



**Political Challenges to Developing
Non-Traditional Exports in Ghana:
The Case of Horticulture Exports**

Lindsay Whitfield

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ABSTRACT

The nascent Ghanaian horticulture export sector, which emerged in the mid-1980s, has been ignored by ruling elites, especially after the return to multiparty democracy in 1993. Ruling elites across the two party governments between 1993 and 2008 did not actively pursue initiatives to support the industry. Without sustained political support, the types of public-private coordination of actions and investments needed to help the sector expand and upgrade were not forthcoming in an effective and timely manner. This private sector-driven non-traditional export sector constitutes a neglected opportunity for export diversification and building a new agro-industry, and also highlights some of the factors explaining why the country's economy was still dependent on the traditional exports of cocoa and gold by the close of the 2000s. The political challenges to changing the productive structure in Ghana can be found in the characteristics of ruling coalitions – vulnerability of the ruling elite in power, the high fragmentation within ruling coalitions, and their existing sources of and strategies for financing the state and the ruling coalition, combined with the country's existing economic structure as well as the size and capabilities of domestic capitalists. The characteristics of ruling coalitions in Ghana shaped the incentives facing ruling elites such that the ruling elites were not sufficiently compelled to support new productive sectors, such as horticulture export, which did not (yet) provide substantial revenues.

I. INTRODUCTION

Ghana has not significantly transformed its economy, in the sense that it is still dependent on a few agricultural exports and mining. In particular, the dominant productive sectors are cocoa, gold and timber, which are also the dominant exports – a situation that has characterized the country since the period of British colonial rule (roughly 1900 to 1957) saw the rise of these productive export sectors. The nascent manufacturing sector that emerged in the post-independence period and was predominantly oriented towards the domestic market contracted significantly after rapid trade liberalization in the 1990s. The country began producing and exporting oil at the close of 2010, but this paper focuses on the period up to 2009. For an overview of the economy and the drivers of economic growth since the 1980s, see Whitfield (2011b).

With such an economic structure, Ghana faces several challenges in transforming its economy. These challenges include (1) building new competencies by producers and exporters; (2) garnering political support from ruling elites for an economic sector that is small and not yet important to the economy; (3) organizing the industry to achieve common goals;¹ and (4) bureaucrats to gain new knowledge and linkages with industry actors. The active process of making a new industry in less developed countries requires both public and private actions and the coordina-

¹ In this paper, the term industry (or segment) is used to refer to production activities revolving around the same or similar products (i.e. whole fresh pineapple or whole fresh horticulture crops). The term sector is used to refer to the broader value chain that is based on the production and supply of horticulture crops, including fresh cut, juiced, and dried. The distinction is important because conflicts can occur within different industries of the sector, especially in the case of industrial policy which might aim to support more value-added products by minimizing the export of goods lower down the value chain.

tion of those actions (Ouma and Whitfield 2012).

The case of the pineapple export industry is interesting because it sheds light on the challenges of export diversification and building new agro-industries in Ghana. The pineapple export industry contracted and then stagnated in the second half of the 2000s because industry actors could not respond quickly and competitively to shifts in European markets (the destination of Ghanaian pineapples), due to the introduction of a new pineapple variety (MD2) in Europe and a shift of European buyers towards this variety. The reasons why can be found in examining how Ghanaian exporters initially developed technological capabilities and the incentives and disincentives that entrepreneurs faced to further developing their capabilities.² At the heart of the industry's crisis was an inability of entrepreneurs to build their technological capabilities.

The story of the pineapple export industry shows that private entrepreneurs can only achieve a certain level of competitiveness at firm level through their individual efforts. They eventually run into constraints that they cannot overcome by themselves, as individual firms but also through collective action among firms, such as the provision of large infrastructure and access to finance. And new productive entrepreneurs with low technological and entrepreneurial capabilities have to learn to learn, which means they require incentives and support to invest in learning and upgrading. These are the economic challenges to export diversification.

Strategic state engagement targeting specific industries is necessary to help overcome these economic challenges. However, suc-

² For a detailed discussion of what happened and why, and the failure of the Ghanaian industry to respond adequately, see Whitfield (2010).

cessful state engagement has certain requirements. Such requirements include technocrats which shared a heuristic understanding of the industry with industry actors and which had strong political support, as well as the convergence of interests among state officials, politicians and industry actors, which requires the political elite to actively want to support the industry.³ These requirements were not met in the horticulture export sector in Ghana. The types of public-private coordination of actions and investments needed were either not forthcoming or occurred on a very limited scale and did not come at the right time. The kind of collaborative relations between the state and the industry that could have fostered such coordination was absent.

Why the Ghanaian governments should have done more than they did to support the nascent horticulture export sector is discussed in Whitfield (2010, 2012). This paper focuses on what the Ghanaian governments actually did: what kind of support the state provided to the industry and why. In doing so, it focuses on the actions and interactions of the ruling political elite, state bureaucrats, industry actors and donor agencies.

The paper also explores why ruling elites generally did not actively pursue initiatives to support the industry, but rather left it to donor projects. Given that none of the governments in power since the 1980s gave significant political support to developing horticulture export in general and the pineapple export industry in particular, I have the difficult task of explaining a ‘non-event’. In other words, I have to explain why ruling elites neglected the industry. This task can only be

achieved by keeping in mind the core political processes and incentive structures shaping the actions of ruling elites discussed in Whitfield (2011a) and Whitfield (2011b), because by doing so, one can understand exactly what preoccupies ruling elites, where they focus their attention, and the often contradictory pressures that they face. As a result, the paper concludes that there are a number of political challenges, in addition to economic challenges, to export diversification in Ghana that must be overcome.

This is the third paper in a four part series on Ghana within the EPP sub-series of DIIS Working Papers, which is publishing the findings of the Elites, Production and Poverty (EPP) collaborative research programme. The paper is based on new empirical material collected during 2009, 2010, and 2011 under the Elites, Production and Poverty research programme based at the Danish Institute for International Studies. It draws on a large number of interviews with horticulture producer-exporters, state bureaucrats, donor staff, international and Ghanaian consultants, and (to the extent possible) political elites. In many cases, key informants were interviewed repeatedly over the course of three years. The paper also draws on a wide range of unpublished literature such as donor project reports, consultancy reports, and other materials produced by and about the horticulture export sector in Ghana. The unpublished written sources are cited in footnotes, while for the sake of simplicity and anonymity, the interviewees are listed in full in the References section at the end of the paper.

1.1 The analytical framework

As argued by Whitfield and Therkildsen (2011), ruling elites choose policies and implementation arrangements as part of their

³ For a discussion of these factors, see Whitfield and Therkildsen (2011), Buur and Whitfield (2011), and Maxfield and Schneider (1997), as well as specific empirical cases such as Brautigam (2005) on Mauritius and Perez-Aleman (2000) on Chile.

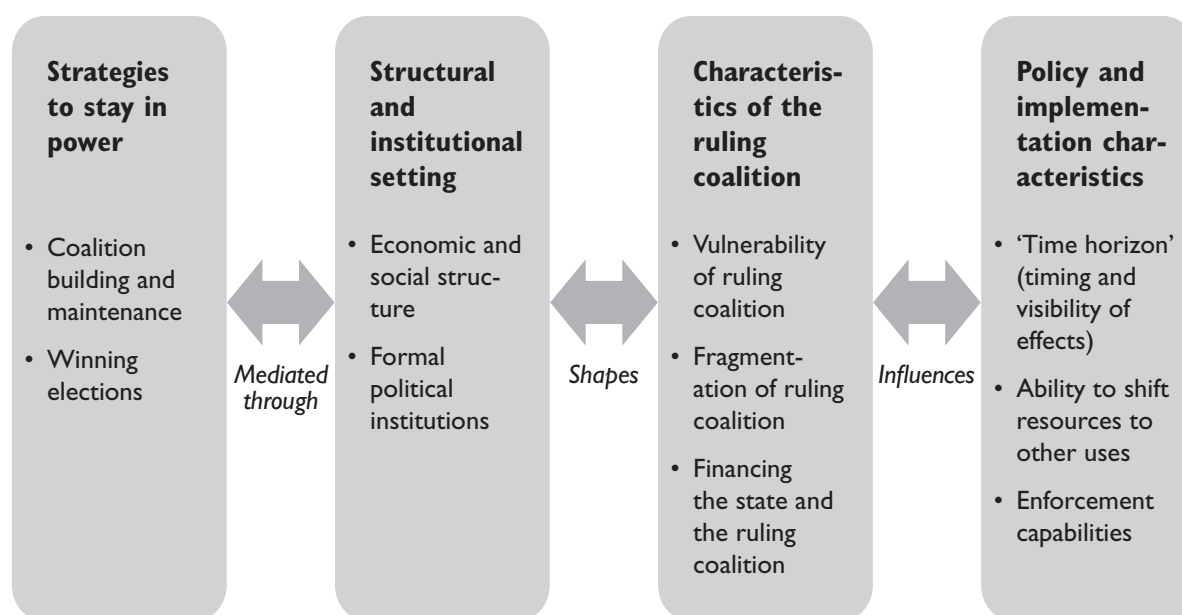
strategies for maintaining ruling coalitions and/or winning elections. Such strategies affect certain features, which sectors they support, and how capable they are of implementing them, but they do so through a set of intervening processes, which are graphically depicted in Figure 1. The structural and formal democratic institutional settings, in which ruling elites operate, influence how ruling coalitions are put together. In particular, they shape three key characteristics of a ruling coalition: its degree of vulnerability, its degree of fragmentation, and the way in which it is financed.

Given these characteristics, the needs of ruling elites to maintain their ruling coalition and to win elections have three important effects on the features of policy choices and their implementation. First is the time horizon of ruling elites in choosing policies; that is whether ruling elites aim at quick results and immediate rewards or whether they are will-

ing to pursue policies that are important for building and upgrading industries but whose effects are not immediately visible. Second is the ability of ruling elites to shift the allocation of state resources. Third is the capacity of ruling elites to implement or enforce their policies, particularly when they involve a reallocation of state resources or changes in the ‘rules of the game’

Two key factors drive ruling elites to pursue initiatives to build productive sectors and also shape the success or failure of ruling elites in implementing them. The most important factor is that ruling elites (or a group of ruling elites) have close relations with the relevant productive entrepreneurs. Close relations, in turn, only emerge when both ruling elites and capitalists have mutual interests in collaborating. But mutual interests are not enough. Ruling elites also have to ensure the necessary bureaucratic capabilities to implement specific policies. Their ability to do so

Figure 1. Intervening processes shaping the policy choices of ruling elites



Source: Whitfield and Therkildsen (2011).

depends on having enough control over the factional and individual demands within their ruling coalition and over competent and loyal state bureaucrats. The competence of bureaucrats includes both their technical knowledge of the industry and their embeddedness in the industry understood in terms of their close relations with industry actors. In sum, 'mutual interests' and 'bureaucratic capabilities' are necessary to produce sustained political support, because they determine whether a group of ruling elites have the desire and ability to direct the formulation, financing and implementation of initiatives to support the development of a sector, or an industry within a sector. We refer to a group of ruling elites, because it is often the case that all ruling elites are behind particular strategies, but rather it is the ability of the ruling elites driving certain strategies to either push them through in the face of internal opposition within the ruling coalition or to co-opt opposing ruling elites onto their side.

1.2 The argument

Ruling elites across governments from 1982 through 2008 were not significantly compelled to support the nascent horticulture export sector because they did not have enough incentives to do so. The argument presented here about why the ruling elites' incentives were weak is based on our understanding of why ruling elites support productive sectors embodied in the analytical framework outlined above. The weak incentives can be thought of as political challenges. The horticulture export sector was not yet economically important, in terms of financing the state or providing employment or incomes. The relevant productive entrepreneurs did not have significant holding power in terms of ability to inflict harm to ruling elite by withholding investment or

production. And the relevant productive entrepreneurs are not politically important, in terms of financing ruling coalitions.

