STRONG ECONOMIC GROWTH & SIGNIFICANT REDUCTION IN UNEMPLOYMENT: THE CRITICAL ISSUES TO ADDRESS IN GHANA'S 2019 BUDGET

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Executive Summary

Unemployment has become the most serious challenge currently confronting Ghana. Indeed, the unemployment problem has reached a crisis point, given that the rate consistently increased over most part of the last three decades, and stood at 11.9% at the end of 2015. The overwhelming majority of the unemployed are young people, aged between 15 and 34 years. Only 10% of graduates find jobs after their national service, and available statistics show that sometimes it takes up to 10 years for a large number of graduates to secure employment. Majority of the employed are in the private sector, of which about 90% are in the informal sector. The informal sector is known for its low productivity and very low incomes. The failure of Ghana's economy to grow at appreciable rates in order to create jobs and improve incomes and livelihoods of Ghanaians has become a major concern. This paper looks at how a strong and broad-based economic growth can be achieved to significantly reduce unemployment in Ghana.

Ghana's economic growth slowed down for the most part of the last two decades, with serious negative implications for job creation. Even though the economy picked up strongly in 2010- 2012 and 2017, this was driven largely by the coming on stream of the oil and gas sector, which is known to have limited job creation impact. The agriculture and manufacturing sectors with relatively better employment generation potential recorded slow growth up to 2016 when the manufacturing sector resumed strong growth, followed by the agricultural sector in 2017. The structure of the Ghanaian economy continues to remain highly informal, with the majority of the country's workforce engaged in this sector. But, as is the nature of this sector, employment is fairly inefficient; there are no regulations or coherent policies guiding activities in the sector; and there is very little official information of the sector's value generation. Policies and programs targeted at the youth are also unproductive because the skills challenges are not addressed. There is also rising anxiety about the rapid increase in the rate of graduate unemployment in the country.

To address the problem of declining agriculture performance, restore the sector to a path of high and sustainable growth and take it back to its rightful position as the backbone of the economy, the government has unveiled a number of flagship programs for implementation, including the "Planting for Food and Jobs (PFJ)", a GH¢400 million Fund to de-risk agriculture and the agribusiness sector; a "One Village One Dam" initiative; and the "Agriculture Management System (AMS)" initiative, an end-to-end solution and a Virtual Farmer Program (VFP), designed to boost the entire agriculture supply chain. The PFJ program is expected to create over 4.6 million jobs in four years and the VFP, some 33,000 jobs for the youth.

To revitalize industrialization, the "One District One Factory" (1D1F), under which, at least, one commercially viable factory is to be established in each of the 216 districts in the country to transform the economy from a service-based to a more industry-focused economy has been launched. Other initiatives to support the industrialization agenda include the establishment of one industrial park in each of the 10 regions of the country; one warehouse in each of the 216 districts (One District One Warehouse), "National Industrial Revitalization Program" and the "National Entrepreneurship and Innovation Program". The IDIF program is expected to generate 1.5-3.2 million jobs nationwide by the end of 2020.

The government has also launched the Nation's Builders Corp (NABCO) to reverse the growing trend of joblessness among university graduates. Providing jobs for 100,000 graduates in 2018,

NABCO is the most direct government initiative developed to address graduate unemployment in the country. A Youth Development Authority has been established to harmonize and coordinate all government sponsored youth initiatives and policies to support the youth to establish businesses for themselves.

The NABCO initiative seems to represent a public works program, which will have to be carefully planned and managed so that it does not become an albatross on the national budget. The YEA appears to have similar objectives to NABCO. It is important to avoid creating wasteful duplicative systems and confusion in targeting and implementation. To address the problem of high graduate unemployment, there is the urgent need to restructure the education system to make high-quality science and technology education more accessible to students, while redesigning higher education courses to fit the skills needed by the jobs market, including combining classroom work with vocational or industrial attachment.

Agriculture transformation in Ghana faces a number of challenges. The major challenge, which will affect the successful implementation of the government's MPA and its flagship PFJ program, is access to land. Access to land for large agriculture investment continues to be a core constraint in Ghana because of the complex land administration and governance system, which is time-consuming, costly and exposes investors to substantial risks. Expansion of mining activities has also come into direct competition with small-scale agriculture, the predominant means of economic growth and job creation in rural areas. Reconciling these two important growth drivers has become a critical governance issue. Absence of modern tools and technology for farmers and poor soil conditions is another major bane of the agriculture sector. Expansion in agricultural production in the country has come largely from expansion of cultivated land and less so from productivity gains. There is also the aging farmer population, yet the sector is unable to attract young people into farming. High illiteracy among farmers also means a constant need for facilitating their access to information on new approaches, technologies, opportunities and policies. The quality and size of public expenditure on agriculture also leave much to be desired. Improving the environment for doing agribusiness is key to adding value to the existing production and creating jobs. Financing, however, is a major challenge facing agribusinesses in the country, especially for small, medium and micro-businesses.

The IDIF initiative which seeks to revitalize the industrial sector to help transform the economy to create jobs is well-intentioned. It is however important for the government to consider the merits of the program based on dotting 216 small- to medium-sized factories across the country in addition to creating 10 large industrial parks, estates, or clusters. A major obstacle to the 1D1F program will be financing. Financing for the 1D1F is expected to come from promoters' equity, private financial institutions, local private equity companies, and development partners. Currently there are many entrepreneurs with viable projects who do not have funds to finance their ventures. Banks and other financial institutions are reluctant to inject capital into businesses. They complain that many business ventures are not well structured, too risky to invest in, and lack track record, etc.

Government may have to consider entering into partnerships with potential private entrepreneurs to finance the ventures. In this context, the Venture Capital Trust Fund, established to provide an alternative source of funding in the form of equity financing, may need to be restructured and resourced and made to support the 1D1F program.

integration into the global economy. Despite Ghana's success with increasing access to infrastructure services, the quality of service remains low and a large deficits still exist, a situation which has increased investment costs and impeded economic growth. The country's infrastructure development is also characterized with operational inefficiencies, including underpricing, under-collection of revenues, and very high distribution losses relative to technical norms. Efforts to scale up infrastructure finance therefore need to be made in the context of genuine commitment to address efficiency. To close the infrastructure gap and catch up with developing countries in other parts of the world, Ghana needs to expand its infrastructure assets in the key areas of ICT, irrigation, power, transport, water, and sanitation. Closing the country's infrastructure financing gap is not only about raising investment capital; a substantial part of it relates to maintenance. In trying to fund programs and initiatives to ensure broad- based economic growth and job creation, the government should recognize that Ghana is already facing a high debt distress, calling for the need to limit the amount of money it borrows in order not to cause further fiscal overruns and generate macroeconomic instability. It is critical therefore that any investments made from borrowed funds be fully informed by economic returns and not political or wasteful social considerations. A Long Term National Development Plan is required to transform the Ghanaian economy though agricultural modernization and industrialization, supported by the required infrastructure. This is necessary to create jobs among the teeming unemployed youth, in particular graduates.

In pursuing economic growth and job creation, the government must consider the following recommendations:

1. Government should consider pruning down the numerous programs and initiatives it is pursuing. This is because of the weak fiscal state in which the country finds itself, in terms of the lack of fiscal space to maneuver, which is caused by the weak revenue generating capacity of the state and the excessive fiscal rigidity in the budget. Establishing a factory and a warehouse in each of the 216 district assemblies and one industrial park in each region will be an overload on the fiscus.

2. Government should support agriculture to boost economic growth and employment by giving priority attention to the implementation of well-designed programs of public investment in agriculture, continued progress on land regulatory reform, and establishment of specific initiatives such as a "School to Land Program" to engage young people in agriculture. A "Public Works Program (PWP)" that aims at providing work opportunities coupled with training through the delivery of public works to the youth and unemployed graduates also needs to be developed and implemented.

3. Encourage and support entrepreneurship development by reforming the post-senior high school education curricula to include technical and entrepreneurial disciplines to provide the youth and graduates with entrepreneurial skills that will enable them to set up their own businesses or to become more employable in the job market; setting up business incubators as a mechanism to support business development and management; and strengthening labor market information and monitoring systems to ensure a regular flow of information on employment opportunities.

4. Although the government effort to secure US$2.0 billion to support infrastructure development is laudable, for the purposes of effective management of the risks associated with the projects,

the arrangement should be brought under the umbrella of the GIIF which has been set up to purposely raise funds to finance such projects. Additionally, the US$50 billion century bond being contemplated by the government is colossal and can cause serious damage to the economy even if the government succeeds in borrowing the money at normal interest rates. It will also be a dangerous experiment that could harm future generations.

5. The government should explore opportunities for tapping into private financing for infrastructure projects, create new partnerships, as well as explore public-private mechanisms for financing infrastructure projects in the country.

6. A LTNDP consisting, among others, of medium to long-term agriculture, industrialization and infrastructure development plans should be developed for implementation. With these plans in place, present and future governments should be mandated to implement them. To ensure political commitment, it would be required to set out in the national Constitution that a government in power must continue to support national projects contained in the LTNDP that have been taken to a particular level of development.

