

# GHANA

## Strategy Support Program



### Session 1: What does transformation mean?

### SESSION SUMMARY

Chair: Hon. Ahmed Yakubu Alhassan

Panel: Margaret McMillan, Xinshen Diao, Alejandro Nin Pratt, Ramatu Al-Hassan

Our first session began with the question: ‘What does transformation mean?’ As the central theme of the conference, this first debate painted the broad outline, for which subsequent sessions provided more detailed discussion. What emerged were two angles to the above question.

Firstly, understanding the nature of economic transformation is crucial in order to determine whether it is growth-inducing, or growth-reducing. Growth-inducing structural transformation is the movement of labor and other resources from traditional economic activities, characterized by low labor productivity, to modern economic activities in which changes in technology occur and labor productivity is high [[GSSP Discussion Note #001](#)]. Developing economies are characterized by large productivity gaps across sectors. For example, over 1990-2005, structural change in Africa and Latin America has been growth-reducing, because labor has moved from high to low-productivity sectors, the opposite direction as in Asia where manufacturing and retail activities have driven growth. Specific trends in Ghana indicate that rapid urbanization has been shaping structural change in recent years [[link to DB002](#)]. Nonagricultural income opportunities in the informal economy and self-employed activities in the service sector have grown and the share of agriculture in the Ghanaian economy has been reduced. The share of higher productivity manufacturing has stagnated and even declined. Ghana’s urbanization has been much more rapid than in Asian and Latin American countries at their early stage of transformation. Service-oriented activities in the urban economy are dominating economic growth, creating “consumption-cities”

instead of industrial cities, resulting in a very different growth pattern from many Asian countries. The opportunities and challenges for agriculture presented by such urbanization patterns were highlighted in later sessions.

The second angle to the key question is how to transform agriculture itself. For Asia, technical change within agriculture was important for overall economic transformation and growth. However, the constraints faced by Ghanaian farmers in technology adoption are often different from those faced by Asian farmers [[GSSP Discussion Note #006](#)]. Alejandro Nin-Pratt explained that a critical difference between the two experiences is the availability of labor. Unlike Asia, labor is a major constraint for agricultural production in Ghana, particularly in the Savannah zones, where population density is low. The implications of this fact questions the high expectations placed on the government’s fertilizer program to be the ‘magic bullet’ to transform agriculture. After some debate over the benefits of fertilizer use, its importance was acknowledged, but with caution that its use in Ghana cannot be considered outside of a broader labor-saving technological package. Parallel to this issue is a need to better understand the rural-urban labor market. We identified the apparent mismatch between high youth unemployment and an increasingly binding rural labor constraint. The choice of young labor between the hard work and low rewards of agriculture, and higher wages with easier work in public sector and urban areas, is pulling labor away from agricultural work. This issue of agriculture becoming a profitable business for young labor became a recurring theme in the remaining sessions.

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