

1. Structural Adjustment and Agriculture in Ghana Comments

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COMMENT

Koichi Sakamoto
(International Development
Center of Japan)

General Comments

The paper presented is highly appreciated because of its comprehensive and detailed analysis of structural adjustment with reference to agriculture in Ghana.

Its important contributions to literature on structural adjustment in Africa are as follows: 1) in addition to gross output, welfare at farm levels is dealt with; 2) macroeconomic policy changes impinging directly on agriculture such as devaluation of exchange rates are taken into account; and 3) structural adjustment is discussed in the context of development in long term.

In short, the paper presents one of the ideal models for analyzing structural adjustment, which deals with many sectors and aspects of the economy and introduces various policy measures, sometimes conflicting with one another.

Regarding the conclusions, many of the points made there are appropriate. In addition, the recommendations are important lessons for structural adjustment in the future not only in Ghana, but also in other African countries.

Critical Comments

(1) The first comment is concerned with analytical methods. There are two points to make.

(a) A simple way of analysis of structural adjustment is to analyze it according to the following three subjects: design, extent of implementation and impact.

Though the first line of the paper states "analysis of the impact", it corresponds to the extent of implementation and "impact" in the above-mentioned analytical framework. Furthermore, the "design" can be decomposed into three sub-subjects: policy objectives, measures and implementation schedules.

Then, a question can be asked: what is a general assessment of the

implementation schedules of structural adjustment in Ghana, though the issues in relation to privatization of input supply and distribution are discussed? This is because gradualism of implementation of structural adjustment policies has become a counter-proposal against the "shock therapy" of conventional adjustment measures.

(b) The second point on the methods is that the paper mainly takes a "before vs. after" approach to measurement of impact of structural adjustment policies. In other words, the performance before the start of structural adjustment is compared with that after.

Another important method is a "with vs. without" approach, a comparison between the performance with structural adjustment and that without, what would have been (counter-factual) if structural adjustment had not been implemented. This approach is important in the sense that incentive measures of structural adjustment cannot produce tangible result because of a depressing impact of demand management by IMF on the economy. Now, an important point is that the conclusions could become more positive if the "with vs. without" approach were taken, instead of the "before vs. after" approach adopted in the paper.

(2) A critical comment on the conclusion is that what structural adjustment in a narrow sense aims at should be reconsidered. The important point in this respect is that structural adjustment was introduced to pay back external debt (debt indicators are not presented in the paper). To make abstraction, structural adjustment focuses on efficiency, not equity. Concretely speaking, it pays attention to wealthy farmers, not poor ones. If one takes this stance honestly (though an important judgement involved), he could appreciate structural adjustment more positively than is the case of the paper, which refers especially to small-scale farmers, in other words, equity.

Questions

(1) One of the major recommendations of the paper is that small-scale farmers should have access to bank loans at reasonable interest rates. When this comment was made in Washington, a World Bank economist replied that the low interest policies could not be applicable to other developing countries than a few where a solid institutional capability is built up. Could the Ghanaian case be successful?

(2) The observation of the low growth rate of 2.6% per annum in the whole

agriculture during the period 1987-91 was presented. Didn't poor rainfall affect the agricultural production more negatively than structural adjustment policies?

(3) Cocoa production has been replaced by that of high value crops? Which are those crops competing with cocoa in the same land?

COMMENT

Katsuya Mochizuki

(IDE)

Ghana is a forerunner of structural adjustment efforts among African countries. With the support and participation of donor community, the country became "something of a model case, an example to other African governments of the virtues of managed adjustments". Nigerian authority has also been learning much from Ghanaian experiences of economic stabilization and structural adjustment since its introduction in 1983.

Some similarities and differences between these two countries' performances will be pointed out in this comment from the perspective of comparison. Particularly the comment concentrates on pricing of agricultural products, supply and distribution of agricultural inputs, and performance of agricultural credits.

1. Elimination of the price control

1) Reorganization of marketing board system

Under the 'getting the prices right' principle, it used to be a key measure of adjustment to remove government interventions in agricultural pricing. Following this policy Nigeria abolished the whole marketing board system in its initial stage of the Structural Adjustment Program (SAP). And she is also trying to re-organize many governmental bodies in agricultural field. For example eleven River Basin Development Authorities (RBDAs) were put under the pressure of diminishing their sizes and personnels.

However, it was questionable whether those measures were valid alternatives or not. In many developing countries, especially in African economies, the public sector has been playing a key role and taking great shares in the development. Even the World Bank re-considered the role of public policy and interventions in its recent policy research report.

From this point of view it is indispensable to re-consider the role of such public bodies in agricultural sector. As an evidence, Ghana Cocoa Board (COCOBOD) is still working actively even under the structural adjustment, though Nigerian Commodity Board, the main agent of cocoa dealing was abolished in 1986. There should be certain roles of governmental organizations in the process of structural adjustment.

2) Factors affecting cocoa production

In both countries, cocoa production restored after the introduction of SAP, but increasing rate declined soon. What was a determinant of this change?

First consideration goes to the price factor. As mentioned in the paper, the nominal price has increased rapidly, but the real price declined again after reaching a recent peak in the 1987/88 season in Ghana. We witnessed a similar case in Nigeria (see attached table). Both nominal and real prices fell off after 1989. The decline of real price was drastic reflecting that of local currency.

Considering these two cases it seems questionable to mention that "the declining production of cocoa . . . indicates that cocoa pricing strategy has not been effective, that is, the price is still not right", as argued in the paper. Rather, declining production of cocoa since 1990 was due not only to the domestic pricing strategy but to another factor like fall of international price itself.

Secondly, smuggling of cocoa to the neighboring countries had a serious impact on the production, to say the least of its statistics. It is said that Nigerian cocoa production increased substantially in 1987, because of rapid increase of farm gate price. But the production data declined as shown in the table. The cause of it is believed to be illegal trafficking to Benin and Niger. This is because middlemen could utilize the exchange rate gap between two currencies and got much profits through such trade. However the situation completely changed after devaluation of CFA franc and arbitrary revaluation of Nigerian Naira.

2. On supply and distribution of agricultural inputs

As mentioned in the paper, continued participation of government has been common to Nigeria's situations. In case of Nigeria, procurement and distribution of agricultural inputs have been committed to state-level government organs. And even now state-level Agricultural Development Projects are focal points. They are de facto channels of distribution for farmers, and the private sector cannot help depending themselves on their dealings. As a result the sector is not active as expected under the SAP.

3. Agricultural Credit

Institutional financial arrangements are most inadequate for small-

scale farmers under the severe conditions of structural adjustment. Not only shortage of fund but also lack of access for them are a serious cause of the problem. In addition, under the devaluation of local currency existing schemes are not met for farmers' need in their amount. Financial requirements are far exceeding the supply under a rapid inflation.

In Nigeria, though Federal Government established a petty cashing institution, named Peoples' Bank and other community banking mechanisms, their performances are still poor.