Abbreviations

AAPET	Akuffo-Addo Program for Economic Transformation
ADB	Agriculture Development Bank
AMS	Agriculture Management System
ASNAPP	Agribusiness in Sustainable Natural African Plant Products
CEPA	Cambridge Economic Policy Associates
GDP	Gross Domestic Product
GIIF	Ghana Infrastructure Investment Fund
GSS	Ghana Statistical Service
GWC	Ghana Water Company
ICT	Information, Telecommunication Technology
IFS	Institute for Fiscal Studies
JEF	Job Enterprise Fund
LTNDP	Long Term National Development Plan
MOFA	Ministry of Food and Agriculture
MOTI	Ministry of Trade and Industries
NABCO	Nation's Builders Corp
NDPC	National Development Planning Commission
NEIP	National Entrepreneurship and Innovation Program
NIB	National Investment Bank
NIRP	National Industrial Revitalization Program
ODA	Overseas Development Assistance
OECD	Overseas Economic Cooperation and Development
PFJ	Planting for Food and Jobs
PIP	Public Investment Planning
SDF	Skills Development Fund
TEN	Tweneboa, Enyenra, Ntomme
USAID	United States Agency for International Development
VFP	Virtual Farmer Program
VRA	Volta River Authority
YEA	Youth Employment Agency
1D1F	One District One Factory
1D1W	One District One Warehouse

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1.0 Introduction

The Ghanaian economy has maintained virtually its "colonial structure" 60 years after independence as it still depends largely on cocoa, gold, timber and recently oil as the country's main export commodities. Exported in raw and unprocessed form, these commodities fetch low prices on international markets where Ghana is a price taker, rendering the economy vulnerable to terms-of-trade shocks. The agricultural sector's contribution to total output has been falling due to declining productivity. The manufacturing base of the economy has also been shrinking as many state-owned industries privatized years ago have closed down and many private businesses are suffocating under the weight of numerous obstacles. As a result, Ghana currently depends heavily on imports, putting incessant pressure on the domestic currency. Services has emerged as the leading sector of the economy, but productivity and incomes are low in the sector. The combination of all these factors has slowed down Ghana's economic growth for the most part of the last two decades, only to pick up significantly in 2010-2012 and 2017. Even though the economy recorded a strong growth performance in 2010-2012 and 2017, this was driven largely by the extractive sub-sector, mainly the oil and gas sector, which is known to have limited job creation impact. The agriculture and manufacturing sectors with relatively better employment-generation potential continued to record slower growth until 2016 when the manufacturing sector resumed strong growth, followed by the agricultural sector in 2017. To ensure significant generation of jobs and minimize the problem of unemployment and its attendant socioeconomic ills, strong broad-based economic growth, driven by agriculture growth and transformation, industrialization and the closing of the country's infrastructure gap is critically needed.

This paper discusses the need for strong and broad-based economic growth to significantly reduce unemployment in Ghana. It also provides recommendations to help the government fine-tune its policies to ensure strong growth and significant job creation. To do this, we provide in section 2, a brief overview of economic growth and unemployment trends in Ghana and the underlying causes. In section 3, we discuss government's efforts at promoting economic growth and job creation, focusing on agricultural modernization, industrialization and infrastructure delivery. In section 4 we provide an analysis of the government's efforts at dealing with the unemployment problem, agricultural transformation, industrialization and closing the infrastructure gap. In section 5, we present our recommendations.

2.0 Overview of Economic Growth and Unemployment

2.1 Economic Growth

Ghana's economic growth decelerated after it entered into the Fourth Republic in 1992. The average real GDP growth which stood at 5.3% from 1984 to 1992 declined to 4.3% in 1993- 2000. However, from 2001 to 2008, the average real GDP growth rate rose to 5.6%, thus exceeding even the average real GDP growth rate recorded in 1984-1992 by 0.3%. Growth rate of real GDP increased to a whopping 9.0% in 2009-2012 on average, the highest four consecutive years' average of any administration in the country's post-independence history (Table 1). This was partly driven by the oil production in commercial quantities, which

Table 1. Average Real GDP Growth Rates (%)

Period	Total GDP		Non-Oil GDP	
1984-1992	5.3		5.3	
1993-2000	4.3		4.3	
2001-2008	5.6		5.6	
2009-2012	9.0		7.4	
2013-2016	4.0*	4.7**	4.1*	4.9**
2017	8.1*	8.5**	4.6*	4.9**

*using the recently released GDP data with 2013 as the base year;
** using the previous GDP data with 2006 as the base year.
Source: Ghana Statistical Service (2017)

began in December 2010. Even excluding the oil sector, average real GDP growth rate stood at as high as 7.4% in 2009-2012, which is also the highest average non-oil real GDP growth rate for 4 consecutive years of any administration in the country's post-independence history. In 2013-2016, however, real GDP growth took a dramatic decline, registering only 4.0% and 4.1% as the average total and non-oil real GDP growth rates, respectively. However, there was a welcome news when real GDP growth rate increased sharply to 8.1% in 2017. However, the increased pace of real GDP growth in 2017 was driven by the oil sector, due to the coming on stream of the Tweneboa, Enyenra, Ntomme (TEN), Sankofa and Gye Nyame oil fields in August 2016 and July 2017, respectively. In fact, non-oil real GDP registered a growth rate of only 4.6% in 2017 (Table 1).

Despite the importance of agriculture to Ghana's economic growth and job creation, the sector is characterized by low growth, declining yields and competitiveness. The sector has witnessed a declining trend since 2013 when it registered a growth of 5.7%. Thereafter, the sector's growth rate dropped to 2.3% in 2015 before rising to 2.9% in 2016. In 2017, the agriculture sector grew by 6.1%. The sector's contribution to GDP growth has been declining for over a decade, from 30.4% in 2006 to 21% in 2017. The sector has also experienced sharp a deterioration in its terms of trade (ratio of food to non-food price) since 2011. At the same time, agriculture has tremendous opportunities to develop and significantly support economic and social development as well as job creation in the country. There is a thriving farm segment in the country's agriculture that points to the existence of dynamics to build upon for the future (World Bank, 2017a).

The performance of the industrial sector has also not been encouraging since 2011 when a growth rate of 41.6% was recorded, on account of the commencement of oil production. Thereafter, the growth of the industrial sector began to drop very sharply, reaching 1.1% in 2014 before recovering to record an impressive growth of 15.7% in 2017. Consequently, the contribution of the industrial sector to Ghana's GDP dropped from 38.1% in 2014 to 30.6% in 2016 before rising to 33.2% in 2017. The mining sub-sector grew by an annual average of 62.1% in 2010-2012, attributed largely to the coming on stream of oil production and exports. The growth rate of mining, however, dropped to -8.3% in 2015 before rising to 30.8% in 2017 on account of the coming on stream of TEN, Sankofa and Gye Nyame oil fields (IFS, 2018a).

The poor performance of the industrial sector after 2011 was driven largely by the low performance of the manufacturing sub-sector, whose growth crashed from 17% in 2011 to - 2.6% in 2014, before recovering to record a growth rate of 7.9% in 2016 and 9.5% in 2017. As a result, the contribution of manufacturing to GDP amounted to an average of 12.3% in 2013- 2016 and 11.7% in 2017 (GSS, 2018; 2017). The slow growth of the manufacturing sector was due to a number of factors, including high cost of capital, limited access to financing, unreliable supply and high cost of power, limited access to land for industrial activity, and weak infrastructure and logistical support. The manufacturing base of the economy has also been shrinking as many state-owned industries privatized years ago have closed down and many private businesses are suffocating under the weight of numerous obstacles. As a result, Ghana currently depends heavily on imports, putting incessant pressure on the domestic currency.

The performance of the services sector in the recent past was encouraging, both in terms of growth and contribution to GDP. The sector grew by 9.2% on average in each year during 2009-2012 but the growth rate dropped to an average of 6.8% in 2013-2016. This was due mainly to the declining growth of the transport and storage, information and communication, financial and insurance, and trade sectors during the period. The services sector growth dropped to 3.3% in 2017, caused mainly by the contraction of the financial and insurance activities by 17.7%. In terms of contribution to GDP, the services sector's share dropped from 49.6% in 2009-2012 to 42.8% in 2013-2016, making it the largest contributor to the country's GDP, even though productivity and incomes continued to be low in the sector compared to agriculture and manufacturing (GSS, 2018; 2017).

2.2 Unemployment

Unemployment has become the most serious development challenge currently confronting Ghana. Indeed, the unemployment problem has reached a crisis point, given that the unemployment rate has consistently increased over the last three decades. The unemployment rate increased from 2.8% in 1984 to 4.7% in 1992, and by the end of 2000 the rate had reached an unacceptably high rate of 10.4%. After a brief respite and a fall in the rate to 6.5% in 2008, the unemployment rate assumed a downward trend, reaching 5.3% by the end of 2010, and further to 2.2% by the end of 2013. However, after 2013, the unemployment rate took an upward swing, increasing sharply to 11.9% by the end of 2015 (Ghana Statistical Service, 2015).

According to the Ghana Statistical Service (GSS) 2015 Labor Force Report, the estimated workforce in the country was 10.5 million in 2013, of which 1.3 million or 11.9% were unemployed. Nearly 733,522 or 58.6% of the unemployed were located in the urban areas and 517,391 or 41.4% in the rural areas. The Report indicates that the overwhelming majority of the unemployed, about 68.8%, were young people aged between 15-34 years. Majority of the employed, about 91.8% were in the private sector, of which 90% of them were in informal sector employment. Again, some 73.7% of the employed persons were in vulnerable employment with about six million of them, constituting 64.6%, being self-employed. The unemployment rate is also higher for those with secondary education than those with middle school leaving certificates or basic education certificates. Those with tertiary education have the lowest unemployment rate within the population.

