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Agricultural Growth, Poverty Reduction, and Food Security: Past Performance and Prospective Outcomes

The Comprehensive Africa Agriculture Development Programme (CAADP) aims to add value to the efforts of individual countries, where necessary, to ensure that its growth and poverty objectives are achieved. Doing so requires reviewing past, current, and emerging efforts against these objectives. This includes:

- Examining the recent growth performance of the agricultural sector, as well as future growth and poverty outcomes based on observed trends.
- Determining how such outcomes compare with the targets established for the sector under the CAADP agenda and how they compare with the Millennium Development Goal to halve the proportion of people living on less than a dollar a day (MDGI).
- Measuring the prospects of meeting these targets and analyzing the implications for future sector growth and poverty-reduction targets.

IS GHANA ON TRACK TO MEET CAADP'S GROWTH AND POVERTY TARGETS?

The following analysis puts figures to three scenarios for agricultural development: i) a continuation of Ghana's current agricultural growth path, ii) achieve the 6% agricultural growth target set by the CAADP initiative through accelerated production, iii) reach middle-income (MIC) status by 2015 through accelerated growth in the agricultural sector combined with accelerated growth in the industry and manufacturing sector.

Recent Performance and Current Trends Compared to CAADP Targets

Ghana has experienced two decades of sound and persistent growth and belongs to a group of few African countries with a record of positive per capita GDP growth over the entire last 20 years. Ghana is also bound to become the first African country to reach the first Millennium Development Goal (MDG1) of halving poverty and hunger before the target year of 2015. Agricultural growth has been more rapid than growth in the nonagricultural sectors in recent years, expanding by an average annual rate of 5.5%, compared to 5.2% for the economy as a whole. However, agricultural growth heavily depends on rainfall patterns and current growth is still driven by land expansion. Future growth trends for the sector under the status quo are projected to 2015 and 2020 based on the following assumptions:

1. A more modest annual growth rate in agriculture of 4.2% for the next 10 years, with the following subsector specific growth rates: cereals (3.7%), root crops (3.9%), other staple crops (4.5%), export crops (4.4%), livestock (5%) and fishery and forestry (3.9%).

2. The targeted growth rates for the industrial and service sectors are 5.6% and 5.2%, respectively. These growth rates are equivalent to the annual average growth in 2001–2006 for both sectors.

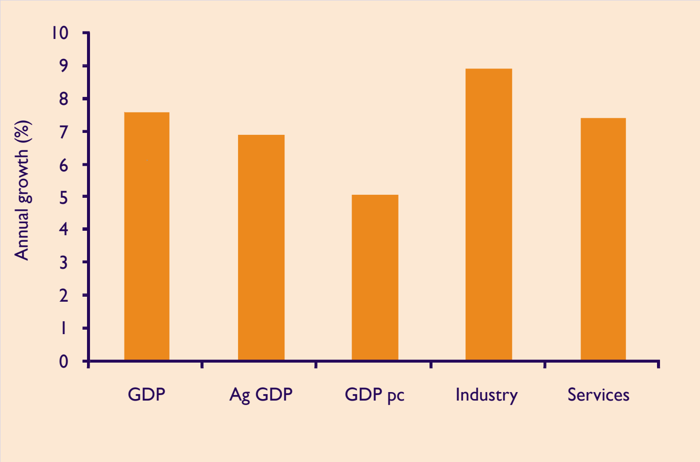
3. An annual expansion rate of national crop land of 3.1% annually, with different land expansion rates in the four agro-ecological zones: 2.0% in the Coast, 1.6% in the Southern Savannah, 3.2% in the Forest and 4.2% in the Northern Savannah, respectively.

Based on the above assumptions, future growth performance is projected to stabilize at around 5% for the overall economy and at a little bit more than 4% for the agricultural sector, with an average per capita income growth of less than 3% (Figure 1a).

Although positive, the growth rate for agriculture is significantly less than the 6% targeted under CAADP. The projected performance is, however, sufficient for Ghana to achieve the MDG1 of halving its 1990s national poverty rate by 2008. According to the projections in Figure 2a, national and rural poverty rates will decline by about 50%. Given that the population will grow by 2.5% annually, the absolute number of poor people at the national level would fall by almost 2.5 million by 2015 under current trends as shown in Figure 3.