As a result, the horticulture export sector could be ignored because the political consequences of 'doing nothing' were not big. In making trade-offs, ruling elites focused their attention and allocation of resources elsewhere. After the return to democratic rule in 1993, ruling elites across both governments focused on initiatives that could deliver relatively quick and visible benefits to a large number of people. Thus, the content of initiatives supporting the horticulture export sector, which were largely donor-driven and donor-financed, were shaped to meet these objectives, which generally coincided with the objectives of donor agencies. State bureaucrats in the part of the state apparatus responsible for implementing initiatives to support horticulture did not receive political support nor the material and human resources.

Ruling elites across both governments did not need the horticulture export sector as a significant source of state revenue or foreign exchange, despite economic crisis in the 1980s. From the 1980s onwards, foreign aid and 'policy rents' increased, and traditional domestic sources of finances and foreign exchange were rehabilitated, particularly the gold and cocoa export sectors (see Whitfield 2011a,b). Policy rents refer to the revenue earned by the Ghanaian governments for meeting conditions set in concessional loan agreements with the World Bank and the International Monetary Fund.⁴ The ruling elite generally neglected the horticulture export industry because they could, and because they had other things to focus on that seemed polit-

⁴ See Hutchful (2002: 165) and a more detailed discussion of policy rents in Whitfield (2011a).

ically and economically more important. Horticulture export was not an important pillar of the economy in terms of foreign exchange, government revenue or employment, thus the emerging horticulture producer-exporters did not have structural (economic power). Furthermore, the horticulture entrepreneurs did not provide an important source of financing for either of the political parties.

Ruling elites across governments were also not compelled by horticulture entrepreneurs or their industry associations, because there were no mutual interests between (sections of) ruling elites and horticulture entrepreneurs. The pineapple export industry was, and still is, dominated largely by domestic entrepreneurs. These emerging entrepreneurs did not have political influence in either the NDC or NPP ruling coalitions. The exception was the owner of Combined Farms, one of the first investors in pineapple export, in relation to the Provisional National Defence Council (PNDC) and the first NDC government, but he was not interested in getting government support for industry-collective goods, but rather maintaining his dominant position by keeping other firms from rising. Notably, the horticulture export sector does not offer easy opportunities for political elites to extract rents from the industry, for example through kickbacks on contracts, and it does not require loyalty to the government to survive due to dependence of state-provided goods or services, as for example the timber industry where businesses depend on accessing timber concessions from the government.

Thus, horticulture entrepreneurs were not an important source of financing for ruling coalitions. What the story of Combined Farms, discussed later, shows is the negative consequences for productive entrepreneurs of being too closely aligned with one set of

ruling elites because the ruling elites in power change rather frequently in Ghana. Staying neutral may be a survival strategy of horticulture exporters, with the result that they are not impeded when the group of ruling elites changes, but neither are they supported by any group of ruling elites in power. However, this point is difficult to prove through substantial evidence and remains a speculation.

As a result, government efforts to support the horticulture export sector have been largely driven by donor-funded projects. As a consequence of their donor-driven nature, initiatives to support the sector have not involved shifting the allocation of resources or changing formal or informal rules governing the distribution of economic benefits or resources. The types of initiatives pursued did not involve much, if any, potential conflicts with respect to different interests among members of the ruling elite or constituencies in the ruling coalition. Rather, the initiatives were generally about the distribution of technical support and additional resources beyond what would be provided by domestic resources in government budgets and by organizations such as banks. Donor projects could be thought of as one-off rents. Horticulture entrepreneurs with less technical capabilities and capital did attempt to capture these aid-created rents. Furthermore, most growth-constraining issues in the industry have gone unaddressed, as discussed in Whitfield (2010). Tackling these issues could potentially create conflicts for ruling elites because they involve shifting the allocation of resources, selective access to economic benefits for a small group of entrepreneurs, greater concentration on specific geographic areas in the country, and actions affecting land tenure institutions.

The prevalence of initiatives with low political costs also can be explained by the characteristics of ruling coalitions under the

Fourth Republic (1993+) where the political party in opposition is very strong and able to draw voters away from the ruling party at elections. Thus, neither ruling party wants to take significant political risks when it is in power. Ruling elites' preferences for what to include in initiatives were shaped by a need to deliver as soon as possible visible benefits to a large section of the population. In agriculture, these preferences lead ruling elites to focus on smallholder farmers.

The upshot of the incentive structure facing ruling elites for the horticulture export sector was blips of support from individual ruling elites, but no sustained political support. The blips of government support described below are the result of personal networks (family, friends), or pressure from technocrats (within and outside the state bureaucracy) that proved short-lived or undermined exactly because there was no significant political support from ruling elites at the time.

The rest of the paper provides evidence to substantiate this argument. It is arranged chronologically by government periods. For each period, the relevant policy initiatives are presented and the analysis focuses on (1) who drove the initiatives: ruling elites, donor staff, state bureaucrats, or industry actors; and (2) when ruling elites showed interest, what kind of initiatives did they support and why. Annex A at the end of the paper summarizes the main features of the initiatives described in the paper.

2. OVERVIEW OF THE HORTICULTURE EXPORT SECTOR

Since economic reforms started in the mid-1980s in Ghana, horticulture crops grew only modestly in their contribution to non-traditional exports, from USD 1 million in

1987 to USD 46 million in 2008.⁵ To put this in perspective, total exports in Ghana grew from about USD 862 million in 1987 to about USD 5.3 billion in 2008.⁶ Horticulture products collectively are one of the largest categories of non-traditional exports in Ghana, but even then they comprise a very small percentage of the total revenue from non-traditional exports, as Figure 2 indicates. While many types of non-traditional exports exist, they are exported in small volumes. As a result, substantive industries around them have not emerged. Furthermore, when total non-traditional exports are compared to total revenue from cocoa and gold exports (see Figure 3 in Whitfield 2011b), it becomes clear that the economy is still dominated by these traditional exports (since the colonial period) and has not been significantly transformed. For example, while palm oil and tropical fruits were the two main non-traditional export commodities in 2007, they accounted for only 4 percent of total agricultural exports, while cocoa accounted for about 50 percent (Breisinger et al. 2008: 5).

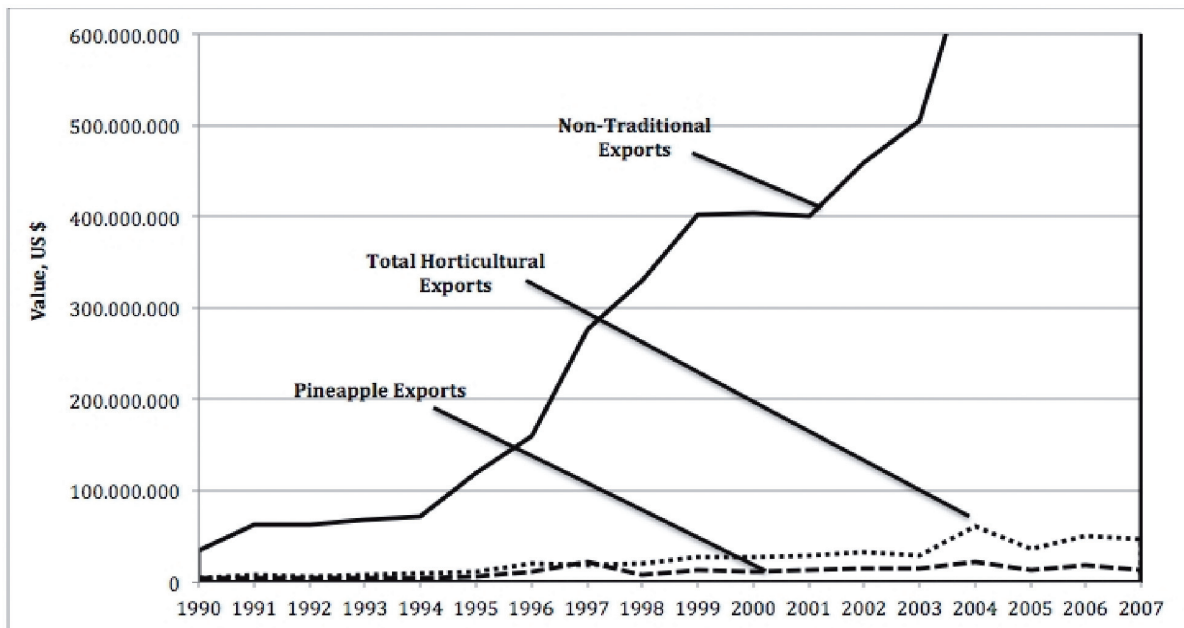
Whole fresh pineapple was Ghana's major horticulture export product from the 1980s through the 2000s (see Figure 2).⁷ It was the basis on which Ghana's horticulture export sector was founded, and it continued to dominate fresh fruit and vegetable exports. While other horticulture products are produced in Ghana, none have 'taken-off' to the extent that pineapple did, and none include a critical mass of commercial producer-exporters and smallholder producers. Mango exports

⁵ Statistic obtained from the Ghana Export Promotion Council, 2008.

⁶ For data on total exports, see Figure 3 in Whitfield (2011b).

⁷ The rest of the paper refers to 'pineapple' as shorthand for fresh whole pineapple export industry.

Figure 2. Non-traditional exports, horticultural exports and pineapple exports, 1990-2007



Source: Created by the author with data supplied by the Ghana Export Promotion Council, Accra, 2009.

increased slowly, passing the 1,000 tons mark, and looked set to rise further due to increased planting. Papaya was volatile, marking just over 1,000 tons in 2007, but fell back again and was dependent mainly on two companies. Bananas increased significantly due to production by a subsidiary of a multinational firm. A number of minor tropical fruit crops and Asian vegetables and chillies were being produced for export in minor quantities.⁸

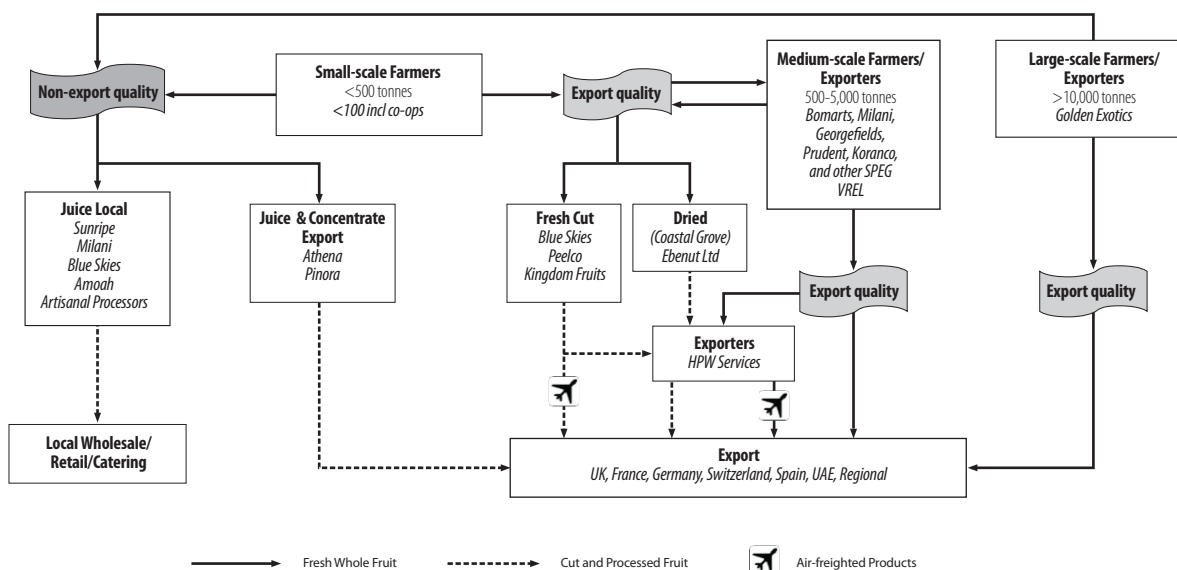
Minimally processed fruit exports began at the turn of the millennium and garner a higher value than whole fresh exports, but this segment of the sector relied on one company until the mid-2000s when a few other companies emerged.⁹ All of the com-

⁸ (NRI) Natural Resources Institute. 2010. Ghana Export Horticulture Cluster Strategic Profile Study, Part II: Recommended Actions & Part III: Background Papers. Prepared for the World Bank, The Republic of Ghana Ministry of Food and Agriculture, and EU All ACP Agricultural Commodities Programme.