The inability of the formal sector to generate enough jobs has pushed many Ghanaians into the informal sector, consisting of small to medium-scale enterprises (SMEs), even though they find it unattractive. These SMEs are made up of irregular employees, casual workers, family workers and predominantly people engaged in own-account work such as traders, sellers, artisans, tailors, hairdressers, wayside mechanics, farmers, etc. The earnings gap between the formal and informal sector is huge, likewise the standard of living, resulting in many informal workers living in abject poverty. The high incidence of poverty among informal economy workers is primarily due to lack of access to productive resources, skills, technology and especially capital.

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Ghana also faces a serious problem of youth and graduate unemployment, which is considered a very serious national issue, and a time bomb as it can trigger a severe social upheaval. Currently, Ghana has 89 accredited public and private degree-awarding universities, 8 technical universities, 2 polytechnics and a number of diploma awarding institutions. In all, there are 210 tertiary institutions in the country, with an estimated annual graduate turnover of 300,000 students. According to the Institute of Statistical, Social and Economic Research (ISSER), only 10% of graduates find jobs after their national service and sometimes it can take up to 10 years for a large number of them to secure employment. These graduates are also unable to set up their own businesses due to varied reasons, including lack of entrepreneurial skills and unavailability of financing. The public sector continues to employ a large number of the formal sector workforce, consisting predominantly of graduates. In the last few years, however, government has placed a net freeze on public sector employment in all ministries, departments and agencies (MDAs) except for education and health, due mainly to the rising public sector wages and salaries cost.

Even though other factors may be at play, the failure of Ghana's economic growth to create more decent jobs and improve incomes and livelihoods of the majority of Ghanaians is a major concern. This is because unemployment rates in Ghana are strongly determined by the growth of the economy. A study by Boakye (2018) found that a high non-oil real GDP growth rate brings about a strong decrease in total and youth unemployment rates, and vice versa.

The correlation coefficient between average non-oil real GDP growth rate and end-period total unemployment rate in a sample covering the period 1984 to 2015 was estimated to be -0.71, while that between average non-oil real GDP growth rate and end-period youth unemployment rate was -0.90. Aryeetey and Baah-Boateng (2016) also found that Ghana's employment growth lags behind economic growth, with an estimated output elasticity of employment of 0.47, suggesting that every 1% of annual economic growth yields 0.47% growth of total employment. The unemployment problem seems to be more precarious for the youth aged between 18-35 years. This age group constitutes about 26% of the entire population of the country, but they account for nearly half of the total unemployed Ghanaians. A new frightening dimension of the unemployment problem is the rising levels of graduate unemployment, which is estimated to have reached over 44% of graduate leavers (Appiah-Kubi, 2016).

In 2018, the government introduced the Nation's Builders Corp (NABCO) initiative to reverse the growing trend of joblessness among university graduates. Providing jobs for 100,000 graduates in 2018, the program is the most direct government initiative announced to address graduate unemployment in the country. Under the program, graduates will be trained, equipped with the necessary work tools, and deployed in the country to be engaged in assisting public service delivery in health, education, agriculture, sanitation, and revenue collection. Each of the 216 districts is expected to employ, train and equip 462 graduates to participate in the five modules of the program.

Providing jobs for 100,000 graduates, the NBC is an interesting initiative to address graduate unemployment in the country, but like many other programs details of the Initiative were not provided when it was announced in November 2017. More information, however, became available in the second quarter of 2018, indicating that NABCO is a 3-year program and unemployed graduates will be enrolled for a 3-year duration. The registered graduates will undergo training for 3 months before their deployment and will be transitioned into the labour market at the end of 3 years. The final 6 months of the program will be devoted to preparing the graduates for the transition. The scheme which is aimed at providing temporary employment to graduates is under the supervision of the Office of the Vice President and involves a number of public sector agencies, including Ghana Revenue Authority, Ghana Standards Authority, National Identification Authority, Ghana Health Service, etc.

A Youth Development Authority has also been established to harmonize and coordinate all government sponsored youth initiatives and policies. The Authority will refocus and rebrand the Youth Enterprises Support into National Enterprise and Innovation Program to provide funding and business development services for businesses owned by young entrepreneurs, especially start-ups. Tax incentives to young entrepreneurs to encourage them to initiate start-ups and other incentives for companies that hire young graduates from tertiary institutions are also part of the plan.

3.0 Efforts at Economic Growth and Job Creation

3.1 Modernizing Agriculture

The importance of agriculture as the engine of Ghana's growth and job creation cannot be over-emphasized. The agricultural sector accounts for more than one-fifth of Ghana's GDP; agricultural exports, principally cocoa, are a key source of foreign exchange; the sector employed 35.2% of the country's workforce in 2015; and is the main source of livelihood for the majority of the country's poorest households. Two-thirds of non-oil manufacturing activities depend on agriculture for raw materials, while agriculture and agribusiness account for a major share of all economic activities and livelihoods among smallholder farmers. Ghana's major export crop, cocoa, accounts for 20-25% of total foreign exchange earnings. Agribusiness has a ery high multiplier effect on employment, creating 750 jobs for every additional US$ 1million of output. Ghana's record of poverty reduction since the 1990s is closely linked to agriculture (World Bank, 2017a; 2017b).

To address the problem of declining agriculture performance, restore the sector to a path of high and sustainable growth and take it back to its rightful position as the backbone of the economy, the 2018 Budget unveiled the much-anticipated Marshall Plan for Agriculture (MPA). This plan aims at revamping the country's poor performing agriculture sector to make it the true backbone of the economy. It seeks to tackle all systemic challenges that have confronted the agriculture sector and inhibited the sector's contribution to the economy and job creation.

The flagship initiative under the MPA is the "Planting for Food and Jobs" (PFJ) program which was launched in April 2017 by the government. The main goal of the PFJ is to contribute to the modernization of the agriculture sector that will lead to structural transformation of the national economy through food security, creation of employment opportunities and reduce poverty. The objectives of the PFJ program are to:

- Ensure immediate and adequate availability of selected crops in Ghana through improved productivity and intensification of food crops, and extended support to private sector service providers;
- Provide job opportunities for the teeming unemployed youth in the agriculture and allied sectors; and
- Create general awareness for all workers to either have farms and grow some cereals or vegetables or establish backyard gardens, where enough land is not available and accessible.

Implementation of the PFJ is expected to generate jobs in both rural and urban areas in Ghana through increased value chain activities, production addition and commodity processing and marketing. Overall, the estimated number of employment opportunities that would be created through the implementation of the PFJ over four years (2017-2020), are 4,635,268, distributed as follows: 24,349 from input supply chain (seeds and fertilizers); 2,532,155 from production; 2,031,224 from post-harvesting handling and processing; 26,668 from marketing of outputs; and 20,871 from e-agriculture. To date, 201,000 farmers have registered although registration is ongoing. Cabinet has also granted approval for recruitment of 2700 agriculture extension agents (Ministry of Food and Agriculture, 2017).

The PFJ program which was rolled out in all the 216 districts across the country in 2017 is estimated to cost GH₵ 3.3 billion over the four years, with GH₵ 149.8 million and GH₵ 691.4 million expected to be spent in 2017 and 2018, respectively (MOFA, 2017). Funding for the program is expected from three main sources: government's annual budget allocation, leveraging on existing investments from public programs; development partners and private investors; and mobilizing bilateral, multilateral and private resources to fill the remaining gap. A GH¢400 million Fund is also planned to be set up under the Akuffo-Addo Program for Economic Transformation (AAPET) to de-risk agriculture and the agribusiness sector through sustainable agriculture financing and crop insurance schemes. Supporting the PFJ program is the "One Village One Dam" initiative, under which the government plans to construct a dam in every village in the northern part of the country to provide all-year-round irrigation to farmers to support agricultural growth (Ministry of Food and Agriculture, 2017). In 2018, the government planned to construct 50 small dams and dugouts, making available an additional 147 hectares of irrigable land for crop production.

Government has also launched the "Agriculture Management System (AMS)" initiative, an innovative end-to-end solution and a Virtual Farmer Program (VFP), designed to seamlessly manage the entire agriculture supply chain by transferring technical know-how to farmers to help develop their capacity to boost food production and also providing investment packages for their projects. The program is expected to provide employment to about 33,000 unemployed youth, increase food supply and export earnings, and minimize rural-urban migration.

3.2 Industrialization

The Ghanaian government considers industrialization as one of the drivers of its economic growth and job creation agenda, of which the flagship program is "One District One Factory" (1D1F). The 1D1F program is a vehicle to revive the country's ailing manufacturing sector and add value to agriculture. Under this program, at least, one commercially viable factory is to be established in each of the 216 districts of the country to transform the economy from a service- based to a more industry-focused economy where there will be abundant production of value- added products for both local and international markets. The program is expected to add value to the natural resources of each district and exploit the economic potential of each district based on their comparative advantage; and ensure even and spatial spread of industries, thereby stimulating economic activity and growth in all parts of the country. The program targets five groups of businesses, including (i) existing businesses that are ready to move to the districts and expand their operations; (ii) new businesses that seek to operate within the districts and have the capability of sourcing for raw materials and employing 5-25 people from the district through their operations; (iii) businesses that have the capability of enhancing the operations of input providers and suppliers towards the demand of factories in the districts; (iv) businesses whose operations focus on distribution and market access for goods produced in the districts; and (v) district-level businesses which have the potential to grow but need technical support, long term investment, standardization to meet competition, brand improvement and market access (Ministry of Trade and Industry, 2017).

