent ones being rice, poultry, dairy products, sugar, tomato paste and onions. Rice, poultry and tomato paste have also been the subject of several studies on import surges and negative effects on farmers. This is an issue that also hits the headlines in other countries of the region.

There is a high degree of policy consistency across various policy frameworks – Ghana stands out among the five case study countries in presenting a fairly high degree of consistency on strategies and policy positions across the policy frameworks, i.e. policies are much better mainstreamed. This is attributed, to a large extent, to the central focus

given by the PRSP to the “agriculture-led growth strategy”. This vision is shared by all policy frameworks, along with strategies and policies such as the central role of markets, competitiveness and creating an enabling environment for the private business as the way forward.

Trade policy gives balanced emphasis to both the export sector and the domestic economy – Reflecting the centrality of the “agriculture-led growth strategy”, the trade policy presents a balanced approach, with its two parallel strategies of “export-led growth” and “domestic market-led industrialization based on import competition”. Primarily because of this second parallel strategy, trade policy is also consistent with agricultural and agro-industry policies. The trade policy provides for essential support instruments for these productive sectors, e.g. selective protection, promotion of strategic products and sub-sectors, and safeguards against market disruption through import surges. And unlike in some other case studies, the food sector is given due prominence. Overall, Ghana provides a good model to learn from in formulating consistent and mainstreamed policies.

Targeting “strategic” products/sub-sectors for special treatment - As with many other developing countries, Ghana’s policy frameworks also have strategies aimed at promoting special or strategic products. This is found in several places – the reference to “strategic exports” in the PRSP, President’s special initiatives, identifying and developing “new productive sectors” in the trade section of the PRSP, and references to strategic products in agricultural policies. At the regional level, ECOWAP/CAADP Compact has a programme for strategic food value chains. An analysis of these ideas shows that: i) there is a lack of uniformity in listing special products; ii) the lists are often rather long in some policy papers; and

iii) there is a lack of clarity on the special treatment to be accorded to these selected products, both policy-wise and investment-wise.

The issue of rice self-sufficiency and of targeting rice production efforts - One debate taking place in Ghana (and in the region) is the desirable level of rice self-sufficiency (sometimes other foods also, but mostly rice). One strategy is to double rice production by 2018, raising markedly the current self sufficiency rate of 33%. The 2007-08 global rice crisis was a factor for aiming high. There are two issues. One is to ask whether it makes sense, or is even feasible, to raise the self-sufficiency rate at the national level when the country is a member of a customs union (ECOWAS) with a common external tariff (CET) and free intra-trade. The other issue is whether to focus rice production efforts on small farmers, with a view to improving household food security, or to support large farmers with a view to reducing imports. Ghana’s policy papers, especially agricultural policy, touch on these issues but do not provide clear positions. This is essential also in determining the ECOWAS CET for rice and safeguards because rice will most likely be a regional sensitive product.

Adjusting domestic and trade policies to ECOWAS/ECOWAP instruments - Ghana’s current key national policy papers were formulated prior to finalizing ECOWAS policies (notably, the CET and the agricultural policy, ECOWAP). As a result, there is a need for revisiting the national policies so as to make them fully consistent with the regional policies. Potential inconsistencies noted in the case study are the rice self sufficiency goal, the listing of “strategic” products in view of the ECOWAS list of sensitive products, and ideas about national food reserves and price stabilization objectives in an environment of a customs union.