Future Agricultures

Policy Brief

Agriculture and Social Protection in Ghana: A 'LEAP' in the Dark?

Despite impressive progress on poverty reduction at national level in Ghana, chronic poverty and livelihood vulnerability persist, especially among small farmers in northern regions. This Briefing Paper reviews social protection mechanisms for addressing vulnerability among Ghanaian farming families, from 'PAMSCAD' in the 1980s to the new National Social Protection Strategy (NSPS) and the Livelihoods Empowerment Against Poverty ('LEAP') cash transfer programme.

POVERTY, LIVELIHOODS AND VULNERABILITY IN NORTHERN GHANA

Ghana's consistent commitment since the 1980s to economic and political reforms has yielded impressive developmental gains. Headcount poverty fell from 52% in 1991 to 28% by 2005, and Ghana is on track to achieve MDG1 before 2010. But these gains have not been experienced equally around the country. In 2005 the three northern regions accounted for 22% of the national population, but 45% of the headcount poor. The relationship between poverty and agriculture in Ghana needs to be disaggregated. Poverty has fallen rapidly among export crop farmers (mainly cocoa farmers in southern-central regions) but remains high among subsistence-oriented food crop farmers, who live disproportionately in the Northern, Upper East and Upper West regions.

Households that pursue agriculture-based livelihoods are particularly vulnerable to climatic shocks (droughts, floods, bushfires), but also to market volatility (food price seasonality, rising input prices), and health risks (disease, malnutrition). Farmers take measures to reduce their exposure to risk (diversifying income sources through migration and remittances, planting improved seed varieties, multi-cropping). After a shock hits, households are forced to adopt 'coping strategies' that include asset sales (including livestock); rationing of food consumption; withdrawing children from school; migration; and reliance on families, community-based organisations or NGOs. Many of these households are trapped in agriculture and unable to escape from poverty due to low asset levels that reduce their possibilities for saving and investing, in a high-risk environment where shocks regularly force them to liquidate their assets simply to survive.

Why does semi-subsistence food production dominate agriculture in northern Ghana?

In the 1970s, northern Ghana was seen as having the potential to supply the whole country with agricultural produce. The state therefore established large commercial rice farms, invested in agro-processing ventures and supported smallholders through subsidised tractor services and fertilisers, and with market support through the Ghana Food Distribution Corporation (GFDC). But these interventions were assessed as ineffective and costly, so were terminated during structural adjustment reforms of the 1980s and 1990s. The rice farms collapsed following the withdrawal of subsidies and liberalisation of markets, which saw surges in commodity imports displacing domestic production. These events left the northern regions with no clear agricultural or development strategy.

Agriculture in these regions remains dominated by subsistence-oriented production of staple food crops (maize, rice, sorghum, millet, cassava, yam). Yet crop budget analysis reveals that the returns to labour from producing higher value crops for sale (such as groundnuts) comfortably exceed returns to food crops (e.g. a maize-sorghum intercrop) in an average season, while in a poorer year, the returns to the maize-sorghum intercrop and to groundnuts are comparable. This suggests that production of staple foods is not a profit-maximising strategy. Two plausible explanations for small farmers' continuing preference for growing grains are: a cultural ethos of food self-sufficiency in farming communities, and fear of depending on weak and unreliable markets for food, given that prices can rise to unaffordable levels during severe hungry seasons.

A BRIEF HISTORY OF SOCIAL PROTECTION POLICY IN GHANA

The history of social protection policies and programmes in Ghana does not amount to a systematic evolution, but is patchy and inconsistent, reflecting different stakeholders' agendas and interests at different times.

Emergency food aid, food-for-work and school feeding programmes have been implemented in Ghana with donor support for decades, at least since the 1983/4 food crisis. Food aid has also been monetised to support agricultural income-generating activities, such as palm-oil processing, cereals marketing, and non-traditional export development. The World Food Programme (WFP) aims to phase out imported food aid by 2010, following the government's own school feeding scheme, which sources food locally to boost agricultural production.

Ghana's best known social protection programme is the 'Programme of Action to Mitigate the Social Costs of Adjustment' (PAMSCAD), which was launched in 1987/8 as a safety net for Ghanaians who were adversely affected by structural adjustment reforms, particularly non-export crop farmers and retrenched civil servants. PAMSCAD included five categories of projects – employment generation, community initiatives, help to the redeployed, basic needs for vulnerable groups, and education. PAMSCAD's effectiveness was compromised by design weaknesses and limited implementation capacity, especially in rural areas. It also failed to target the poorest, leading to complaints that PAMSCAD was primarily a political programme that provided compensation packages to retrenched civil servants.

In the 1990s, Vision 2020 aimed to "develop a comprehensive, sustainable and cost-effective social support system, especially for the disadvantaged and vulnerable" (Government of Ghana, 1997: 78). However, poor coordination between the lead institutions, combined with inadequate budgetary allocations, meant that no social support system was actually developed within the planning period.

Smallholder families were one of 13 vulnerable and excluded groups identified in the Ghana Poverty Reduction Strategy (GPRS), which replaced Vision 2020 and highlighted the low incomes and lack of alternative economic activities in the northern regions. However, most GPRS proposals (e.g. expansion of existing social security schemes, upgrading of urban slums) excluded poor farming families. GPRS II (2006 09) specifies a social policy framework for mainstreaming vulnerable and excluded people in human resource development.