Establishment of an industrial park in each of the 10 regions of the country is another aspect of the government's industrialization program. This is designed to facilitate access to (a) dedicated and litigation-free lands for accelerated industrial development; (b) critical infrastructure, such as road network, railway, telecommunication for industrialization; (c) reliable energy and other utilities required for industrial production; (d) significant amount of FDI needed for the creation of decent jobs to drastically minimize unemployment; and (e) bridge the imbalance in socio-economic development among the regions of the country through accelerated industrialization. The plan is to establish, at least, one industrial park in each of the 10 regions of the country, including multi-purpose (for two or more sectors) and sector specific industrial parks with the requisite infrastructure and utilities. In support of the 1D1F program, the government also intends to provide modern storage facilities through the "One-District-One Warehouse" (1D1W) policy, under which a warehouse will be constructed in every district of the country to ensure proper storage of surplus food produced under the PFJ program to prevent post-harvest losses

(Ministry of Trade and Industry, 2017). According to the National Coordinator of the 1D1F Secretariat, the program is expected to facilitate the creation of 7,000-15,000 jobs in each district and 1.5-3.2 million jobs nationwide by the end of 2020.

As many as 191 companies have been identified by the government for the 1D1F program in 102 districts, of which 104 will be operating in the agribusiness sector; 20 in the meat and poultry sector; 40 in the construction and building materials sub-sector; and the remaining 27 are businesses in the cosmetics and pharmaceuticals sectors. The implementation plan indicates that a minimum of 40 factories will be commissioned in 2017, 60 each in 2018 and 2019, and 66 in 2020. Investment required to set up a district factory ranges between US$50,000 for micro-scale enterprises to US$5.0 million for large-scale enterprises. Government will provide financial and regulatory support for the initiative. The 2018 budget allocated a minimum of GH¢2.0 million to each district to support the implementation of the program.

Other initiatives to support the government's industrialization agenda include the National Industrial Revitalization Program (NIRP) and the National Entrepreneurship and Innovation Program (NEIP). The NIRP aims at (i) developing strategic anchor industries; (ii) providing technical and financial support to existing companies currently under distress or facing operational challenges but deemed to be viable to benefit from a stimulus package which will bring them back into operation in the shortest possible time; and (iii) creating access to markets for these industries. Under the program, the government plans to establish a quick disbursing stimulus fund of up to US$200 million for industries; revamp distressed but viable companies; provide technical assistance to industries; provide business development services; and help industries to have access to market. The government has also identified 10 strategic industries which would be developed as part of the broader scheme of the NIRP. The list includes iron and steel, industrial salt, oil palm, machines and machine components, vehicle assembling, petrochemicals, integrated aluminum, pharmaceuticals, industrial starch, and garments and textiles.

The NEIP is a primary vehicle for providing an integrated support for early stage (start-ups and small) businesses. It focuses on the provision of business development services, business incubators, and funding for youth-owned businesses. The plan will enable new businesses to emerge and give them the space to grow, position them to attract financing, and provide business development support services. It will also assist these new businesses to secure markets and tap into a wide supply chain and network during their growth years. According to the government, US$10 million has been set aside to fund the NEIP.

3.3 Infrastructure Delivery

Ghana has made significant progress in infrastructure provision in recent years and a number of patterns emerge consistently across sectors. Infrastructure made a net contribution of just over one percentage point to Ghana's per capita growth performance in recent years, in spite of the fact that unreliable power supplies held growth back by 0.5 percentage points per capita (Foster and Pushak, 2011). The country has succeeded in developing broadband national infrastructure backbones, and raising household access to services far beyond what is typical for the low income peer group. This is true with mobile telephones where the country has 132% penetration; 74% access to power; and 88% coverage of utility water (GSS, 2015).

Moreover, Ghana's success in the coverage of infrastructure services is not confined to urban areas. The country has demonstrated an impressive performance on both rural water and electricity coverage, and increasingly GSM signal extension. Although the country's road sector is fairly developed, the road network is inadequate and generally of poor quality. Nonetheless, majority of paved and unpaved road networks are in good or fair condition. The railway system is however decrepit due to lack of investment in the sector. Raising the country's infrastructure endowment to that of Africa's middle-income countries could boost annual growth by more than 2.7 percentage points. Today, Ghana stands out as having a very advanced infrastructure platform when compared with other low-income countries in Africa. But, by and large, Ghana's infrastructure indicators still remains far below the levels found in Africa's middle-income countries.

The distribution of Ghana's infrastructure network generally reflects the spatial distribution of economic activity, with a greater density of transport, power, and ICT infrastructure in the south and southwest of the country than in the north. Nevertheless, unlike many other African countries, Ghana's infrastructure services cover the entire nation. Two road corridors linking north and south, a national power grid, and an ICT backbone interconnect all major population centers. By African standards, Ghana also has extensive water resource infrastructure and some significant pockets of irrigation (Foster and Pushak, 2011). But having attained a middle-income status, the country needs to focus on upgrading its infrastructure in line with this benchmark.

Ghana's infrastructure spending, equal to 11% of GDP, is close to the average for low-income non-fragile states, and substantially higher than some of its West African neighbours such as Cote d'Ivoire and Nigeria. Relative to its peer group, Ghana is relatively reliant on the public budget and non-OECD finance for power and ICT investments, and relatively reliant on Overseas Development Assistance (ODA) for transport and water investments. The largest share of infrastructure spending goes to ICT (33%) followed by transport (26%) and power (23%) (CEPA, 2015).

Despite Ghana's success with increasing access to infrastructure services, the quality of service remains low and a large deficit still exists which has tended to increase investment costs and impede economic growth. The country's most pressing challenge lies in the power sector, where rapid growth in demand and periodic hydrological shocks sometimes leave the country increasingly reliant on expensive oil-based generation. The country has therefore suffered long periods of electricity shortages due to inadequate generation and distribution capacity to meet the growing demand. Another dramatic case has to do with water, where exceptionally high losses divert more than half of water produced, leaving little to reach end customers, who are thus exposed to intermittent supplies.

Many communities also lack access to potable water at the same time as tariffs have been rising sharply. How to address the operational inefficiencies, closing the infrastructure financing gap, and reforming utilities and governance institutions to strengthen planning and management, and securing value from the existing infrastructure are other pressing infrastructure challenges.

Ghana's infrastructure development is characterized with operational inefficiencies. Inefficiencies in infrastructure planning, project preparation and public procurement sometimes conspire to create delays that prevents the country from spending efficiently the investment budget allocated to infrastructure. The hidden costs of power, water, and telecommunications utilities absorb a large percent of the infrastructure budget. Operational inefficiencies of power and water utilities cost Ghana USD311 million a year, equivalent to 0.5% of GDP. The annual value of inefficiencies in the power sector, estimated at USD155 million is substantially higher than the estimated US$82 million for the water sector. The burden of utility inefficiencies in Ghana, caused by distribution losses is somewhat higher than for benchmark countries. In the power sector, Volta River Authority (VRA) has distribution losses of 25% relative to a best practice benchmark of around 10%, while Ghana Water Company (GWC) has distribution losses in excess of 50% relative to a best practice benchmark of 20% (CEPA, 2015).

Large sums of money are also being lost to inefficiencies associated with underpricing. A combination of underpricing, under-collection of revenues, and very high distribution losses relative to technical norms lead to high hidden costs of power and water. Under-pricing of power costs about USD641 million a year, or around 1.2% of the country's GDP. While underpricing of power is common across Africa, in Ghana it takes place on a much larger scale with a corresponding larger economic burden. The key issue is the relatively low bulk supply tariff applied by the utility (VRA) to both residential and large industrial consumers, which does not cover the costs of thermal generation needed to address shortfalls in the availability of hydro-power. Relative to its African peers, Ghana's power and water utilities have relatively high operational inefficiencies and subsidy-related losses.

Access to utility services in Ghana is relatively high by African standards. Nevertheless, access patterns remain highly regressive; though in the case of power a significant minority of lower income households have access. Because of inequitable access to power services in the country, subsidized tariffs are necessarily regressive. Poor households capture less than their fair share of power and water subsidies in Ghana. Indeed, the share of the population that could afford the service is much higher than the share of the population that already has the service, suggesting that the country has scope to increase coverage before affordability becomes a serious impediment. While it is typical for utility subsidies to be regressive in African countries, the distributional performance of Ghana's subsidies is particularly poor.

To close the infrastructure gap and catch up with developing countries in other parts of the world, Ghana needs to expand its infrastructure assets in the key areas of ICT, irrigation, power, transport, water, and sanitation. This is estimated to cost USD2.3 billion per year over the next decade, split between investment, operations and maintenance. Operating expenditure is entirely covered from budgetary resources and payments by infrastructure users. Funding of capital expenditure is fairly evenly split between ODA (35%), public investment (28%) and private investment (24%). Meeting the growing demand for power would require an estimated USD1.3 billion per year to install almost 1,400 megawatts of new generation capacity and expand electrification. The water and sanitation sector will require over USD400 million each year, with capital expenditure accounting for 70% of the total. Requirements for transport and ICT are also high in absolute terms, amounting to some USD250 million a year in each case (CEPA, 2015).

