

# **Developing Market-Based Strategies for Growth in Northern Ghana**

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# Introduction

- The Northern sector remains the most under-developed part of Ghana.
- Comprising the three administrative regions of the Upper East, Upper West and the Northern Region, it has a land area of about 41 percent the total land area of Ghana
- It is sparsely populated with a population less than a fifth of the national.
- Although sparsely populated, mean household size in Northern Ghana is higher than the national average.

# Introduction

- Northern Ghana is Guinea Savannah grassland, with prolonged period of dry season.
- Ghana's largest river, the Volta and its tributaries, provide watershed for the region. But is also the source of river and moisture borne diseases.
- Over 80 percent of the regions' population is rural, engaged in peasant agriculture – farming and fishing.

# Introduction

- The three regions comprising the Northern sector consistently and persistently pick the bottom rankings on any development league table in Ghana.
  - Below national average levels of income and consumption expenditures; weak education and literacy levels; poor health and sanitary conditions; and absence of basic social amenities.
  - Indeed, in almost everywhere in the three Northern regions there is clear evidence of people living in penury.

# Introduction

## Poverty Prevalence (1998/99)

National	39.5
Greater Accra	5.2
Ashanti	27.7
Northern	69.2
Upper East	83.9
Upper West	88.2

# Introduction

## Poverty Incidence in Northern Ghana

	1992	1999
National	51.5 %	39.5
Northern	63.4 %	69.2
Upper East	88.4 %	83.9
Upper West	66.9 %	88.2

## MAJOR AGRICULTURAL PRODUCTION IN THE NORTHERN REGION, 1993

*(metric Tonnes)*

<b>CROP</b>	<b>Quantity</b>	<b>%</b>	<b>REMARKS</b>
Seed Cotton	1.6	28	Largest Producer
Groundnuts	91	46	"
Sheanut	4	50	"
Rice	60.2	38	"
Guinea Corn	127	39	"
Millet	61	31	"
Yam	995.4	37	"
Maize	166.9	17	2nd Largest Producer
Beans	5	27	"
Okro	55	38	"
Cassava	197.4	34	7th Largest Producer

<b>LIVESTOCK</b>	<b>Quantity</b>	<b>%</b>	<b>REMARKS</b>
Cattle	460,051	39	Largest Producer
Sheep	423,439	20	"
Pigs	113,420	29	"
Coats	401,222	19	2nd Largest Producer
Poultry	1,729,815	14	3rd Largest Producer

*Source: Medium-Term District Development Plan, 1996-2000. RCC, Northern Region*

# Introduction

- After several years of national independence, and after several attempts to develop as a nation, why has the Northern Sector of Ghana been left behind?
- There are several reasons for this: economic, climatic, socio-cultural, politico-religious, etc.
- In this paper, we will argue that the poverty of the region is to a large extent the result of the marginalization from the formal market economy of the rest of the country.

# Development Policies

- Since independence, Ghana has gone through a number of development policies ranging from dirigiste socialist policies to near 'laissez-faire' capitalist policies.
- All these development policies assume modern economic system to work with.

# Development Policies

- Modern economies have certain features that distinguish them from primitive economies. These features are not related to the type of economic system used. They include
  - specialization,
  - the use of money,
  - and the use of capital goods.

# Development Policies

- The Economic Recovery Programme, for example, relied mostly on market forces for efficient allocation of resources for both stabilization and growth.
- The basic tool for efficient resource allocation – the price mechanism - works in monetized systems.
- Thus programs which rely on market forces will work well in modernized systems with money as the predominant medium of exchange.

# The Market and Development

- The concept of the market as a catalyst in the growth process was first espoused by Adam Smith in his *Wealth of Nations*
- Smith argued that division of labour is *sine qua non* in the development process.
- Primitive societies are characterized by subsistence living in which each household engages in the production of all goods and services it consumes

# The Market and Development

- Using examples from his own native Scotland, Smith observed that
  - “In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker and brewer for his own family. In such situations we can scarce expect to find even a smith, a carpenter, or a mason, within less than twenty miles of another of the same trade. The scattered families that live at eight or ten miles distant from the nearest of them, must learn to perform themselves a great number of little pieces of work, for which, in more populous countries, they would call in the assistance of those workmen. Country workmen are almost everywhere obliged to apply themselves to all the different branches of industry that have so much affinity to one another as to be employed about the same sort of materials.”

# The Market and Development

- It sounds like Smith was writing about 21<sup>st</sup> Century Northern Ghana.
- The area is sparsely populated, and the inhabitants engage in subsistence living.
- Virtually every rural dweller is engaged in the farming of similar produce and livestock.

# The Market and Development

- There must be division of labour if development is to take place. But, Smith has cautioned us that division of labour is limited by the extent of the market. He writes
  - “As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men’s labour as he has occasion for. “

# The Market and Development

- The market offers convenience of exchange. Transaction contracts are effected at the market place. Thus, whether by barter or by money transaction arrangements can be made at the market place.
- Modern economies require not only the market but also a monetary mechanism to function effectively

# Developing the Rural North

- The basic factor making poverty endemic in Northern Ghana is the subsistence nature of most rural enclaves
- Low population densities, long distances between economic units, and poor road infrastructure weakens market relations and deepens the subsistence nature of the rural sector.
- The rural economies are weakly monetized.

# Developing the Rural North

- The advantages of monetizing the rural economies can be enormous.
- By converting non-liquid assets to liquid assets, households can enhance their productive capacity greatly. This very similar to De-Soto's argument on empowering capital of the poor.

# Developing the Rural North

- Hernando De-Soto argued that third world countries are lagging behind in growth because of the absence of property rights to capital which they already own but legally not recognized.
- De-Soto argues that the rule of law comes through property rights on assets such as land and buildings.
- Any asset whose economic and social aspects are not fixed in a formal property system is extremely hard to move within a market economy.

# Developing the Rural North

- Capital works only when it has qualities such as title, security, contract and other such legal representations in writing.
- The formal property representation provides information, references, rules and enforcement mechanisms and thus functions as the tool to produce surplus value over and above the physical asset.
- Thus, by developing laws and regulations that govern property rights 'dead' assets which the poor already own are turned into productive assets.

# Developing the Rural North

- Similar argument can be made with our asset-conversion mechanism
- The exploitation of non-liquid assets are limited only to their intrinsic potential
- Production can be enhanced by converting to liquid asset
- Example with livestock production

# Summary

- The Northern Ghana has great potential for growth – unexploited resources
- Growth can be enhanced by encouraging the development of market-based economies
- As markets develop, people will tend to specialize in production and exploit untapped resources
- Asset-conversion into more liquid form can greatly enhance productivity.