⁹ On the global fresh cut fruit industry and the scene in Ghana, see Ouma (forthcoming 2012).

panies exporting 'fresh cut' horticulture products are foreign-owned or joint ventures between foreign and Ghanaian investors. Notably, a majority of the companies exporting whole fresh horticulture products are Ghanaian, especially in the pineapple industry. There have been various attempts in other value-added products such as juice and dried fruits. Around 2009, the fruit juice segment of the sector expanded with the emergence of several new juicing factories, forming a small cluster in the Nsawam area just outside the capital city Accra. The juicing segment had a larger percentage of domestic capital and ownership than the fresh cut. At the time of this study, the expansion was still in its infant stages, but it was clear that most companies were targeting the domestic market and West African markets, at least initially. The dried segment took off a bit later than the juicing segment, with some investments in the mid-2000s but major investments more

Figure 3. Pineapple supply chain (as of 2009)*



Source: Peter Jaeger (personal communication), modified by the author.

* The farmers refer only to pineapple production, but the processing companies (in juice, fresh cut, dried) also include other fruits such as mango and orange.

Note: HPW Services is a Swiss category manager and exporter who organized the exports of four major Ghanaian pineapple exporters. It has an office in Ghana and is heavily 'invested' in the domestic Ghanaian landscape.

recently in 2011.¹⁰ Figure 3 indicates who produced pineapples, the various tracks the pineapple could take in terms of the export of whole fresh pineapple or use in processing domestically, as well as the companies involved as of 2009. While keeping the whole horticulture export sector in perspective, this study focuses on the pineapple segment of the industry and on developments up to 2009/10.

Ghana began exporting pineapples to Europe in small quantities in the mid-1980s and exports grew slowly.² At that time, Côte d'Ivoire almost monopolized the supply of fresh pineapples to the European market from West Africa. Ghana carved out a niche in the European market as a primary supplier

of top quality pineapples shipped by air, and in the second half of the 1990s began shipping pineapples by sea. However, from 2005 Ghana's pineapple export industry went into crisis, total exports decreased and the industry was restructured. Just before the crisis, pineapple production for export was split between approximately 12 large farms (300-700 ha), about 40 medium farms (20-150 ha) and possibly as many as 10,000 smallholders (0.2-10 ha). The crisis led to the exit of smallholders from export production and to the collapse of many medium and large producer-exporters.³ In 2009, total pineapple exports began to rebound, but production had become concentrated among a handful of very large farms.

The contraction and stagnation of the fresh pineapple export industry in the second half of the 2000s, as well as the inability

¹⁰ These investments are not indicated in Figure 2, but include drying facilities at Bomarts and HPW Services.

of other fresh horticulture export products to ‘take-off’ on a significant scale, indicates that the once flourishing horticulture export sector was foundering. Problems in the production of fresh fruit would also affect the emerging fruit processing industry in terms of reducing the supply base. Several initiatives implemented jointly by a donor agency and the government were designed and implemented in the 1990s and increasingly in the 2000s with the aim of supporting horticulture producers and exporters, especially in pineapple, to expand and later to adapt to changes in the European market. Unfortunately, these initiatives had limited results in achieving those goals, as shown in this paper and also in Whitfield (2010).

Even though the horticulture export sector was not a key economic pillar in Ghana during the period studied, it has the potential to become one. Ghana is a fruit-producing country, producing more than 250,000 tons of fruit per year, but it does not add value to a significant share of this output through either exporting or processing.¹¹ Ghana faces problems of scale, which in turn are the result of problems with access to finance and with sourcing sufficient quantities of fruit of the right quality and low enough cost. The country can generate wealth from fruit by exporting it and by moving into various forms of processing for domestic, regional and export consumption. The fruit global value chains have many strands, such as fresh, dried, canned, juice, specialty, and as intermediary inputs in other food-processing industries. And fruit global value chains are not as concentrated and controlled by a few multi-

national firms as in cocoa/chocolate manufacture.

Exported fresh fruit fetches a much higher price than fruit on the domestic market, from three to five times more. Thus, fresh horticulture products, especially fruit, are considered a high value crop. The global fruit export market is worth USD 50bn at export prices, and has grown at almost 20 percent per year in the period 2006 to 2008. Increasing prices are due to increasing demand for fresh fruit not only in the traditional markets of Europe and North America, but also due to rising growth in demand from Eastern Europe, Russia and the Middle East. Importing countries are willing to pay for access to fresh fruit all year round, although prices depend on the degree of competition among exporters. And new technologies, faster transport and improved storage have facilitated trade in fresh fruits over the last two decades. Ghana has several sources of comparative advantage in the tropical fruit market, such as the ability to offset growing seasons of northern hemisphere countries and physical proximity to key markets in Europe. The growing middle class and the growing presence of supermarkets in Ghana also provide domestic market opportunities. Lastly, there are a large number of horticulture crops that can grow in Ghana, and thus a high potential to diversify its product range, and it can have positive spillovers in terms of modernizing agricultural production in food crops.

Fruit also has huge potential for agro-processing, if the supply base can be created. Processing allows for extending the useful life of fruit, an outlet for non-export grade fruit, and adding value. Fruit processing can also create basic agro-processing capabilities among firms in Ghana, which can be used as a foundation from which to move into more complex fruit-processing industries or

¹¹ This paragraph and the next are based on data and analysis presented in ‘The Value Capture Opportunity in Fruit’, a report by the African Center for Economic Transformation and Dalberg Global Development Advisors, draft unpublished, October 2011.

into other agro-industries. In other words, it helps to create initial manufacturing competencies. Fruit processing is also labour intensive and thus can be an important source of low-skilled jobs. Given its size, growth, the availability of a local market and scope for positive spillovers in terms of development of industrial capabilities, juice processing appears to be the most important and attractive processed fruit sector.

In sum, within the fruit value chains there are many opportunities for getting more value from fresh fruit and from moving into processing. However, taking advantage of these opportunities requires building new capabilities among entrepreneurs and the labour force as well as coordinated investments between businesses and the state. Creating a competitive fresh fruit export industry requires supply chain excellence in terms of logistics and standards. Creating a profitable fruit-processing sector requires integrating fruit producers with processors to provide high volumes of low cost raw material, access to finance, high quality logistics and skilled management. Ghana's nascent horticulture export sector, with its small fresh fruit export industry and even smaller processing industries (juice, dried and specialty such as fresh cut), has many challenges to overcome in order to realize its potential. These economic challenges include incentives for investment and access to finance, market linkages between producers and exporters or producers and processors, achieving scale, creating good logistics and transport, and meeting safety and quality standards for export (see also Whitfield 2010). A successful horticulture export sector must overcome these challenges and increasingly gain more value from the production of fruit. The by-products will be increased jobs and incomes, building manu-

facturing capabilities and possibly significant effects on increasing productivity of agriculture more generally.

3. PNDC GOVERNMENT PERIOD (1982-1992)

The policies to revive production capacity of export sectors were macroeconomic measures carried out by the Ministry of Finance from 1984 onwards. These included devaluation, exchange rate and foreign exchange liberalization, fiscal concessions to non-traditional exports, duty free import of agriculture inputs for export production, rehabilitation of infrastructure, and privatization of agricultural input delivery systems (Obeng 1994; Anyemedu 1991). In the early 1980s, it was difficult for entrepreneurs to acquire foreign exchange for imports, and getting access to import licenses was difficult. Pineapple exporters were given access to import licenses from the Ministry of Trade and Industry to import machinery, packing cartons and chemicals necessary for production. Exporters were allowed to keep 20 percent of their earnings in foreign currency, although restrictions on the retention of foreign exchange were gradually removed over the course of the 1980s as the economy recovered and the economic reasons for the retention scheme disappeared. The emerging pineapple export industry benefited from these changes.

Targeted support to expand pineapple exports was spearheaded by the Secretary (equivalent to Minister) for Trade and Industry during 1987 and 1988, and implemented in conjunction with the Ghana Export Promotion Council, which was a government agency under that Ministry. The actions implemented by the Secretary, referred to as the

Pineapple Production Expansion Program, are described in Whitfield (2010). The questions to ask here are what motivated the political elite to intervene, why the interventions were short-lived, and how they were implemented successfully.

The country was in a severe economic crisis, and the political elite of the PNDC operated within a crisis mode. Cocoa was the key pillar of the economy; everything revolved around it. Cocoa was the main source of foreign exchange and government revenue. But low cocoa prices in the 1980s reduced the ability of cocoa exports to play these roles. Over-reliance on cocoa was a vulnerable strategy and one that was coming up short. Yet the country was producing little else that could be exported. However, the severity of the economic crisis was weakened by the policy rents available from the Bretton Woods institutions. Foreign aid went up drastically in the second half of the 1980s. The initiatives to support horticulture exports in the 1980s were driven by a few individual ruling elites linked to the Ministry of Trade and Industry. There was no consensus on supporting horticulture exports among the top ruling elites, so when the key individual driving the initiative fell out with J.J. Rawlings, the leader of the PNDC government, and thus out of the ruling elite, political support dissipated. The composition of the PNDC ruling elite was highly volatile. The ruling coalition was composed of different factions who did not have a political base of their own, so it was held together by Rawlings, who decided who was in and out (see Whitfield 2011a). The rivalry among the top producer-exporters in the industry and their low technological and entrepreneurial capabilities meant that they did not constitute a significant force demanding support from the government.

3.1 Momentary support for horticulture exports

When the PNDC took over the state apparatus in 1982, the Ministry of Trade and Industry was focused on importing goods and distributing them through large foreign companies. The Ghana Export Promotion Council, established back in 1969, had little to export. The new Secretary of Trade and Industry in 1987 decided to go back a step and support production for export. He and the politically appointed head of the Ghana Export Promotion Council surveyed the market opportunities in Europe and what was happening in Ghana. The Secretary concluded that the country's main problem was on the supply side, and exports would only increase through interventions to support production. Most non-traditional exports at that time were horticulture crops. The nascent horticulture export industry emerged based purely on private initiatives, so the Secretary decided to support these entrepreneurs through the pineapple production expansion programme.

The main aspects of the intervention included a soft loan credit facility (because interest rates were very high) as well as organizing access to planting material from the Ivory Coast and finding export markets.¹² The Secretary of Trade and Industry could not finance the programme through the budget. The Secretary of Finance (i.e. Finance Minister) was focused on balancing the budget, so the Secretary of Trade and Industry pursued the issue on his own. He raised capital through informal means. Secretaries at that time had a lot of discretion. In the climate of devaluation at that time, he made money through currency speculation

¹² For more details, see Whitfield (2010). Not all of the producer-exporters supported under the program produced pineapple, but it was the dominant product.

using bulk purchase of goods for ministries, and used the profit to finance the pineapple loan facility.

The newly formed Horticulture Association of Ghana was plagued by a rivalry between the two largest producer-exporters at that time, which undermined collective action within the industry and had the effect of limiting the growth of the smaller producer-exporters. State intervention through the pineapple production expansion programme helped to mediate this conflict. The Secretary of Trade and Industry convinced the owner of the largest exporting company that it was in his interest for the whole industry to grow, rather than to remain 'a big fish in a small pond'. The programme also encouraged a limited amount of coordination within the industry in terms of what was required to receive the assistance. The Secretary worked with the Association to select eight of the biggest producers to receive soft loans in the first round, with the remaining eight to receive loans in the second round. He demanded that they produce business plans for expansion, but apparently there were no other conditions attached to the loans. It is difficult to substantiate whether the loans were paid back. The second batch of producers never benefited from the financial support, because the Secretary resigned.