Social protection through agriculture: Sasakawa Global 2000

Global 2000 ('SG 2000') is often seen as a social protection intervention, since it aims to ensure household food security by boosting food production, through subsidised access to agricultural inputs. SG 2000 started in 1986 in Ghana and was implemented by the Ministry of Food and Agriculture. Seed and fertiliser packages were disseminated on a revolving credit basis with repayment in seeds after harvest, so extension officers had incentives to select 'progressive' farmers who were seen as more likely to repay. The programme's initial success in terms of numbers of participants, area planted to improved seed and crop yields was marred by inadequate institutions to support its rapid expansion from 40 test plots in 1986 to 76,000 farmers in 1989 – and loan recovery rates fell from over 90% to 44%. SG 2000 was re-designed in 1990/1. It was scaled down to 5,000 plots, more diversified crops were promoted (rice, cassava, cowpea), and private traders were engaged (mainly in distribution of inputs). But problems persisted from which important lessons were learned. For instance, weak markets in a context of increased production can lead to price collapses and subsequent mass default by farmers participating in credit-based agricultural programmes.

CURRENT SOCIAL PROTECTION PROGRAMMES

Public social protection policies and programmes in Ghana currently include:

- social transfers: support to children in need of special care and protection, Capitation Grants to basic schools, school feeding, supplementary feeding, health exemptions;
- labour market interventions: National Labour Standards, minimum wage legislation, regulations to protect the interests of workers;
- social insurance programmes: social security and pension schemes (for formal sector workers), National Health Insurance (introduced in 2003);
- humanitarian relief: disaster management, emergency food aid.

Gaps include: limited coverage, inadequate support to informal sector, weak targeting mechanisms, inadequate inter-sectoral linkages and co-ordination, weak institutional capacity, low cost-efficiency and cost-effectiveness, and limited recognition of gender considerations.

Ghana's National Social Protection Strategy

In 2007, the government published a National Social Protection Strategy (NSPS), that aims "to help lift the socially excluded and vulnerable from situations of extreme poverty and to build their capacity to claim their rights and entitlements in order to manage their livelihoods" (Government of Ghana, 2007). The NSPS intends to improve social protection coordination, coverage and impact in Ghana by targeting the 15% "extreme poor". The main instrument in the NSPS is a social grants programme called 'Livelihoods Empowerment Against Poverty' ('LEAP'), which will assist the poor to "cope with social risk and vulnerability". 'Subsistence farmers and fisher folk' are the largest of five target groups for LEAP, accounting for almost half of all recipients. NSPS envisages that LEAP will provide unconditional cash transfers (worth US$8 per household per month) to "individuals with no productive capacity", but four types of conditionality will be imposed on other recipients:

- school enrolment and attendance by all school-age children;
- registration of all household members in the National Health Insurance Scheme;
- birth registration and immunisation of all new-born babies;
- no child engaging in the 'Worst Forms of Child Labour'.

Potential complementarities between LEAP and agricultural development

If LEAP grants to the poorest 15% are allocated on the basis of the national "extreme poverty" line, 38% of people in the three northern regions should receive cash transfers. Most of these households are engaged in subsistence-oriented agriculture, and access to social grants could enable them to invest in expanding their crop and livestock production. Guaranteed access to food during the 'hungry season' should enhance their health and productivity. Access to grants will also reduce the need for disinvestment following shocks, enabling households to retain and build their productive assets over time. On the other hand, the relatively small LEAP grants will probably not finance hiring additional land or labour, so any LEAP-induced increase in agricultural production is likely to be modest. Agricultural impacts could be increased if LEAP grants are concentrated during the production season, with (say) a lump sum payment prior to planting enabling beneficiaries to afford either ploughing services (to expand cultivated area) or improved seeds or fertiliser (for higher yield). Further payments during the farming season could finance labour hire or simply ensure that household members eat well enough to stay healthy and maximise their own labour potential.

Given the uncertainties surrounding the possible production response by recipients of social grants, it is not possible to predict LEAP's impact on regional food markets. Food prices could go either up or down, depending on whether any additional production as a result of social grants is greater or less than the additional demand stimulated by receipt of these grants. If the incremental production exceeds incremental consumption, the resulting lower real food prices will generate significant additional benefits for poor households. However, if prices rise, this will erode the real value of the grants to recipients and disadvantage many non-recipients.

Finally, social grants are only one step towards lifting extremely poor agricultural households out of poverty. Even if these households invest much of this additional capital in their farms, under current circumstances semi-subsistence agriculture in northern Ghana does not offer a reliable exit from poverty. An improved agricultural policy is required, as is more investment in irrigation, rural roads, extension, and veterinary services. Since most poor smallholders also fall below critical 'asset thresholds', a policy that would usefully complement social grants in helping beneficiaries escape from poverty would be the provision of animal traction services, as well as subsidies or loans for acquiring oxen, cattle or ploughs.

CONCLUSION

This case study of agriculture in northern Ghana illuminates broader issues around smallholder vulnerability, social protection and agricultural development policies. The conclusions drawn here also have relevance to similar semi-subsistence smallholder farming systems elsewhere in Africa.

1. High agricultural vulnerability and perceived market risks encourage a subsistence orientation by smallholders, even if this is not a profit-maximising strategy and effectively perpetuates poverty.
2. Crop diversification, assisting smallholders to cross asset thresholds, and stabilising food prices will all contribute to both agricultural growth and social protection outcomes.
3. Positive synergies can be achieved between social cash transfers and agricultural policy, with the former equipping poor households to benefit from the latter, but complementary interventions are vital to alleviate asset constraints and agricultural and market risks.

Sources: Government of Ghana (1997) 'Ghana Vision 2020: The First Medium Term Development Plan (1997 2000)', Accra: National Development Planning Commission

Government of Ghana (2007) 'National Social Protection Strategy', Accra: Ministry of Manpower, Youth and Employment

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