Figure 1a : Annual growth rate under different scenarios 2006–2015 (%)

Figure 1b: Annual growth rate required to meet MIC 2006–2015 (%)



CAN EMERGING GOVERNMENT STRATEGIES ACHIEVE CAADP'S GROWTH AND POVERTY TARGETS?

Overview of the Government's Strategic Objectives for the Agricultural Sector

The Government of Ghana's agricultural sector targets are outlined in three key strategic documents: the Vision 2020, the Ghana Poverty Reduction Strategy (GPRS) and the Food and Agriculture Development Policy (FASDEP). The Government has declared an ambitious development goal of reaching middle-income (MIC) status by 2015. Ghana's per capita income (or GDP) is currently US$454, while the income level of a MIC typically begins around US$1,000. Ghana will therefore have to more than double per capita incomes during the next 10 years if it hopes to achieve MIC status. The government emphasizes an agriculture-led growth strategy that will maximize the benefits of accelerated growth. The agriculture sector goals as specified in the GPRSII are: (i) agricultural growth rate of 6–8% per annum over the next 4 years; (ii) crops and livestock leading the growth at an average annual growth rate of 6%; (iii) forestry and logging, and fisheries, each growing at 5% per annum, (iv) while the cocoa sub-sector remains robust in support of other sectors. Substantial gaps between actual and potential yields for most crops indicate that higher agricultural growth is possible and the government of Ghana intends to increase the share of agriculture in its spending to move towards closing these gaps.

Projected Growth and Poverty Outcomes under Government Strategies

The growth rates necessary for Ghana to double incomes by 2015 are presented in Figure 1b. They imply an agricultural growth rate of 6.9% allowing the country to reach beyond the CAADP target of 6% annual growth by 2015. However, growth in agriculture alone cannot achieve the required income increase. Combined growth across agricultural and non-agricultural sectors will be necessary for Ghana to double incomes by 2015. Figure 1b shows that the industrial and manufacturing sector will have to grow by 8.9 and 7.4%, respectively, leading to an overall GDP growth rate of 7.6% and a per capita GDP growth of more than 5%. If these growth rates were attained, per capita income will reach US$956 by 2015, more than doubling the 2005 per capita income of US$454. Under this scenario, the absolute number of poor people at the national level would fall by more than 3.5 million (Figure 3).

POVERTY REDUCTION REMAINS A CHALLENGE IN THE NORTH

Despite Ghana's current and projected success in poverty reduction at the national level, sharp regional differences in poverty rates will continue to persist. While both the national and total rural poverty rate will be halved by 2008 or 2009, even with accelerated growth in the agricultural and non-agricultural sectors, the poverty

Figure 2a: Projected changes in poverty rates under different scenarios 2005–2015 (%)

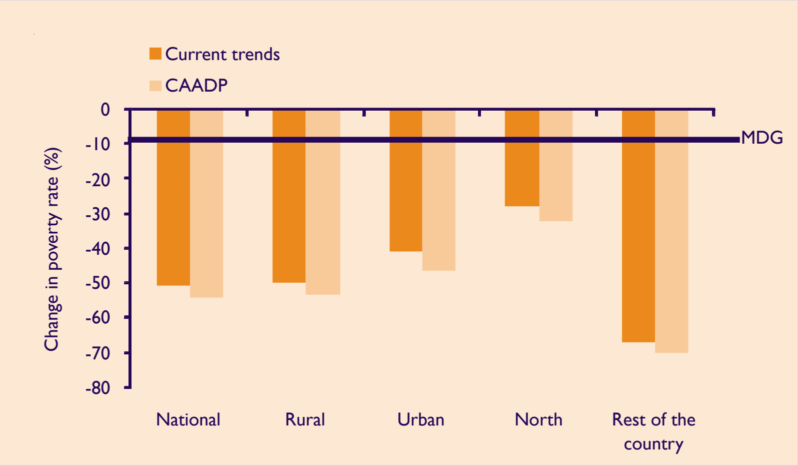


Figure 2b: Increase in per capita income under different scenarios 2006–2015 (US$)