What was the motivation of this particular Secretary of Trade and Industry to create the pineapple production expansion programme? He was part of the new generation of young, well-educated, radicalized Ghanaians who were called upon and were willing to join Rawlings' PNDC regime under the premise of change. The initiative was not part of patronage holding together the political networks of the PNDC regime, and the pineapple producers were not politically linked

to the higher factions of the PNDC. Rather, the initiative seems to have been based on a combination of economic rationale and informal networks. Regarding the latter, the Secretary was close friends with several of the new horticulture capitalist farmers. Notably, the one-off rent was provided to the largest half of the producer-exporters and not just to his friends. However, it cannot be ruled out that the Secretary himself did not benefit, as he had his own pineapple farm at the time and he had been charged with corruption under his previous post as Secretary of the Interior. The Secretary resigned his post and the PNDC altogether in December 1988. One side of the story is that he fell out with Rawlings or some in the top circle of the PNDC and was being persecuted on trumped-up charges. The other side is that he was involved in corruption scandals and was being harassed for that reason.¹³

In the early 1990s, just before the return to multiparty rule, the PNDC sought to produce its 'own' businessmen among its political elite, but notably none of these efforts at primitive accumulation of capital were through the horticulture export industry or resulted in investments in that industry.¹⁴ Notably, PNDC ruling elites who were aware of opportunities in pineapple export industry, as in the case of Kwamena, Kwesi and Ato Ahwoi (they were brothers) did not use their political positions within the government to enter the horticulture export industry but rather went for cashew and then cocoa and started a cocoa-licensed buying company in 1992 called Cashpro (see Whitfield 2011a). Kwesi Ahwoi

¹³ 'Ghana: PNDC man in bribes scandals', *West Africa* 9-15 April 1990, p.598.

¹⁴ The term primitive accumulation refers to accumulation which does not result from capitalist production processes but rather through political interventions that transfer resources or rights over control of resources.

was the head of the Ghana Export Promotion Council and worked directly with the Secretary of Trade and Industry to design and implement the pineapple production expansion programme. Why did he choose to enter the cocoa export industry rather than horticulture? This probably had to do with differences between the two export industries. Cocoa was almost entirely linked to the state (so state connections could be used) and involved little risk or knowledge of production. Cocoa-licensed buying agents benefited from state-provision of loans and a secure market. They bought cocoa from farmers and then sold it to the Cocoa Board. The limited number of cocoa-buying licenses given out in the early years of liberalization meant easy profits.

3.2 Taking the lead: Ghana Export Promotion Council

The Ghana Export Promotion Council was a weak government agency that lacked resources and staff. However, as described above, for a brief moment it had support from the Secretary of Trade and Industry and some internally generated resources, which allowed effective implementation of the programme before the Secretary resigned. After the Secretary left, the Head of the Council continued some support for horticulture export with the limited resources that he could find and the support of a few key staff. But the short duration of political support meant that the agency was not strengthened, and new institutional capacities to support non-traditional exports through this agency were not built.

Council staff lacked knowledge about horticulture production and marketing, but they compensated for that by importing foreign expertise to provide it and to share it with Ghanaian state bureaucrats.¹⁵

Between 1987 and the early 1990s, several international consultants provided support to pineapple producers on production and marketing, funded by the Commonwealth Secretariat, the International Trade Centre in Geneva, and the United Nations Development Programme.

At the same time, bureaucrats in the Ghana Export Promotion Council focused on the needs of the industry as a whole and worked directly with industry actors to design and implement the pineapple production expansion programme. Pineapple producer-exporters were not very organized and suffered from internal collective action problems, but state engagement with the Horticulture Association of Ghana seemed to help overcome some of the problems, though definitely not all. There were some state-driven incentives for collective action in the industry, but not much, and thus perhaps the effects on industry organization were limited.

4. NDC GOVERNMENT PERIOD (1993-2000)

There were two initiatives in the 1990s which contained components targeting horticulture exports. One was the USAID Trade and Investment Program (1993 to 1998) and its sequel, the Trade and Investment Reform Program (1998 to the early 2000s).¹⁶ Second was

¹⁵ In addition to helping pineapple producer-exporters, in the early 1990s the Council selected a number of vegetable producers for support, also through foreign consultants who assisted with production and marketing.

¹⁶ Information on Trade and Investment Program comes from interviews and secondary sources referring to it. Sources on Trade and Investment Reform Program are 'Ghana Trade and Investment Reform Program USAID/Ghana, Project Final Evaluation, March 2003, submitted by Management Systems International (external evaluation); and USAID/Ghana Trade and Investment Reform Program Increased Private Enterprise Performance Component, Final Report, July 2005, submitted by AMEX International.

the Agriculture Diversification Project funded by a World Bank loan that targeted the oil palm, coffee, rubber and horticulture sectors and which took most of the 1990s to implement. Both of these initiatives were driven in their formulation and implementation by donor agencies, and the attention to horticulture was subsumed under a broader approach to export diversification.

The extended USAID programme was very large in scope. It included two broad components: one aimed at policy reforms in many areas and one aimed at private sector enterprises in non-traditional exports. The contents of the USAID programmes were determined by the winning bidder for the contract within the broad parameters set out by USAID, and were implemented entirely outside the government's bureaucratic structure. AMEX International and two international NGOs won the bid and were the implementing agents for the private enterprises component. The project implementation evaluation emphasizes the very broad and unfocused nature of this component. Many different types of industries were included, and the process of choosing firms was ad hoc. The USAID programme had one major impact on the horticulture export industry: it facilitated the shift to sea freighting and the emergence of the Sea-freight Pineapple Exporters of Ghana (see Whitfield 2010). Other aspects of the programme only had tangential effects on the industry.

The horticulture component of the Agricultural Diversification Project explicitly built on the work started by Ghana Export Promotion Council in the late 1980s. World Bank staff observed the effects of the pineapple production expansion programme and the new smallholder pineapple farms that were springing up in the pineapple belt. The World Bank pushed for the horticulture component.

The Project Implementation Unit was initially located within the Export Council. However, implementation by the Council was not satisfactory for the World Bank, so project management was moved to the Ministry of Food and Agriculture where a small Horticulture Development Unit was eventually established within the Crops Services Directorate.

Implementation of the horticulture component had two main aspects: technical assistance and the creation of a pineapple export company owned by smallholder farmers. The technical side largely targeted large and medium farmers and included the development of agronomic packages for production, training for farmers and for the Horticulture Association of Ghana, participation in international trade fairs, visit to the Ivory Coast, study tours of pineapple production in other countries, and rehabilitation of roads in pineapple-growing areas. An international consultant worked in the Unit to provide assistance on increasing productivity by adapting production practices to the Ghanaian context.¹⁷

The creation of a cooperative-based export company was added to the project towards the end of the 1990s to use unspent funds before the project closed. It was intended to pilot in Ghana the Farmer Ownership Model, which had been developed in other African countries.¹⁸ The idea came from World Bank headquarters, but was based on the work that a US-based international non-governmental organization (TechnoServ) had done in organizing pineapple cooperatives (with money from the USAID projects mentioned above). The objective was to bring smallholder farmers together to reap the benefits of econo-

¹⁷ Dixie and Sergeant (1998) and 'Ghana Agricultural Diversification Project Mid-Term Review', 1995, World Bank and Government of Ghana.

¹⁸ Performance Audit Reports and Sectoral Overview, Ghana, 22 June 2001, Report No. 22439, World Bank.

mies of scale available to large companies and to export directly.

Five pineapple cooperatives, which included 164 farmers with 1.9 acres as the average area cultivated per farmer, were brought together with two existing small-medium producer-exporter companies to form Farmapine Ghana Limited in 1999.¹⁹ The World Bank project, through the Ministry of Finance, gave a loan of USD 1.5 million to the cooperatives for start-up capital, which translated into 80 percent shares in the company. The assets, markets and expertise of the two producer-exporters were valued, and they were given the remaining shares. A board was set up with representation from the farmers, TechnoServ, the bank through which the loan was administered, and others. A management team was hired to run the production, packaging, and marketing for the company. The company began operations in September 1999, and the World Bank project ended a few months later. Farmapine was the second largest exporter in the first years of the 2000s.

However, Farmapine had problems from the beginning, which were compounded by changes in market demand after 2005, causing it to shut down operations by 2007. Just as Farmapine began operating, the air freight market shrank and it was necessary to export by sea. Shipping by sea requires better production and post-handling practices. The strategy design for the company was done in 1997-98 and was outdated by 1999 but not reviewed. The two producer-exporters that were bought out with the World Bank loan so as to become part of the Farmapine company had no experience in sea-freighting, so they were paid salaries for expertise which they could not offer. The Managing Director of the company

was a professor with management expertise, but no experience in pineapple export. Funds had to be used for unanticipated investments to meet new international standards in food quality, health and safety. Resources were wasted on administration buildings and a huge management structure. Farmapine fell into financial problems, delayed paying farmers, and farmers became less committed. The Board changed the Managing Director in 2004. However, when demand in the international market shifted to a new variety of pineapples in 2005, the smallholder farmers in the cooperatives were not able to make the shift quickly and produce the volumes necessary, so the company stopped exporting. These cooperatives became straddled with debt to the Ministry of Finance which they could not repay, and which the Ministry of Finance had to absorb. The company did not possess the capabilities to compete in the industry, which was exacerbated by its rigid and technocratic management which did not have incentives to chase the investment.

4.1 A critical juncture and the road not taken

By the end of the 1990s, despite these initiatives, the pineapple export industry still faced major challenges: lack of access to finance on good terms; lack of infrastructure resulting in increased production costs; poor business management resulting in low profit margins; lack of economies of scale (Ghanaian companies were competing with larger-scale companies that had lower costs of production and delivered higher volumes); and limited research and technical support (Dixie and Sergeant 1998). The initiatives described above did not address the financing and infrastructure issues. The initiatives had only to a limited extent addressed business management,

¹⁹ World Bank, Performance Audit Reports and Sectoral Overview, p. 45.

technical support and research development, but in a limited and piecemeal way, and their sustainability was questionable.

International consultants who had a close relationship with the Ghanaian industry (employed under the USAID and World Bank projects above) concluded that a project targeted just at developing the horticulture export industry was needed (Dixie and Sergeant 1998). The World Bank's review of agricultural projects in the 1990s indicates that many of the production initiatives would be continued under its future agriculture sector support in order to increase their sustainability, *but they were not*. The recommendations regarding future support for horticulture exports were not taken up in the World Bank's next agricultural programme, nor in a separate horticulture project. Neither was the consultants' proposal for an integrated project to develop the horticulture export industry picked up and pushed by ruling elites or state bureaucrats. These recommendations would remain relevant, reiterated in later World Bank-funded studies, and find their way into donor-funded initiatives in the second half of the 2000s.

At that point in time, the late 1990s, the World Bank was not interested in a horticulture project. The balance of interests within the World Bank as an organization had shifted. Interviews with World Bank staff involved at the time revealed that what gets included in a new World Bank project depends on what the World Bank team from headquarters has in mind. In 1998, when the Bank began project preparation for new agriculture funding in Ghana, the Bank prioritized reforming research and extension as well as sector-wide approaches to financing needs rather than several discrete projects. Accordingly, the next World Bank programme (AgSSIP) focused on institutional reforms of the Ministry of Food and Agriculture related

to research services, extension services, and organizational functioning, with some focus on developing farmer-based organizations.²⁰

With the World Bank team at headquarters having interests elsewhere, NDC Ministers would have had to push for horticulture export very strongly, which they did not do. What the Cabinet Ministers did do was to reject the World Bank AgSSIP programme in 2000 on the grounds that there was too much 'capacity building and consultancy'. The national elections in December 2000 led to a change in government, interrupting the negotiations.