To help bridge Ghana's infrastructure financing gap, a barter agreement that seeks to open a new financing model for Ghana has been reached between the Government and Sinohydro Group of China. This arrangement will see Ghana receiving US$2.0 billion loan for infrastructure development, including roads, bridges, interchanges, hospitals, housing, rural electrification, in exchange for the country's refined bauxite. To this end, a bauxite refinery is to be established by the government within the next three years in collaboration with selected private partners, including at least 30% local participation, to produce alumina to be used to pay back the loan. The Minister of Finance has also disclosed that the 2019 Budget will announce the issuing of a US$50 billion century bond that will provide resources to help address major challenges confronting the country, including the cedi depreciation, infrastructural deficit, and low industrial development. To him, a successful century bond will make everybody comfortable capital expenditure accounting for 70% of the total. Requirements for transport and ICT are also high in absolute terms, amounting to some USD250 million a year in each case (CEPA, 2015).

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4.0 Analysis

4.1 Addressing the Unemployment Problem

The high level of unemployment in Ghana is due to a myriad of factors, including the inability of the economy to create sufficient jobs to absorb the growing numbers of Ghanaians in the labour market. This is because agriculture and manufacturing, which have a high potential to create jobs, have been stagnating. Particularly, growth has been very slow in high labour absorption sectors such as manufacturing, construction, tourism and food crop activities. Moreover, the concentration of growth in low job-creating sectors like highly-automated service activities and capital-intensive extractives and the mismatch between skills and jobs have contributed to the rising levels of unemployment. The situation appears to have been exacerbated by the high growth rate of urbanization without a commensurate creation of job opportunities, coupled with rapid growth of the labor force. Government has recognized the need for broad-based economic growth as a means of minimizing the unemployment problem, increasing incomes and reducing poverty. To the government, the fight against unemployment and poverty is not optional; it is a national security issue.

The structure of the economy continues to remain highly informal, with a shift in the national output composition from agriculture to low-value service activities in the informal sector. The commencement of commercial production of oil raised the share of the industrial sector in national output. However, the reduced share of manufacturing value-added undermines the country's economic transformation effort to generate employment opportunities, high incomes, and improve the livelihoods of the people. This means that to be able to have a strong handle over the problem of unemployment in Ghana, it is imperative for the government to find ways to achieve strong growth in non-oil real GDP, which has been very weak since 2013.

As indicated earlier, the majority of the country's workforce are engaged in the informal sector. As is the nature of this sector, there are no regulations or coherent policies guiding activities in the sector and there is very little official information on the sector's value generation. The range of activities in this sector is very wide and includes unskilled worker assistants, small shops and street vendors, household assistants and cleaners, and similar lines of work often related to the services sector. The problems that informal sector employment poses are obvious. Not only is informal employment fairly inefficient, but they contribute very little to the national budget by way of paying taxes. Furthermore, with no official recognition of their jobs, workers in the informal sector have no pensions or other social security benefits. For these reasons, the informal sector must be regulated well in terms of compliance to laws, operations and adherence to standards in order to attract graduates. The Digital Addressing System and National ID Project currently being undertaken by the government will help tremendously in resolving many of the informal sector issues, and therefore need to be properly and effectively implemented.

Policies and programs targeted at the youth will be unproductive if the skills challenges are not addressed sufficiently. It is in the right direction therefore that the government called on organizations such as the Agribusiness in Sustainable Natural African Plant Products (ASNAPP), USAID and Africa Lead for support to scale up efforts to reach the wider population of unemployed youth. Government should also consider an economic action plan that will provide investment in the form of grants, and business services to SMEs across all sectors, especially

private sector entrepreneurs that have sustainable business models and a track record of accomplishment.

There is rising anxiety about the rapid increase in the rate of graduate unemployment in Ghana. The reality of the job market has sent many graduates back to school and the rest are left to wonder how to get a foothold in the job market. The number of job openings and vacancies are limited, making the labour market supply of graduates to outgrow the labour demand. The surge in graduate unemployment in the country is attributed to a number of causes, including: (i) increase in educational attainment; (ii) low job creation attributed mainly to the progressive collapse of industries; and (iii) lack of policy focus on improving the flows into the job market for people leaving school, i.e., the mismatch between educational attainment and labour market requirements.

A more sustainable approach to addressing graduate unemployment and, indeed, the mass of unemployed school certificate holders is to review the educational system alongside market reforms that encourage and support businesses to take on more workers. The problem of graduate unemployment in the country is due in part to the educational curriculum where vocational training to prepare students for the labour market is very limited. Consequently, students are faced with a myriad of challenges when looking for jobs after graduation. To solve the graduate unemployment problem, create sustainable employment opportunities and promote skills development, there is the need to restructure the education system to make high-quality science and technology education more accessible to students and shaping higher education courses to fit the skills needed by the jobs market, including combining classroom work with vocational or industrial attachment. As a matter of policy, all tertiary institutions should be made to incorporate industrial attachment or internship as part of their academic curricula. The objective here is to expose students to how businesses are set up and operate, understand industrial practices, enable them to acquire some skills and experience, learn about work ethics and discipline, and how people and organizations relate in the real world (Fatau- Kakeem, 2016). The challenge though is that many organizations and companies may be reluctant to accept students for internship, making it difficult for the policy to achieve its intended objective. Government should therefore support business entities (including public organizations) to create employment and income generating opportunities for students and graduates coming out from the various educational institutions. This can take the form of setting up a special fund to support business entities that employ fresh graduates and interns from polytechnics and universities to help them offset the cost of hiring them. Business entities that employ graduates can also be granted subsidies, tax credits and other non-financial incentives.

The YEA and NABCO initiatives seem to represent public works program, which will have to be carefully planned and managed so that they do not become a huge albatross on the budget. The two programs also seem to have similar objectives. It is therefore important to avoid creating wasteful duplicative systems and confusion in targeting and implementation. Implementation of large-scale public works programs in the early post-independence period proved inefficient, costly and wasteful. Ghana should avoid repeating such mistakes.

Government may also have to consider resuscitating and resourcing the Skills Development Fund (SDF), a government reform program set up in 2011 with funding from the World Bank and DANIDA, to help address some of the pressing challenges facing the development of industry skills and technology. This will require a legislative action to mainstream the instrument for it to be supported in the government's budget framework. The Micro Finance and Small

Loans Center and its Job Enterprise Fund (JEF) created by the government to equip the youth with entrepreneurial skills and access to funds to establish businesses and/or expand existing ones may also have to be restructured and resourced to enable it support young entrepreneurs desiring to set up business ventures. Visibility of the SDF and JEF have to be enhanced to make them known to the unemployed so that they can also benefit from the funds they provide for new business setups and expansions. The Government must also develop a database of the unemployed to help policy formulation, design of action plans to deal with the problem, and assist in monitoring outcomes.

Addressing the unemployment challenge requires coherent and coordinated growth and employment strategies and the necessary political commitment to implement and monitor employment targets agreed upon in the national employment policy frameworks. Comprehensive employment policies and strategies driven by long-term employment plans and programs to (i) raise productivity, competitiveness and support the development of industries and enterprises that can provide large number of jobs; (ii) deepen state-owned enterprises reform to create space for sustainable employment; (iii) support business start-up capacity and employability of the labour force; and (iv) take advantage of the abundant labour force is urgently required (Appiah-Kubi, 2016).

4.2 Transforming Agriculture

The current state of Ghana's agriculture sector points to a number of overarching areas requiring policy actions to improve the sector's performance and job creation. With regards to the PFJ program, there was a rush in formulating and launching it. As a result, the linkages between the program and the sector policy and investment framework remain unclear, which may work to disrupt medium to long term sector development planning. There is therefore the need to refine the program's design, align its implementation arrangements with private sector delivery systems while the government creates the policy space and promotes its capacity for quality monitoring. The program should also be embedded in the updated sector policy and investment framework for the medium term to help sustain the existing medium-term sector development planning. Furthermore, as a result of the expediency, a number of things, such as the results framework, indicators and targets; risk assessment; and targeting strategy need to be significantly strengthened. The Program's governance arrangements should be more aligned to existing arrangements to avoid another layer of bureaucracy which may negatively affect implementation. For sustainability, the program's delivery mechanisms should seek to crowd-in rather than crowd-out private sector supply systems (World Bank, 2017b).

A major challenge to the successful implementation of the government's MPA and its flagship program, the PFJ, also has to do with land. Land markets have played a fundamental role in facilitating agricultural revolutions. Unfortunately, access to land for large agriculture investment continues to be a core constraint in Ghana because of the complex land administration and governance system, which is time-consuming, costly and exposes investors to substantial risks. Insecurity of tenure is widespread, largely because of customary land tenure systems in which there are no legal titles. Land boundaries are unclear in many cases, and communal ownership invests rights in all but gives responsibility for management to none. Insecurity of land rights limits investment, and this is a threat to livelihoods of migrant people in farming communities and sustainable use of land through intensification. Some recent estimates suggest that as much as 80% of Ghana's arable land is uncultivated, in part due to insecure property rights. Reform of land tenure systems under customary tenure is a sensitive issue and poses a serious challenge to agricultural transformation. Land policies and land administration projects that seek to address land issues comprehensively in the country have been implemented by previous governments. They include proposals for improving access to land, ensuring security of tenure and protection of land rights, and ensuring planned land use. The policy strategies also include the establishment of land banks to enhance access, enforcing title registration to assure tenure security, and developing and implementing land use plans at the district, regional and national levels. Customary land secretariats have also been established to facilitate traditional land administration (MOFA, 2007). Despite these initiatives, security of land tenure continues to be a constraint to agricultural investment, both for small and commercial farmers. There is therefore an urgent need for the government to speed up the pace of land reform in the country in a pro-agriculture way.