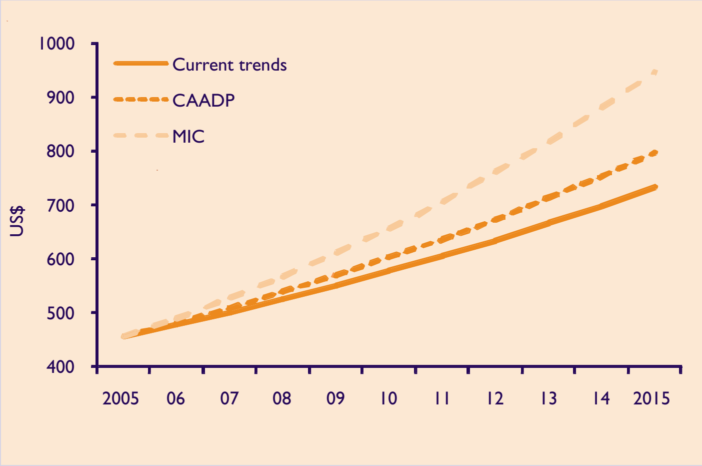
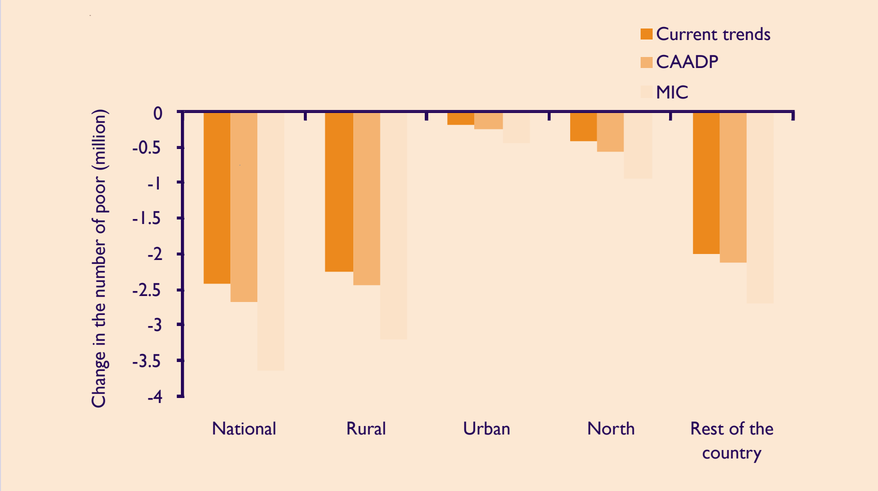


Figure 3: Projected decline in absolute number of poor under different scenarios 2005–2015 (mill.)



rate in the North will fall by less than 30% (Figure 2a). Halving the poverty rate in the North thus remains a distant target. Figure 3 shows that the projected decline in the absolute number of poor is extremely small in the North compared to the rest of the country. The North has fewer opportunities in either agriculture or non-agriculture compared to other parts of Ghana. Thus, while accelerated growth will allow Ghana to meet its MIC goal, the poverty rate in the North will still remain at 35% in 2015. By then, more than 66% of the country's poor will live in the region (compared to 45% today). To accelerate growth in the North, greater attention would have to be given to activities that benefit a majority of farmers, such as cereal production and livestock or to the development of non-traditional cash crops typically grown in this region.

The results presented here indicate that: (i) a continuation of current growth trends in Ghana would not achieve the CAADP growth target but would allow Ghana to meet the MDG1 objective of halving poverty rates by 2015 by 2008; (ii) emerging government strategies under the GPRS would allow Ghana to reach beyond the CAADP target and become a middle income country by 2015; (iii) meeting the latter objective would require GDP to grow by 7.6% through combined growth in the agricultural and the non-agricultural sectors; (iv) such accelerated growth, however, will not allow for halving the poverty rate in the North by 2015.

A closer look at the results already indicates significant variation across regions. Because poverty is distributed unequally and growth may affect different regions differently, it is important to examine the distributional consequences of alternative growth strategies for the sector and their implications for poverty reduction for a broader category of households across regions (see Brochure 3: *Strategic Options and Sources for Agricultural Growth, Poverty Reduction and Food Security*).

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