4.2 Neglect by the NDC ruling elite

It is hard to say to what extent the PNDC ruling elites pushed for support to horticulture when the USAID and World Bank programmes were negotiated in the late 1980s/early 1990s. What is clear is that the NDC government did not pursue any support for horticulture export outside of these initiatives. It is also clear that concrete proposals for action in the short, medium and long term in the 1998 study, referred to above, were not picked up and pursued in any government initiatives, nor did the NDC Cabinet or key Ministers push the World Bank for a project on horticulture. In short, the pineapple export industry and horticulture export more broadly were ignored by the NDC ruling elites, despite the fact that pineapple exports were expanding in the 1990s.

One must conclude that there was no compulsion for the ruling elite to support horticulture exports. Despite the existence of recurrent blips of macroeconomic crises, these crises were short-lived. They were resolved by quick austerity measures which brought with

²⁰ See Whitfield (2011b) for more about the AgSSIP policy process.

them renewed foreign aid and by domestic borrowing (with little concern of the effects on the productive sectors). Thus, there was no sign that the ruling elite had the perception of a crisis situation. Access to finance for the state and policy initiatives was secured through foreign aid, cocoa export revenue, and to a lesser extent gold export revenue, and increasingly from other forms of taxes.

It is clear that the NDC ruling elite did not use the pineapple export industry as part of its political strategy for maintaining its ruling coalition and/or generating votes at election time (see Whitfield 2011a). One reason might have been that pineapple producers were concentrated in a few electoral constituencies (which already strongly supported the NDC), and thus the industry did not have a large geographical stretch, although there was potential for larger production zones with other horticulture crops such as mango, banana, and Asian vegetables.

The pineapple export industry was not dependent on anything provided by the state, so it did not lend itself to political extraction of rents in return for benefits provided by the state, as Darko Opoku shows with the timber businessmen (Opoku 2010: chapter 7). The pineapple producer-exporters did not seem to be strongly connected to either the NDC ruling coalition or the New Patriotic Party excluded faction. In other words, they were not influential party members, founding members, financiers of the party, or national politicians.²¹ The seeming lack of interest of

individual producer-exporters to engage with the government may have been a conscious or unconscious strategy to remain neutral. Forming direct political linkages with Rawlings could bring economic opportunities, but it could also be detrimental to business if entrepreneurs fell out with Rawlings or if success in business was seen as a political threat to Rawlings and top ruling elites.

Such detrimental effects are illustrated by the one case of political connections of a pineapple producer-exporter that is known. There apparently were close relations between Rawlings and the owner of Combined Farms (Opoku 2010). Combined Farms was the first company to export pineapples and the leading exporter from 1984 to 1990. In the late 1980s, the owner leased land at the Accra airport and built a cargo handling facility using a World Bank loan. At that time, cargo handling was managed by the state, which appointed companies to handle cargo freight. Combined Farms and another pineapple producer-exporter had licenses to handle cargo freight and chartered their own flights. When a new cargo handling facility was built at the Accra airport in the mid-1990s, in the early years of the NDC government, its management was privatized and an existing cargo company got the license to run it. The licenses for other companies to charter planes were withdrawn, but the cargo facility of Combined Farms was also confiscated by the government. Darko Opoku (2010) argues that the assets of Combined Farms were confiscated because Rawlings found out that the owner, who donated money to the NDC, was secretly also donating money to the New Patriotic Party and sought a ministerial appointment if the NPP won the 1996 elections.

The owner of Combined Farms had not been supportive of the smaller producer-exporters, so they did not rally behind him. In

²¹ Since only a minority of the pineapple companies that operated in the 1980s, 1990s and 2000s were interviewed (partly because most of them no longer existed by 2008), this statement cannot be completely substantiated. It is clear that many businessmen entered the horticulture export industry to make quick money and that these businesses did not survive into the 2000s or collapsed after the industry crisis in 2005. There were 50-70 existing at any one time over the 1990s and early 2000s.

fact, they had previously shifted to air freighting their produce through the company which won the license to run the new cargo centre. The power struggle within the industry changed as the two top exporters lost their advantage, and smaller exporters expanded. In general, there was a lack of mutual interests between the NDC ruling elite and this new group of productive entrepreneurs in the horticulture export sector. Each side was pursuing its own interest and did not see what the other could bring. This situation is underscored by the dynamics surrounding the divestiture in 1994 of the state-owned cannery in Nsawam (located in the heart of the pineapple belt and used to process pineapple). Nana Rawlings, the wife of President Rawlings, sought to purchase it through the Caridem Corporation, which was the commercial wing of her women's movement during the PNDC period, turned NGO in the 1990s (see Whitfield 2011a). The divestiture was an inside deal with Mrs Rawlings winning the bid. The acquisition was part of her political strategy for building and financing her own personal political support base.

Reports say that Mrs Rawlings had intentions of rehabilitating the factory and exporting to Europe, but lacked adequate working capital and underestimated the technological capabilities required. However, after the NDC lost power, the NPP government took her to court for fraudulently acquiring the factory. The case lasted all of the 2000s, and charges were only dropped just before the NPP left power. With the NDC back in power, Mrs Rawlings has reopened the factory and intends to export to Europe.²² This case highlights an apparent feature of business-state re-

lations in Ghana, where the NDC (and NPP) ruling elites would rather take advantage of economic opportunities to accumulate themselves or to keep accumulation among individuals within the ruling party, rather than support independent established or emerging productive entrepreneurs.

4.3 A weak Horticulture Development Unit emerges

The Ghana Export Promotion Council was the focal point for supporting the expansion of horticulture production for export in the 1980s, but this shifted to the Ministry of Food and Agriculture in the 1990s, at which time the Horticulture Development Unit was to implement the horticulture component of the Agricultural Diversification Project. The Unit led to the creation of a group of civil servants focused on and interested in high-value export crops, but they were located within a ministry focused on smallholder production, because most agriculture production was done by smallholders in Ghana. As a result, there was not much interest for horticulture at the higher levels of the Ministry. Given the lack of political backing for horticulture export, the Unit did not have much leverage within the Ministry. During the 1990s, the Ministry had four different Chief Directors. According to staff in the Unit, the first one was supportive of horticulture, but the others were not. The AgSSIP proposal, produced by the Ministry based on the work of a Ghanaian Task Force, mentioned horticulture, but did not give it significant attention.²³ However, that did not matter since the World Bank

²² 'Caridem bought Nsawam Cannery for 2.9bn cedis', Modern Ghana News, <http://www.modernghana.com/news/94455/1/caridem-bought-nsawam-cannery-for-29bn-cedis.html>. Information in this paragraph was confirmed in interviews.

²³ Notably, a representative from the Horticulture Association of Ghana participated in the Task Force, comprised of 25 members, which probably accounts for the mention of horticulture in the program.

dismissed the government's programme and came up with its own.

Not only did the Horticulture Development Unit lack political backing, it also had limited 'embeddedness' in the horticulture export sector and lacked knowledge of the industry and export markets. The lack of knowledge was compensated for by bringing international consultants to work within the Unit. In addition, in the late 1990s, some Unit staff undertook graduate level degrees specializing in horticulture at foreign universities. But the limited 'embeddedness' of the Unit staff with a wide range of industry actors meant that the staff did not focus on the needs of the industry as a whole, nor did they share a common understanding with industry actors on how to meet those needs. The Unit staff did not think that the medium-sized producer-exporters needed support in production and exporting, because they assumed such entrepreneurs had the necessary capabilities and financing. Therefore, they focused on the needs of smallholders.

In addition to the limited 'embeddness' of state bureaucrats, the World Bank emphasized smallholder production in the name of poverty reduction. This point is illustrated by the introduction of the farmer ownership model in 1998 and the decision to create Farmapine in 1999. The 1998 study of the industry recommended a whole list of actions to support the industry, which the World Bank could have done with the unspent funds of the Agriculture Diversification Project. Instead of pursuing activities to improve infrastructure, freighting, or the capabilities of the exporters, Bank headquarter staff pushed for smallholders to be able to export directly through a company that they owned and thus cut out the 'middleman' exporter.

The international consultants, who wrote the 1998 study, and who had had contacts

with the industry through various consultancies since the early 1980s, seem more embedded in the industry than either the Horticulture Development Unit or the World Bank. Of course, internal collective action problems within the industry made it difficult for state bureaucrats to engage effectively with industry actors. Pineapple producer-exporters tended to be individualistic and did not see the need to engage with government.²⁴ As a result, the Sea-Freighting Pineapple Exporters of Ghana association, which emerged in the mid-1990s and became the most significant industry association, was not effective at forming a collective vision for the industry, communicating this to the government, and engaging with the government to achieve it. Exporters could hardly work together, much less engage in strategic thinking and action.

5. NPP GOVERNMENT PERIOD (2001-2008)

The NPP ruling elite did not exhibit anymore support for the new group of capitalist horticulture farmers and exporters than the NDC ruling elite had, despite the proclaimed pro-business rhetoric of the NPP as a political party (see Whitfield 2011a). What we see in the 2000s in terms of government support for the horticulture export sector is a series of donor-driven initiatives – largely designed

²⁴ There was little compulsion for industry actors to work together or to engage with the government in the 1990s because the industry was booming, due to limited international competition and increasing European demand. Producers could not produce enough, and European buyers overlooked the quality of the exports because Ghana was one of the only suppliers (see Whitfield 2010). However, even after the market shift to the MD2 variety, when the industry went into crisis, there were still seemingly limited collective action among industry actors and limited engagement of industry actors with the state. Industry actors are still struggling to solve their own collective action problems in a shrinking industry.

and funded by donors. The number of donors involved in the sector proliferated, with the result that support was increasingly fragmented within and across multiple state organizations. The pineapple export industry hit a crisis in 2005, weakening industry actors and the main industry association. State bureaucrats in the Horticulture Development Unit lacked political support and resources, and became dependent on donor funding to function. As a result, there was no coherent driver behind support to the sector. Initiatives were fragmented, piecemeal and very slowly implemented. At the same time, horticulture production contracted substantially, threatening to undermine recent investments in processing companies that sprang up in the mid-to-late 2000s to take advantage of the increased supply of horticulture fruits.

There were several initiatives in the 2000s that aimed to support horticulture export. The first two initiatives came from the World Bank and USAID – the two donor agencies that had been providing some support in the 1990s. The World Bank funded the Horticulture Export Industry Initiative (HEII), as part of AgSSIP, from 2004 through 2006. USAID launched a third programme in its series, this time called Trade and Investment Program for a Competitive Export Economy (TIPCEE). These two programmes, but particularly HEII, spawned great interest in horticulture export among donor agencies and influenced the formulation of two new initiatives in the second half of the 2000s: the Export Marketing and Quality Awareness Programme financed by an African Development Bank loan, and the Millennium Challenge Account (MCA) grant from the United States' Millennium Challenge Corporation. We look briefly at the first three initiatives, and then focus on the MCA grant because it was one of the main productive sector initia-

tives during the NPP's stay in power and it illustrates what NPP ruling elites wanted to fund in a productive sector initiative.

5.1 Policy initiatives

Upon assuming power, the NPP Cabinet was presented with the same World Bank-proposed agricultural programme (AgSSIP) that the NDC Cabinet had rejected. The NPP Cabinet also disliked the programme and wanted to restructure it to include more components directly related to production (Voisard and Jaeger 2003). The NPP government signed the loan after almost a year of delaying, on the understanding that once signed it would be easier to make modifications rather than insist on an immediate redesign of the project (which would take at least a year).²⁵ Remember, ruling elites only have four years within which to deliver something to voters, so taking two years before beginning to implement a productive sector project is not a good political strategy.