Expansion of mining activities has contributed to strong economic growth in Ghana but has also affected agriculture in many rural areas and must be urgently addressed. The heart of the issue is that mining activities, especially informal mining popularly referred to as "galamsey", have come into direct competition with small-scale agriculture, the predominant means of economic growth and job creation in rural areas. Tensions over control and use of land and, more importantly, water have led to community protests and violent conflict. Although, both mining and agriculture are drivers of economic growth, the compatibility between these two growth and development paths, which take place in the same rural areas, is at best questionable. Mining generates externalities, such as water pollution, that can have direct negative impact on agricultural production. Mining also requires large tracts of land that could otherwise be used for agricultural production. This generates a direct competition with small-scale agriculture for control and use of land. Reconciling these two important growth drivers has become a critical governance issue. Intervention by the government to reconcile these two economic activities to reduce conflicts and ensure that both mining and agriculture contribute to growth and development of the rural economies is critically required.

Absence of modern tools and technology for farmers and poor soil conditions is a major bane of the agriculture sector. Many farmers continue to employ outmoded farming methods and equipment such as weeding with cutlasses and hoes instead of tractors and harvesting manually rather than using combine harvesters due to inaccessibility to modern inputs and technologies. Most farmers continue to rely on low and poor distribution of rainfall for their farming activities. Low level of mechanization in production and processing; high post-harvest losses resulting from poor post-harvest management; poor extension services resulting from institutional and structural inefficiencies; and inadequate markets and processing facilities continue to characterize agribusiness in the country. There is also the aging farmer population, yet the sector is unable to attract young people into farming. High illiteracy among farmers also means a constant need for facilitating their access to information on new approaches, technologies, opportunities and policies.

The quality and size of public expenditure on agriculture also leave much to be desired. Public spending on agriculture is low, both by regional and international standards, and has declined in recent years. The budget allocation dropped from GH¢576 million in 2011 to GH¢400 million in 2014, before rising to GH¢760 million in 2017, As a result, the sector's share in total government spending dropped from 4.2% in 2011 to 1.1% in 2017, far below the rates of regional comparators, such as Burkina Faso (8%), Ethiopia (6%), Uganda (5%), and Kenya (4%). A large share of agricultural spending also supports the Ministry of Food and Agriculture's

(MOFA's) routine operating expenses, such as wages, salaries, goods and services, leaving a very modest envelope for investment spending. Government spending on agriculture is also poorly targeted. Major initiatives such as the Agricultural Mechanization Program, Block Farming Program, National Food Buffer Stock Company, and the Fertilizer Subsidy Program have all produced mixed results. Moreover, these programs tend to crowd out investment in proven strategies for promoting sustainable long-term productivity growth, such as encouraging the use of improved seeds and fertilizers and expanding irrigation networks. Investment in irrigation development is especially low as the Ghana Irrigation Development Authority receives no budget for capital spending from the government, which provides financing for operational issues.

Improving the quality and effectiveness of government spending on agriculture is imperative in the context of the limited fiscal space. In the face of chronic agricultural under-investment, enhancing the efficiency and quality of spending on the sector will generate substantial gains in productivity, employment, and rural poverty reduction without compromising the government's fiscal consolidation effort. Studies have shown that real spending on the country's agriculture is negatively correlated with agricultural output growth, suggesting an inefficient allocation of expenditures (see Younger, 2015). Public spending on livestock, fisheries, and forestry subsectors is significantly higher than their respective shares in agricultural output. Spending on the cocoa sub-sector exceeds its share in agricultural output by a factor of three, yet studies have concluded that the rate of return to public spending in the non-cocoa sector is significantly higher than in the cocoa sub-sector (Benin, 2016). In order to improve the quality and efficiency of public expenditure on agriculture, there is need for better prioritization and targeting of areas that can generate important efficiency gains and returns.

The dominance of agriculture's recurrent budget over capital budget is a major source of inefficiency. Government would need to re-evaluate the size of the current MOFA workforce and strike a better balance between operational and investment spending in the agriculture sector. The most cost-effective investments are likely to be in core infrastructure, especially roads and irrigation networks, as well as technology generation, dissemination, education and skills development (World Bank, 2017b). International experience shows that better expenditure targeting can drive agricultural growth. A new strategy for agricultural investment and policy reform that effectively targets bottlenecks is therefore required to deliver major gains in poverty reduction, employment growth, social development and food security at relatively low fiscal cost.

Currently, a significant agricultural budget is spent on subsidies for inputs and other facilities and yet the evidence shows that this leads to inefficiencies and low returns relative to the cost. There is the need therefore to review the agriculture subsidy programs to ensure better alignment of program objectives and targets. A market approach that seeks to avoid market distortions needs to be adopted, while the development of more sustainable private sector input supply systems has to be promoted.

Improving the environment for doing agribusiness is key to adding value to the existing production and creating jobs. Ghana has favorable conditions for agribusiness, but there is need to deepen and quicken the pace of reforms required to attract private investment into the sector. Agribusiness in Ghana, including agriculture and downstream processing activities accounts for 25% of GDP, employs nearly 50% of the workforce and produces 35% of exports. Agribusiness has also been growing at more than 5% annually since 2008 (World Bank, 2012). Unfortunately, the increasing economic prominence of the oil industry and the rapid expansion of the service-based urban economy threaten to distract the attention of policymakers away from agribusiness development. Consequently, government spending to support agribusiness has been low and declining. Public investment on projects in the sector tends to be extremely modest and structural deficiencies in project cycles diminish their effectiveness. Significant investment and a vibrant local entrepreneurial class of actors are yet to enter the country's agribusiness despite the sector's vast opportunities. The focus on developing agribusiness as part of the agriculture transformation agenda by the government is therefore a step in the right direction. However, some critical issues remain to be addressed. To improve agribusinesses competitiveness will require serious attention to productivity growth.

Financing is a major challenge facing agribusinesses in the country, especially for small, medium and micro-businesses. In addition to equity funds, operators in the agriculture sector source funds from formal and informal financial institutions to finance their activities. Financial institutions however are reluctant to provide financing to the sector due to perceived and actual risks. While funds from informal sources are more easily accessible, they tend to be inadequate with limited scope and are short term. The 2018 national Budget spelt out a number of initiatives to support the building of a strong and efficient financial sector to provide innovative and long-term financing instruments to support inclusive growth and job creation. They include (i) strengthening the Ghana Infrastructure Investment Fund (GIIF) to enable it to be used to mobilize foreign capital to fund critical infrastructure projects; (ii) a plan to launch a new national development bank with a seed money of US$500 million and a capacity to mobilize private capital towards agricultural and industrial transformation; and (iii). Bank of Ghana's Incentive-Based Risk Sharing System for Agricultural Lending. Many development partners have also declared their intention to support the government's agricultural transformation and industrialization programs while others have committed funds to support the initiatives. Government needs to ensure that all these initiatives to provide financing to agriculture materialize.

Expansion in agricultural production in the country has come largely from expansion of cultivated land and less so from productivity gains. The low agricultural productivity is attributed to a number of factors, some of which have been discussed earlier. In respect of raising productivity, the technology in many cases exists but farmers are yet to fully exploit the opportunities. Technology delivery has been hampered by ineffective delivery systems. Adoption is low because of the disconnection between research and extension services and access to critical complementary inputs. In some cases, farmers lack the incentive to make productive investments. Refocusing the sector's resources on commercialization of smallholder farming and integrating smallholder farmers into agricultural value chains would significantly boost the sector's production. Efforts to link smallholder farmers to markets or to aggregate production through Out-Grower Schemes could accelerate rural income growth, while eliminating price distortions that discourage investment in the sector could boost agricultural production and exports. In addition, a more diverse system of delivery using public-private partnerships needs to be developed to cater for the more complex needs of the entire commodity chain required for successful development of high value crops and livestock products.

The quality and efficiency of the legal and regulatory framework for attracting private sector investment into agriculture is weak. According to the World Bank (2018), reforms are needed to improve the quality and efficiency of regulatory systems that govern access to key agricultural inputs, such as seed, fertilizer, machinery, finance, markets, transport and information and communication technologies. Agribusiness is very important for vibrant agriculture sector performance and creation of high-quality jobs because the private sector can invest in other activities beyond the primary level, such as agro-processing, transport, finance, ICT, etc., which enhance agricultural value-added and create better and higher-wage jobs. But regulations governing access to key factors required for agribusiness investment are still seen to be somehow restrictive or limiting, relative to the best practice benchmarks (World Bank, 2012). Without a strong regulatory framework, it is challenging for investors to invest in the agricultural sector.

For the agriculture sector to achieve the scale of transformation required to sustain its growth and to create decent jobs, there is need to deepen reforms in legal, regulatory and administrative systems that affect the quality and efficiency of public sector support to agribusinesses and other stakeholders that need to invest in the agricultural value-chain. Reform in land administration and governance is critical to speed-up the processing of land and property transactions in a transparent and accountable manner. Support from the Ghana Commercial Agriculture Project to small-holders to help improve productivity and tighten market linkages should be strengthened. Expanding government's investment-promotion capacity, strengthening land tenure, promoting sustainable land-access arrangements, supporting private investors through matching grants, expanding and rehabilitating irrigation networks, and promoting institutional reform in the irrigation subsector should be given a renewed and serious attention. Improved transportation and storage infrastructure are required to help reduce post- harvest losses and mitigate price volatility.

The decision of the government to establish a new development bank to provide long-term financing to agriculture and agribusiness needs reconsideration as this has the potential to lead to duplication of services and possible waste of resources. Ghana already has two development banks, National Investment Bank (NIB) and the Agriculture Development Bank (ADB). The ADB was originally established to support agriculture and agribusiness development and NIB for industrial promotion. The two development banks have the ability to deliver on their mandates if they are adequately resourced, their activities are strengthened and enforced, and political interference in their management and operations is removed. Government should therefore focus on restructuring and resourcing ADB and NIB in such a way that they can fulfil the purposes for which they were established. The decision of the government to operationalize the Commodities Exchange in 2018 to support agriculture transformation, including the 'Planting for Food and Jobs' initiative is commendable. This is because when the private sector has money to spend, businesses will grow and job creation will be strengthened, all of which will contribute to growing the economy.

Government action to support agricultural development is vital to economic growth and job creation. It is expected therefore that the various initiatives outlined by the government since 2017 to reinvigorate the agricultural sector will be translated into concrete actions to achieve their intended objectives. The initiatives need to be tailored to support the large pool of small- scale peasant farmers who have remained the backbone of the agricultural sector in the country but whose output has been inhibited by low yields or low productivity, thereby leaving them financially-impoverished. This is because agriculture lies at the heart of the economic growth- employment nexus and will be required to meet the employment needs of the country for the next couple of years until the sector-activity ratios change and the growth of the working-age

population begins to decline. The current pressure on international prices for agricultural products creates an auspicious moment in time and an opportunity for more investment in the agricultural sector that should not be missed. This action requires a close attention of government and the international community, particularly development partners. It is high time to address the country's growth and development challenges by repositioning agriculture at the heart of the country's economic growth and transformation, based on policy choices that are conducive to inclusive growth and create work opportunities for the unemployed.

4.3 Reviving Industrialization

The 1D1F initiative introduced by the government to revive the ailing industrial sector to help transform the economy to create jobs is well-intentioned. The 1D1F program is expected to create massive employment, particularly for the youth in rural and peri-rural communities, thereby improving income levels and standard of living, and reducing rural-urban migration. It is however important for the government to consider the merits of the program based on dotting 216 small- to medium-sized factories across the country in addition to creating 10 large industrial parks, estates, or clusters, (like the Silicon Valleys). It will be recalled that the early post-independence approach to industrialization in the country was based largely on an import- substituting state-owned industrial policy without much attention paid to issues of comparative advantage and availability of necessary supply chains. Subsequent approaches involved wholesale privatization of the previous state-owned industries which forced a closed-down of many of them. Both models failed and left the country de-industrialized and heavily dependent on imports. It is important therefore for Ghanaians to engage in a national discussion and to learn from the past industrialization lessons so that we do not repeat past mistakes. In so doing, more details on the 1D1F program should be provided by the government, including the types of industries to be set up, costs involved, sources of funding, and ownership and management structures to enable the program to be fully assessed.

A major obstacle to the 1D1F program will be financing. Financing for the 1D1F is expected to come from promoters' equity, private financial institutions, local private equity companies, and development partners. Currently there are many entrepreneurs with viable projects who do not have funds to finance the ventures. Banks and other financial institutions are also reluctant to inject capital into businesses for a number of reasons. They complain that many business ventures are not well structured, too risky to invest in, and lack track record, etc. The mode of financing the establishment of the district factories therefore needs to be looked at very carefully. Government may have to consider entering into partnerships with potential private entrepreneurs to finance the ventures. In this context, the Venture Capital Trust Fund, established to provide alternative source of funding in the form of equity financing may need to be restructured and resourced and made an integral part of the 1D1F program.

When it comes to job creation Ghana, the private sector is the key. Government should therefore concentrate more on creating an enabling environment for the private sector to lead the agriculture and the industrial transformation to drive the growth of the economy and create the much needed jobs. Central to this effort is the availability of land and credit at low rates supported by government investment in infrastructure and simplification of business and trade processes. The funding support to SMEs could have conditions of job creation and sustainability. Strengthening competition through innovation and adequate capital will lead to the creation of new business lines and processes which will boost job creation.

4.4 Closing the Infrastructure Gap

Infrastructure plays a central role in supporting agricultural transformation and industrialization, improving competitiveness, facilitating domestic and internal trade, and enhancing a country's integration into the global economy. There are huge infrastructure opportunities in Ghana where the benefits are expected to be high. In particular, Ghana's absolute and relative infrastructure gap points to the existence of untapped productive potential, which could be unlocked through scaling up investment in the sector to support economic growth.

Reaping infrastructure efficiency dividend has to be a major policy priority for the government. Efforts to scale up infrastructure finance therefore need to be made in the context of genuine commitment to address efficiency. Pouring additional funding into sectors characterized by high levels of inefficiency makes little sense. However, postponing increases in finance until efficiency improves is not a valid option; the cost to economic growth and human development will simply be too high. Rather the quest for additional resources for infrastructure finance should be matched by government efforts to improve the efficiency in using such resources. In the case of roads and power, investment finance is needed to allow the inefficiencies to be addressed (for example, where roads must be rehabilitated before they return to a maintainable condition or when meters must be installed to improve revenue collection). These kinds of efficiency related investments deserve to be prioritized because of the high returns they typically bring.

The infrastructure funding gap can be addressed by raising additional finance or by adopting lower-cost technologies or less-ambitious targets for infrastructure development. In the case of Ghana, there may be realistic prospects for increasing the flow of resources to infrastructure, both from the public and private sectors. As the country is now an oil producer, significant fiscal resources accrue to the public sector, which should improve the overall public finances. The Petroleum Revenue Management Act provides for some part of the oil revenue (annual budget funding amount) to be directed to infrastructure development. Despite its relatively attractive investment climate and strong economy, Ghana has also not attracted much private finance into infrastructure compared to some of its African peers, pointing to the existence of opportunities for private investment.

Ghana's infrastructure financing gap is not only about raising investment capital; a substantial part of it relates to maintenance. Yet maintenance offers one of the highest returns to infrastructure spending. It may therefore be more helpful to think of maintenance as a kind of investment in asset preservation. The road sector, for instance, shows that maintenance can be improved through suitable institutional reform. Ghana has established the Road Fund as a means of channeling dedicated funds from central government revenues into road construction and maintenance. Whilst acknowledging that earmarking of tax revenues enables their utilization for the purposes for which they were imposed, it introduces some rigidity in budget planning and management. In Ghana's case, it has resulted in limiting the government's ability to maneuver in the budget planning. Once the resources have been transferred to the statutory funds, accountability for their use and control is virtually non-existent, while the criteria for selecting spending/investment priorities remain dubious. There is thus no certainty as to the real contribution of investment spending from the statutory funds to enhancing the supply response capacity of the economy.

Over the past decade, over USD12 billion of loans and grants have been provided by Ghana's development partners to fund programs and projects in agriculture, energy, transport, water and sanitation, ICT, education and health in support of the country's growth and development.

It is however worrisome to observe that less than 75% of this amount has been utilized. The slow or non-utilization of donor support funds for projects and programs is attributed to a number of factors, including: inadequate matching or counterpart funds for projects; weak public financial management systems, procedures and practices; poor project design and management capacity; and donor practices constraints. The ineffective establishment and commitment controls of cash management system of the government, complicated by unpredictable releases of counterpart funding, significant extra-budgetary activities, and poor monitoring of fiscal risk, debt and contingent liabilities, combine to undermine the credibility of the national budget. Together with the severely constrained policy-based approach to budgeting (because the underlying institutional arrangement to support the policy-based budgeting is absent) and human capacity constraints, these render the public financial management systems, procedures and practices very weak, which in turn contribute to the low absorption of donor funding.

Addressing the deficiencies in the public expenditure framework to ensure proper allocation of resources across sectors and enhance budget execution is very critical. Much can be done within the existing resource envelope to meet the infrastructure spending requirements. Ad hoc political priorities with little or no economic screening too often characterize the budgetary process. The annual budget cycle prevents adequate follow-through on funding of multi-year infrastructure projects. When it comes to implementation, the country has significant problems with budget execution, with procurement bottlenecks preventing the full budget allocations from materializing in actual spending. In the water and roads sector, for example, the major binding constraint is not the availability of budgetary resources but the capacity to disburse them in a timely fashion. Increasing efficiency would free up substantial resources for public investment without increasing budget allocations. By far the largest potential source of efficiency gains is improving cost recovery in the power sector. A large size of the country's urban population is relatively well-off and cost recovery tariffs do not look to be unaffordable from an objective standpoint. Thereafter, tackling distribution losses, particularly in power, is very critical as they represent a significant loss. Until such inefficiencies are addressed it will remain difficult to achieve higher levels of productive investment even if more funds are injected into infrastructure projects. The budget process also needs to move to a credible medium term framework and link sector objectives with resource allocation, underpinned by clear sector plans that go down to specific activities and their associated costs. A careful incorporation of maintenance in medium term sector-planning can prevent the growing need for asset rehabilitation.