The restructuring of AgSSIP came about through pressure from the NPP political leadership which wanted more productive initiatives in the programme loan (more money directly benefiting farmers), and through disbursement pressure on the World Bank, because the Ministry of Food and Agriculture was not spending the money in the original programme. The NPP political leadership left it to the Ministry of Food and Agriculture to put forth proposals on productive sectors. However, one of the four new productive initiatives was oil palm, and this was clearly linked to the President's Special Initiative in Oil Palm under the Ministry of Trade and Industry. The inclusion of

²⁵ Implementation Completion and Results Report, Agricultural Services Sub-sector Investment Project, Report No. ICR0000589, 30 November 2007, World Bank, p. 20.

the Horticulture Export Industry Initiative (HEII) in the restructured AgSSIP was the result of specific people at the World Bank headquarters and in the World Bank Ghana country office pushing for it and the concomitant rise in popularity of high-value export crops within the World Bank (which resulted in another shift in the balance of interests within the World Bank), as well as support from state bureaucrats in the Horticulture Development Unit. Lastly, several studies already existed, commissioned by the World Bank, on how to improve the industry, so the information was easily available.

HEII triggered greater donor interest in horticulture export, but resulted in greater donor dependence of the Horticulture Development Unit, as the NPP ruling elite did not see the need to put any government funds in the area of horticulture export given all the donor funding. There was one instance of direct government support to the industry, where the government allocated USD 2 million in the 2006 government budget to the Ghana Export Promotion Council to support the introduction of the MD2 variety among smaller producer-exporters and Farmapine due to increased competition from Latin American countries producing this new variety (see Whitfield 2010).

Horticulture Export Industry Initiative (HEII)

The HEII proposal was written by international consultants together with bureaucrats from the Horticulture Development Unit, based on the proposals of committees that included leading pineapple producer-exporters and representatives of the horticulture industry associations.²⁶ Industry ac-

tors were vocal on what was needed: cold chain infrastructure and support in shifting to MD2 production. The restructuring of AgSSIP was formally approved at its mid-term review in 2004, and implementation of the Horticulture Export Industry Initiative (HEII) began in late 2004 by the Horticulture Development Unit.

AgSSIP was scheduled to close at the end of 2006, so what could be achieved under HEII was actually very limited, both in terms of time and resources. Notably, the planned activities included many of the recommendations made back in the 1998 study. A key component of HEII was to create a continuous cold chain from farm to export – infrastructure which should have been set up by entrepreneurs with the shift to sea-freighting in 1995. However, HEII funds allocated for this component could not support cold facilities at the seaport and airport, as well as communal cold storage packhouses. Industry actors selected refurbishment of the export shed at the Tema port as their priority and the funds were concentrated on that activity. The argument for renovating the Tema shed was that producer-exporters were beginning to install cold facilities in their packhouse, but this investment would be undermined if there were no cold storage facilities at the port. The Shed was very basic and not really suitable for storing fruit intended for export. The Shed was renovated with cold storage, but it was not inaugurated until September 2008 due to negotiations over how to manage it, which was settled in the form of a new company jointly owned by the largest producer-exporter (a multinational company) and industry association (SPEG). Ironically, however, the Shed was not used by most SPEG members due to lower production volumes after the MD2 switch. Except for the multinational company, producer-ex-

²⁶ The proposal drew heavily on a World Bank-commissioned study by international consultants Jean-Michel Voisard and Peter Jaeger (see Voisard and Jaeger 2003), who also played a role in writing the proposal.

porters did not have the volumes of MD2 yet to make the Shed necessary.

The second main component of HEII was to facilitate the shift in pineapple variety cultivated among farmers by developing sources of MD2 planting materials from local tissue laboratories, helping small farmers to turn them into plantlets at subsidized prices, and providing technical advice on production. Large-scale producer-exporters already had sourced planting materials from other countries and began converting their farms, but the medium- and small-scale farmers did not have the ability to do so. Other components in the project design included research and development, meeting international standards in farming practices, and providing strategic support to the industry through studies and market intelligence.

All pineapple producers and exporters lost money after the rapid shift to MD2 in 2005, but smallholder producers were disproportionately affected because they had limited capital reserves to fall back on. The HEII gave smallholders access to MD2 planting materials, but it did not provide them with access to the working capital necessary to put the materials into production. The fact that smallholders had lost money was exacerbated by the fact that the cost of production increased with the MD2 variety. The HEII had a rural financing component, but it was not successful, because rural banks did not want to lend to small farmers. Although 5 million MD2 plantlets were rolled out for multiplication in farmer nurseries through the Initiative, most smallholders did not establish new MD2 farms because they did not have the money or a secure buyer. Thus, most of the planting material went to waste. Some smallholders and outgrowers planted, but then could not get funds to look after the farm, so it

failed to yield properly and they lost money. Other farmers never planted, yet farmer groups had put up some resources in order to receive the plantlets and make nurseries. The financing issue was picked up in the Government's 2005 Millennium Challenge Account proposal. In 2006, politicians were telling farmers that they would get financing through the Millennium Challenge Account compact, but the farmers would only see the credit several years later.

Staff at the Horticulture Development Unit realized in 2006 that smallholder producers faced a market access problem and tried to respond by helping them to get GlobalGAP certification, which might assure exporters of the quality of their produce.²⁷ GlobalGAP certification was done in conjunction with two other donor projects (USAID's TIPCEE and the German Development Corporation's Market Oriented Agriculture Program). Some small farmers received GlobalGAP certification through donor initiatives, but they still lacked planting materials, financing and an export market linkage.

Lastly, the Horticulture Export Industry Initiative supported work on food safety and research and development, including registering pesticides, development of Ghana Standards Board laboratories and trial tests to see what varieties worked best in Ghanaian climatic and soil conditions for new horticulture crops. Useful stuff, but work on new varieties has yet to lead to the take-off of any new horticulture export crops.

²⁷ GlobalGAP stands for Global Good Agricultural Practices. Originally called EurepGAP, it is a common standard for farm management created in the late 1990s by several European supermarket chains and their major suppliers. In September 2007, EurepGAP changed its name to GlobalGAP. The decision was taken to reflect its expanding international role in establishing Good Agricultural Practices between multiple retailers and their suppliers.

USAID Trade and Investment Program for a Competitive Export Economy (TIPCEE)

USAID focused its project specifically on horticulture, as had been recommended in the external evaluation of its last project. TIPCEE aimed to integrate small farmers into export value chains by linking them with exporting firms in pineapple and other horticulture crops. The initiative had many components. The major contributions of TIPCEE can be summarized as including: (1) negotiating a separate GlobalGAP option for smallholders; (2) providing farmer training in GlobalGAP standards and helping to cover costs of GlobalGAP certification; (3) providing technical assistance in production of horticulture crops to smallholders; (4) producing educational materials for illiterate farmers; and (5) introducing smallholder producers to exporters or processors.

TIPCEE had important impacts on the industry, but their sustainability is questionable. For example, the project provided assistance to small-scale horticulture producers across many crops to help them form associations and export directly. While significant assistance was provided, the period of assistance was not long enough to build capabilities to supply quality products for export markets on a sustained basis, and was not complemented by access to finance and the necessary post-harvest infrastructure. TIPCEE also provided direct assistance to some medium-sized horticulture producer-exporters, including one of the first generation of pineapple producer-exporters whose company had collapsed after the MD2 switch. The USAID initiative helped the company to recapitalize and start producing MD2 pineapple. It played a mediating role between the company and banks, with its guarantee for the company being a key factor in the company's ability to access credit. However, this service was only pro-

vided to a few companies, while many others collapsed because they did not benefit from such services.

Ironically, the focus of TIPCEE was expanded mid-way through its implementation due to a change in its funding source within USAID. It had to reach new targets: USAID headquarters wanted to see a massive outreach to smallholder farmers and increased the project's target from 15,000 farmers to 100,000 farmers. There was not a large base of farmers in horticulture, so TIPCEE had to shift to food crop farmers, diluting its focus on horticulture.

Export Marketing and Quality Awareness Programme (EMQAP)

During the course of implementing the Horticulture Export Industry Initiative, the Horticulture Development Unit signed a five-year project loan with the African Development Bank called the Export Marketing and Quality Awareness Project. The project was signed in mid-2005, but implementation did not begin until 2007, because the Unit was busy finishing with HEII. The project was an attempt by the Unit to secure funding to continue and expand on its work.²⁸

This project illustrates several of the re-occurring problems with donor funding for productive sectors. First, it was designed by consultants fielded by the African Development Bank to look at the gaps in what HEII was doing and what other donor projects were doing, and to decide how to fill those

²⁸ The project continues the food safety and research and development activities that the Horticulture Development Unit team was doing, but also includes new components such as establishing demonstration farms to illustrate good agricultural practices to meet international standards, constructing a packhouse for each of four selected regions, improving roads in production areas (which constitutes 50 percent of the project loan), and establishing a database on market information.

gaps. This process did not involve the bureaucrats in the Horticulture Development Unit, and thus did not draw on their now extensive experience and knowledge of horticulture in the Ghanaian context. Whereas the World Bank's HEII had been an exception compared to other donor project in terms of drawing on participation of state bureaucrats and producer-exporters, the African Development Bank fell into the usual trap of interviewing them and then going away to design a project that first gets the Bank's board approval before negotiating with top political and bureaucratic leadership in Ghana. Second, it exemplifies the extent to which donor project cycles take too long, and industry conditions can (and do) change from the time the project is designed to when it is implemented. This project was designed before the shift in the industry to MD2 and thus it did not address the new challenges caused by MD2 and could not be altered to do so. Third, the project cycle funding apparatus is too rigid. Once signed, bureaucrats are largely stuck with what's in the project document and have limited flexibility to address changing industry needs.

This project also draws attention to the fragmentation and overlap of donor-funded initiatives supporting horticulture export. Running during roughly the same time period, the EMQAP and MCA were implemented by two different government organizations and these organizations did not collaborate with each other. EMQAP was implemented by the same Horticulture Development team that had been in charge of HEII. MCA was implemented by the Millennium Development Agency, a new government agency created especially for that purpose. Implementation of EMQAP was slow, partly due to the need to wait for MCA implementation to 'go first' in order to avoid

duplication. As of 2010, there was little to see on the ground. Most activities were behind schedule, except in the area of food safety and research and development.²⁹

5.2 MCA compact: what ruling elites desired in a productive sector initiative

The United States created the Millennium Challenge Account (MCA) in 2002 as a new tool for development assistance that was administered by a new organization called the Millennium Challenge Corporation (MCC). Ghana qualified for MCA funding in early 2004 and was asked to propose a project. The stipulations were that the project contribute to economic growth *and* reduce long-term poverty *and deliver results within five years*. The story of MCA is illustrative of what NPP ruling elites desired in a productive sector initiative because the MCA initially presented a blank check to the NPP government.³⁰ The MCA case also shows what NPP ruling elites prioritized in negotiating with a donor, because as it turned out, the check was not so blank!

The NPP leadership did not have any specific ideas on how to use the money. Rather, President Kufuor charged the Minister of Finance with coming up with a proposal, and the Minister of Finance hired some consultants to write it. The first idea was a 'christmas

²⁹ These activities involved the certification of planting materials in local nurseries and research trials coordinated by the Crops Research Institute. It is unclear whether such activities will have a large impact on the industry, as they are not clearly linked with the needs of the large producer-exporters (who do these things themselves) but rather are more useful for smaller-scale producers, who do not currently have access to the other things they also need to start and remain in production, such as financing and extension.

³⁰ The story is constructed from extensive interviews with many of the key people involved in writing the proposal and from extensive documentation of the proposal writing process that I collected from the people involved.

tree' of unrelated components (wish lists of various ministries) hung around the theme of commercializing agriculture. It seems that the top political leadership was trying to 'spread the wealth' across the ministries, rather than giving it to just one. Unsurprisingly, the MCC rejected this proposal.

The MCC met with business organizations to canvass their views. The head of the Federation of Associations of Ghanaian Exporters suggested horticulture export, and the MCC staff liked the idea. A new team was put together to write a proposal on commercialization of agriculture focusing on horticulture export, including Ghanaians with knowledge of the horticulture export sector. However, the process of writing the proposal would be a tug of war on two levels. First, it was a tug of war between horticulture export experts who were acting in the capacity of consultants, and professional consultants with no technical knowledge but who had political backing. I refer to the latter as the power brokers. Second, it was a tug of war between the power brokers and the MCC staff who followed the proposal writing process closely.