Large scale infrastructure projects of the type envisaged under the Ghana-Sinohydro US$2 billion barter arrangement can be beneficial to the country. However, the projects profitability and benefits to the country are subject to technological, managerial, financial, and environmental risks. It is important to note that Ghana already has an infrastructure financing mechanism in place. The Ghana Infrastructure Investment Fund (GIIF) was set up by the government in 2014, following the passing of the GIIF Act, Act 877 of 2014 with a seed capital of US$250 million. The mandate of the GIIF is to provide financial resources to manage, coordinate and invest in a diversified portfolio of infrastructure projects in the country for national development. The government has also promised to strengthen the Fund to enable it mobilize foreign private capital to finance critical infrastructure projects. The Minister of Finance also indicated in November 2017 that the Government is considering amendments to the GIIF law to increase the Fund to about US$2.0 billion for it become a key player in the country's

infrastructure drive. It is therefore puzzling why the government sidelined the GIIF and entered into an infrastructure financing agreement with the Sinohydro Group from China.

The proposed US$50 billion century bond to finance infrastructure and other developments also raises serious concerns. The major one has to do with the size and the tenure of the bond. To date, no African country has issued a century bond, and only a handful have sold 30-year debt in the last couple of years. In South America, only Argentina, Brazil and Mexico have issued 100-year dollar bonds since 2010, of which Argentina's US$2.75 billion was the biggest.

But, Argentina, which like Ghana is rated B by Fitch Ratings Ltd., sold its US$2.75 billion century deal in June last year in much better market conditions. Argentina also has a much bigger economy. Its GDP of US$637 billion in 2017 was almost 11 times bigger than the recently rebased Ghana's GDP of US$58.9 billion (IFS, 2018b).

Ghana's current economic conditions may also not support a successful issuance of a US$50 billion century bond. This is because the country has been affected by the volatile environment for emerging and frontiers markets, which has exerted pressure on the cedi, resulting in a steep depreciation. The cedi depreciated by 7.3% in the first nine months of this year compared to 4.4% in the same period last year (see IMF, 2018). The country is also still at a high risk of debt distress, despite the recent policy measures introduced to tame the fiscal deficit. In such economic conditions, it is not certain whether investors will be in the mood to entertain a US$50 billion 100-year Ghanaian debt and whether the government can generate enough domestic revenue to support the debt-servicing and repayment costs of the bond.

In trying to fund programs and initiatives to ensure a broad-based economic growth and job creation, the government should recognize that the country is already facing a high debt distress, calling for the need to limit the amount of money it borrows in order not to cause further fiscal overruns and generate macroeconomic instability. Fiscal unsustainability and macroeconomic instability would have serious negative implications for real GDP growth. Macroeconomic instabilities that normally result from large amounts of borrowing to finance public investments have historically caused public investments in the country to have no significant impact on real GDP growth. Given, the weak fiscal and financial position of the country, it is critical that any investments made from borrowed funds be fully informed by economic returns and not political or wasteful social considerations. This will make the country stand the chance of getting positive returns in terms of increase in real GDP growth from public investments, unlike what the historical records show.

While it is necessary to explore various sources of funding to close the country's huge infrastructure financing gap and meet other developmental needs, a 100-year dollar bond is ill-advised. It would, in fact, be suicidal for the country to go for such a colossal bond that lasts 100 years without a blueprint that carefully outlines the development priorities of the country and how the funds would be used to add value to the resources of the country. Without such a blueprint, public confidence and support for a century bond will be low as this would create a huge debt overhang which could be disastrous for the country. The decision to issue a bond of this size and for such a long period must be driven by a long-term national development plan that has received the blessing of all Ghanaians.

The fear that such long-term funding will leave huge debts for posterity also points to the need for a Long-Term National Development Plan (LTNDP). Once a long-term national development plan that seeks to grow the economy and develop the country is adopted for implementation, then issuing century bonds to finance the selected programs and projects will make every Ghanaian comfortable.

To genuinely transform the Ghanaian economy though agriculture transformation and industrialization supported by the required infrastructure so as to sustainably grow the economy, generate high quality jobs and significantly reduce unemployment, particularly among the youth and graduates, the government needs to prepare a LTNDP. This should involve a broad consultative process that includes political parties, civil society groups, the private sector and other stakeholders. Agriculture, industrialization and infrastructure investment plans should be part of the broader LTNDP and should be broken into annual and medium-term implementation plans that are realistically and fully costed and have sustainable sources of funding.

Fortunately, the NDPC has prepared a 40-Year National Development Plan (2018-2057) and a 30-Year Infrastructure Plan (2018-2047) for the country. The government has also launched a Public Investment Management System (PIMS) to ensure effective and efficient management and delivery of infrastructure projects. The PIMS is designed to enhance the quality of public investment by strengthening the links between the national medium-term development policy framework, national infrastructure and sector plans, and the annual budget. The Ministry has also established a high-level Public Investment Planning (PIP) Working Committee that is charged with the responsibility to review all government projects, prioritize and rank them to feed into a pipeline of projects for Cabinet consideration. The PIP Committee should work closely with the NDPC to review all plans that have been developed, with a view to incorporating them into one LTNDP and subject it to public discussion for adoption and implementation. This will not only cut waste in terms of abandonment of projects and programs begun by previous governments, but it will also help the country sustain its development momentum over a long period of time for greater economic success.

5.0 Recommendations

It has been argued in this paper that broad-based approach to economic growth is critically needed in order to be able to meaningfully create jobs to reduce the serious problem of unemployment, increase incomes, and alleviate poverty. The IFS therefore recommend that the government should continue to pursue its multi-pronged approach to economic growth and development by adopting the following recommendations:

1. Given the weak fiscal state in which the country finds itself in terms of the lack of fiscal space to maneuver, which is caused by the weak revenue generating capacity of the state and the excessive fiscal rigidity in the budget, the government should consider pruning down the numerous programs and initiatives it is pursuing. For instance, establishing a factory and a warehouse in each of the 216 district assemblies and one industrial park in each region is too much an overload for the fiscus. Reducing the numbers should be done after conducting a thorough review of the programs and initiatives, matching their projected costs to realistic sources of funding and conducting realistic fiscal and macroeconomic impact analysis of the various programs and initiatives by a team of experts. A clear-cut direction should then be provided as to what can be implemented and within what time frame and what cannot be implemented. This will provide better direction for the implementing ministries, departments and agencies (MDAs), as well as clear any misgivings about the programs and initiatives other economic actors may have, including the investor community.

2. Support agriculture to boost economic growth and employment by giving priority attention to the implementation of well-designed programs of public investment in agriculture,

continued progress on land regulatory reform, and establishment of specific initiative such as a "School to Land Program" to engage young people in agriculture.

3. Develop and implement a "Public Works Program (PWP)" that aims at providing work opportunities coupled with training through the delivery of public works to the youth and unemployed graduates. This will require pulling together all the existing youth programs to have one National Youth Employment Program and integrating it with the National Service Program to undertake an expanded scale of public works, involving cleaning of streets, gutters, beaches, vacant lands in cities; repairing city roads and streets and rural access roads; upgrading schools under trees; maintaining public schools, building, parks, bus stops; and planting trees.

4. Encourage and support entrepreneurship development by reforming the post-senior high school education curricula to include technical and entrepreneurial disciplines to provide the youth and graduates with entrepreneurial skills that will enable them to set up their own businesses or to become more employable in the job market; setting up business incubators as a mechanism to support business development and management; and strengthening labor market information and monitoring systems to ensure a regular flow of information on employment opportunities.

5. Although the government effort to secure US$2.0 billion to support infrastructure development is laudable, for the purposes of effective management of the risks associated with the projects, the arrangement should be brought under the umbrella of the GIIF which has been set up to purposely raise funds to finance such projects. Such projects should also be driven by a well-formulated Infrastructure Investment Plan that have been approved by the government for implementation. This also implies that the US$50 billion century bond being considered by the government is too colossal, and it can cause serious damage to the economy even if the government succeeds in borrowing the money at normal interest rates. The issue of the century bond should therefore be put on hold until the country's fiscal consolidation and macroeconomic stability have gained strong ground and the cedi has strengthened. Even then, a US$50 billion century bond would be too much for a country with a GDP of under US$60 billion and would be a dangerous experiment that could harm future generations.

6. Explore opportunities for tapping into private financing for infrastructure projects, creating new partnerships and reducing waste in such investments. This strategic shift should be driven by the realization that scaling up financing from traditional sources alone would not be adequate to close the infrastructure financing gap. It is therefore crucial to open opportunities to attract private investors as well as exploring public-private mechanism for financing infrastructure projects in the country.

7. A LTNDP consisting, amongst others, of medium to long-term agriculture, industrialization and infrastructure development plans should be developed for implementation. With these plans in place, present and future governments that come to power within the planning period should be mandated to implement them. The current system whereby each new government is permitted and even required to produce and implement a new development agenda, reflecting partisan views and manifestoes, should be scrapped. Indeed, Ghana would find it difficult to achieve sustained growth and development if it does not begin to implement a common development strategy by different governments on long-term basis. To ensure political commitment, it would be required to set out in the national Constitution

that a government in power continues to support projects that have been taken to a particular level of development. The culture of “we know better than the previous government” or “we have the best brains and ideas” has not achieved much for Ghana historically.

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