The power brokers were consultants who either had close connections to the then Minister of Finance or who were brought in because they had skills in writing 'project proposals' that meet donor requirements. The power brokers were largely responsible for writing the actual text, while the horticulture experts came up with ideas. The power brokers also engaged directly with President Kufuor and the Cabinet as well as with MCC staff.

The horticulture experts had to constantly defend the focus on horticulture, as the power brokers and politicians tried to bring in new ideas. The experts also had to convince the power brokers of their ideas. The power brokers sometimes shot down good techni-

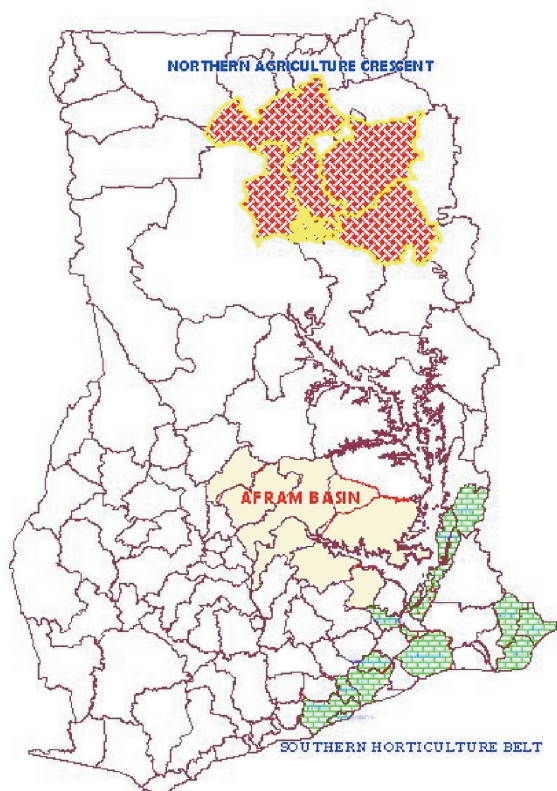
cal ideas of the horticulture experts because they did not share a common understanding of how to promote the horticulture export sector. Other times, the power brokers rejected ideas from the horticulture experts because they knew that the MCC would not fund them. The MCC staff were in constant communication with the power brokers, so the power brokers knew the kinds of things that the MCC wanted to see in the proposal. One example in which both factors were at play were the debates about whether to support commercial farmers. The power brokers thought that commercial farmers were already rich, so support should go to smallholder farmers. The horticulture experts argued that smallholders could not link to export markets without the commercial farmers. The argument that the MCA is supposed to be directed at poverty alleviation, and thus the MCC would not accept a programme directed at commercial farmers, had a big influence on the design of the final MCA compact.

In the end, the power brokers went with what the MCC said would be accepted, especially as pressure from President Kufuor to get the deal done and signed increased. President Kufuor did not seem to care what the project was about, only that it was bringing in money and as quickly as possible. He wanted the MCA compact to be one of the major legacies of his presidency.

The government's final MCA proposal submitted to MCC in late 2005 focused on horticulture exports. It aimed to expand the existing horticulture export sector, rather than catalyze a new industry and dynamics, because the horticulture experts could not convince the power brokers of their innovative ideas. Furthermore, the NPP leadership did not want all the money to go to horticulture producers and exporters, especially after the MCC significantly raised the amount

of money on offer, so several things were added to the proposal largely to broaden the group of beneficiaries. Support to food crop production in the middle belt of the country, which has remained largely unexploited due to lack of infrastructure, was added, and the number of targeted districts was expanded from 3 to 32. Additionally, rural services in the beneficiary districts, such as schools, water, and sanitation, were added. Thus, the proposal targeted support to three zones: the southern horticulture zone (pineapple, mango, papaya), the Afram Plains (maize), and the northern horticulture zone (mango and a few cereals). These zones and districts are highlighted in Figure 4.

Figure 4. MCA intervention zones and districts



Source: Millennium Development Authority, Accra.

In short, the proposal aimed to expand production of selected horticulture and food crops in these zones through the nucleus-outgrower model based around existing commercial farmers who would provide a market linkage for small farmers. This model was based on what Blue Skies (fresh cut fruit for export) in the south and the Integrated Tamale Fruit Company (mango exports) in the north were doing. These lead firms were supporting and buying produce from a large number of outgrowers in a contractual relationship, providing not only a market but also information and assistance. Some of the horticulture producer-exporters had small outgrower schemes of about 15 farmers. In the Afram Plains, there was one large-scale commercial food crop farmer – the only one in Ghana! The horticulture experts argued that the provision of information and assistance to outgrowers by lead firms is the same as extension service and should be seen as a developmental cost with positive externalities. Thus, the state should pay for it, so that the lead firms did not have to pay for these ‘developmental’ costs. The idea of enhanced business services was to create skilled small farmers that could become outgrowers through a demand-driven voucher scheme. The MCC staff were not convinced and kept asking the Ghana team to define the idea better. The MCC preferred a farmer-based organization model, which was being used by the World Bank in its agriculture sector programme at that time. The MCC proposed training for farmer-based organizations as an alternative to the enhanced business services idea. The final proposal is a mix of the two models.

The final compact was negotiated by politicians, members of the proposal writing team, and the MCC in Washington. The

MCC staff undertook 'due diligence' on the proposal, which meant taking apart the government's proposal, having consultants verify every aspect. The proposal was completely taken apart and reformulated. Several members of the Ghana team likened the process to starting all over again. Many team members said they did not get the political support they needed in the negotiations, which weakened their position vis-à-vis the MCC. To lead the Ghana team in the Washington negotiations President Kufuor appointed a Minister who had not been part of the formulation process but was seen as someone who could negotiate with Americans and seal the deal. The Minister wanted to emphasize certain things that were not central to the proposal, such as the social infrastructure, and did not give strong support to the Ghanaian team in negotiations with the MCC. As a result, major aspects of the government's proposal were changed. For example, during compact negotiations, the MCC pushed the farmer-organization model further. The Ghana team pointed to successes with the nucleus-outgrower model in Ghana and other African countries, and that nucleus farmers create market linkages for farmers. The MCC thought the nucleus-outgrower model would only benefit nucleus farmers and instead wanted to make outgrower farmers self-sustaining by organizing them and creating opportunities to link them directly to markets. The MCC won out. The final compact focuses on organizing farmer-based organizations for training and outlines a three-phase training process.

Another major aspect during negotiations was the agricultural financial credit component. The Ghana team wanted to provide credit to farmers and all along the value chain to help them improve quanti-

ty and quality of production. There was a big debate during the due diligence process regarding the interest rates on credit. The MCC said that they had to be market rates, but the Ghana team argued that market rates were too high to allow farmers to borrow and repay, but the MCC won out and this would be a major issue during implementation.

The last major change was in the institutional setup for implementing the MCA compact. The Ghana team had not clearly articulated implementation arrangements but envisioned a low-profile, single-purpose unit. The MCC insisted on a special unit for implementation, but the idea of a broader multi-purpose agency seems to have come from the Minister leading the negotiating team. The Millennium Development Authority (MiDA) was created by an Act of Parliament in March 2006, before the MCA compact was actually signed. This Authority is intended to have a life after MCA implementation in the management of other development programmes of the government or donors.

The case of MCA reveals convergences between what ruling elites in Ghana wanted and what MCC staff wanted to see in a productive sector initiative as a result of their political agendas. Given this convergence, it was hard for the horticulture experts and horticulture entrepreneurs to have influence. Both the government and MCC wanted a project that would make a visible impact on poverty reduction in a short time frame and affect as many small farmers as possible. Furthermore, both the government and the MCC wanted large visible activities for which they could take credit. This point is illustrated by money spent on large billboards in each beneficiary district, such as the one in Figure 5.

Figure 5. Picture of MCA sign in Yilo Krobo District



Source: Taken by the author, April 2009.

The political agenda of President Kufuor and top ruling elites appears to have been to use the MCA money to score as many electoral points (votes) as possible by making the MCA benefit the widest range of people. Focusing financing on a select few is not seen as a politically effective strategy, even if it is a better economic strategy. The horticulture export industry did include as many as 10,000 smallholder farmers before the industry crisis in 2005 and the shift to MD2. But by the time of the MCA programme, the number of smallholders had been reduced dramatically. It is also the case that geographically they are concentrated in a few districts in the southern horticulture zone. Thus, the benefits of horticulture export in the short term would be limited geographically and in terms of absolute number of beneficiaries.

This political strategy is not limited to the NPP politicians. In addition to the examples of the NDC discussed above, the role of Paa Kwesi Nduom of the Convention People's Party is instructive. Nduom held various ministerial portfolios under the NPP government. Kufuor brought Nduom into the first NPP government to show the NPP's appreciation to this small third party whose votes it needed to get a majority in Parliament. Nduom was the one appointed to lead negotiations with the MCC in Washington. Nduom had high political ambitions and pushed for the inclusion of things that he thought would help him to gain popularity, such as rural services. After the compact was signed, Nduom publicly tried to take credit for the MCA compact. Notably, he campaigned for the presidency in the 2008 December elections on the ticket of the

Convention People's Party, and recently announced he will try again in the 2012 elections.

The overlap between the political agendas of politicians and donors is not specific to the MCC, but can also be found in other donors. The result is the predominance of certain kinds of initiatives and implementation arrangements. Across all donors, there was a focus on encouraging smallholder production of horticulture export crops as a means for poverty reduction, and a perception of smallholders as having a different set of interests from the larger commercial farmers. Almost entirely absent was an idea of building a competitive horticulture export sector that could create rural employment on large-scale commercial farms as well as help small farmers to enter the production of export crops and expand their farms through linkages with exporting farms. There was also limited talk of building a competitive horticulture export sector because it could generate foreign exchange and state revenue through taxes.

5.3 Implementing the MCA: from horticulture export support to farmer training project

President Kufuor signed the USD 547 million MCA compact in late 2006. The compact aims broadly at commercializing agriculture with some aspects supporting horticulture exports included. It took all of 2007 to negotiate the structure of the Authority and salaries for staff, as it was all being paid by the MCC. Implementation only began in 2008. However, during implementation, the focus on supporting horticulture exports was almost entirely lost.

Some Ghanaians on the MCA proposal writing team who were involved in negotiations with the MCC in Washington DC in-

sisted (during the first years of implementing the MCA compact) that the essence of the proposal was still there. This optimistic view was proven wrong during implementation as the compact was operationalized. The spirit of the proposal and the focus on building a competitive horticulture export sector were undermined in several ways. First, the people involved in writing the proposal were not put in charge of implementation. Rather a whole new team of people were hired to run MiDA. Second, the organizational structure of MiDA contributed to diluting the focus on horticulture, and even on agriculture. The organizational structure gave all the components a project management with equal authority (see Figure 6). The upshot was to create several disparate projects in agriculture, land administration, financial services, and transportation, rather than an agriculture programme in which these components are focused on meeting agriculture needs. This organizational structure was partly due to the composition of the MCA compact, which presents the programme in terms of three discrete projects in agriculture, transportation, and rural services (see Annex B at the end of the paper). Third, the implementation arrangements negotiated with MCC involved contracting out most of the implementation to private companies, especially American companies. This is especially the case in the agriculture component which involves three layers of consultancies which are in charge of training the farmer-based organizations: one company managing the national level, a company/NGO in charge of each regional zone, and then several training service providers in each region. Figure 6 illustrates the organizational structure of MiDA.

Most importantly, the agricultural project, the main project of the MCA, became a farmer training project, which centered on training

farmer-based organizations. In doing so, the needs of existing pineapple outgrowers were neglected. How did this happen? Implementation of the agricultural project was driven by bureaucratic imperatives of achieving a target of training 60,000 farmers in 1,200 farmer-based organizations, set sometime during the compact negotiation, or shortly after. The calculations worked out to 50 farmers per organization. Everything else seems to have been tailored to achieve this goal. The farmer-based organization model was the model applied regardless of whether farmers were growing food or horticulture export crops. Furthermore, farmer organizations were created by geographical location, and thus pineapple outgrowers were combined with food crop farmers and wrote collective business plans in order to access credit from local banks. Some of the regional implementing agencies acknowledged the problem with combining crops, but said there was little flexibility within the system. Further problems were created by the experiment-based monitoring and evaluation component that the MCC inserted into the implementation strategy in order to rigorously test the impact of training on farmers, which meant that farmer-based organizations had to pull lots for when they would go through training. This was not amenable to achieving a competitive horticulture export sector, as some pineapple outgrowers had to wait for the second round of training. Lastly, the training on running a business might have been useful, but what creates viable small farmers are their linkage to markets which can provide a good price. The market linkage aspect was not emphasized, and in many ways, the actual implementation of the training undermined the market linkage for horticulture small farmers.

By the end of 2010, the MCA compact had not benefited many outgrowers of horticulture

producer-exporters, nor had it revived the production of smallholder pineapples farmers. In late 2006, the outgrowers connected to producer-exporters as well as the Farmapine cooperatives were promised credit through MCA by the negotiating team if they submitted a business plan. Originally, Global-GAP-certified farmers were not required to go through training, but this changed during implementation. Some pineapple producer-exporters were assertive and their outgrowers got access to credit without training, but others were not and their outgrowers had to wait their turn for MCA training. For those outgrowers who prepared their farms in anticipation of MCA credit, when they did not get the credit, their farms collapsed.

Furthermore, credit for the first batch of farmers trained did not start flowing until 2009, and even then not to all farmers. Part of the problem was the large number of business plans that small banks had to process, as many large banks with greater personnel capacity refused to participate in the MCA process. However, there was a particular problem with pineapple farmers, as production requires a high capital outlay (in 2009, a farmer needed about Ghana Cedis 6,000 to produce 1 acre of MD2 pineapple). Although banks get the money from the MCA, the banks carry 50 percent of the risk of default, so that is a lot of money to lose. Furthermore, what banks wanted to see is a guaranteed buyer, not training. Pineapple producer-exporters were hesitant to guarantee farmers outside of their own outgrower group. Two producer-exporters who were benefiting from MCA-provided packhouses agreed to guarantee small pineapple farmers in their area. However, as of early 2011, many of the farmers linked to these producer-exporters had not received credit. This time the problem was that these farmers were in the second batch of trained farm-

ers, and banks were weary of lending more money when the first batch of farmers had not repaid their loans yet. The sheer scale of the project overwhelmed the existing capacity of rural banks, and the farmer training did not emphasize linking farmers to markets, which undermined their ability to repay. Furthermore, the MCC insisted on using the prevailing market interest rates and repayment periods, which were too high and too short (respectively) for small farmers to be profitable, particularly MD2 pineapple farmers.

Some needs of horticulture producer-exporters in the southern zone were met, but probably only because one of the horticulture experts from the MCA proposal team was employed in the American firm hired by MiDA to be the regional implementing agency for the southern zone. This person worked with the agricultural project leader in MiDA and the Sea-freight Exporters of Ghana association to push the MCC as much as possible to deliver useful things for the horticulture producer-exporters because they were the core of the sector on which the small farmers depended. However, there was a limit to what this small network could achieve, given the absence of political backing from any ruling elites.

Southern horticulture producer-exporters benefited from the MCA compact through access to post-harvest equipment and access to loans for working capital. For the post-harvest equipment, the Sea-freight Pineapple Exporters of Ghana association negotiated with MCC for money to be given to the association to purchase packlines, cooling facilities and generators for its members.³¹ The money was given as a revolving fund, such that when the loans are paid back the association would

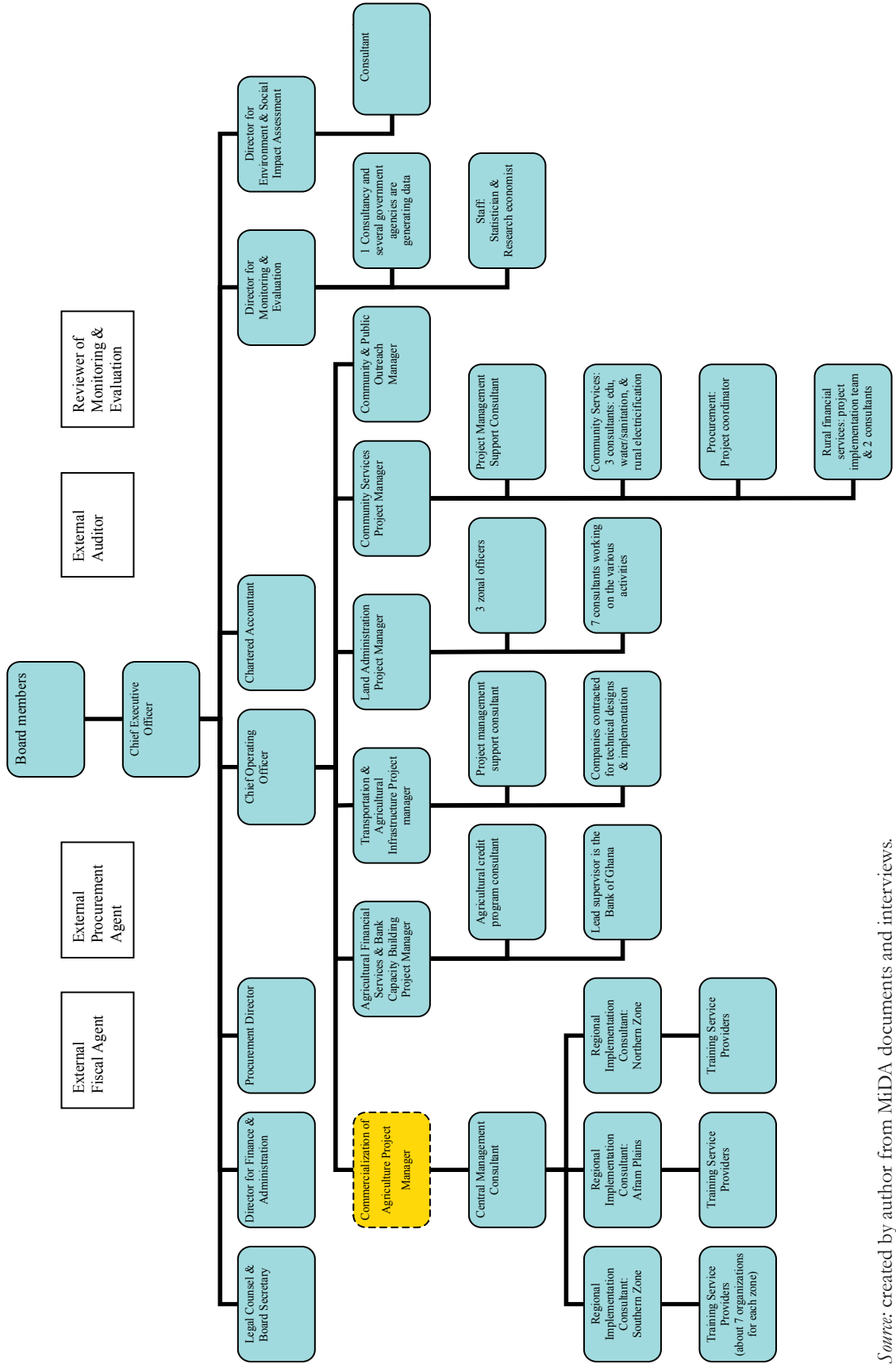
keep the money for future financing. This in-kind loan was given on good terms. It took a long time to negotiate this arrangement, because it deviated from the MCA compact, which specified that all financing should go through financial institutions. Seven producer-exporters benefited in late 2008, and another eight were scheduled to benefit in late 2009, but this did not happen. Lower than expected export volumes delayed the repayment schedule of the first batch of beneficiaries. A series of events created mistrust between MiDA and SPEG, and MiDA cancelled the second batch. Additionally, only five producer-exporters used the working capital loan, because the interest rates were too high and the repayment period too short. Producer-exporters desperate for financing and with no alternative took MCA-backed loans. A few producer-exporters were able to access credit through their normal banking channels or through the government's fund to promote exports which provided better terms.

Two pineapple producer-exporters and one mango export cooperative were selected to benefit from the provision of packhouses, where either new state of the art facilities were constructed or old ones upgraded, to serve as collective packhouses that small farmers and exporters in the surrounding areas could use. The producer-exporters who participated were some who, for different reasons, had to largely rebuild their farms and thus could use the assistance.

The MCA compact was also supposed to build feeder roads in the pineapple belt and extend electricity to nucleus farms which currently did not have it. Extension of electricity began in late 2009, and road construction in 2010. The MCA was also building a major highway connecting the southern horticulture belt to the airport and seaport, which is a major project and one of the most vis-

³¹ Note that the association now includes some members who sea-freight fruits other than pineapples.

Figure 6. Millennium Development Authority Organizational Structure



Source: created by author from MiDA documents and interviews.

ible activities of the MCA compact. Lastly, the MCA compact was supposed to upgrade the perishable cargo centre at the airport. It seems that most planned infrastructure and post-harvest construction activities will be completed before the project is due to end in February 2012.

In addition to the southern horticulture belt, the MCA was supposed to support mango production in the northern horticulture zone. Northern mango production for export consists of one company with an outgrower scheme of about 1,300 farmers. The MCA compact was supposed to provide assistance to this company. However, the company rejected offers of credit because the terms of the loan were not compatible with mango production: interest rates too high and moratorium on repayment too short for a tree crop that takes several years from planting to yield fruit. In the end, the MCA only provided roads and electricity in the areas where mango production occurs. It did not help to expand the outgrower programme by providing credit to mango farmers. Instead, the MCA funded smallholders to grow other crops, although some of them were also mango producers who got MCA credit for food crops.

In conclusion, the MCA compact has made a modest contribution to supporting the horticulture export sector. However, the support was slow in coming and bad in timing, in that it began just after the pineapple industry crisis and producers needed the assistance quickly. The MCA also spent a lot of money unproductively and ineffectively. Given the total budget of the grant, a lot more could have been done with the compact, especially the money that went to consultancy firms, office buildings and MiDA salaries. One of the main achievements of MiDA may be the facilitation of a major investment by a large Kenyan agribusiness company in the production of

horticulture crops in Ghana, with a large outgrower scheme supported by the MCA. This investment was not intended, but may be one of its biggest contributions in expanding the sector.

5.4 Multiple competing bureaucracies

Between 2001 and 2004, before the HEII was designed and ready for implementation, the Horticulture Development Unit staff had nothing to do, or rather no resources with which to do anything. Unit staff lobbied for resources in the budget to help with the shift to MD2 cultivation. They only managed to secure a small amount of money with which to buy MD2 plantlets and multiply them.

HEII gave the Horticulture Development Unit renewed vigour, but the time period was too short to do much and it was not followed by a 'big push' of coordinated, targeted support to the sector. Rather, it was followed by fragmented and uncoordinated efforts of multiple donor projects. Several parallel 'bureaucracies' were created – all donor-funded, but staffed with many Ghanaians. TIPCEE had its own bureaucracy. As with all USAID projects, TIPCEE implementation was carried out by a consortium of private companies that won the bid for the contract. The MCA had its own bureaucracy: the Millennium Development Authority. There was a large amount of MCC micromanagement of how the Authority operated. MCC members made field visits to Accra often and were involved in most decisions, adding yet another layer to the bureaucracy. Furthermore, implementation of MCA was carried out not only by staff in the Millennium Development Authority in consultation with MCC staff but also by the numerous contracted implementing agents. Another donor project by the

German development cooperation agency, which is not discussed here, was formally implemented within the Ministry of Food and Agriculture, but informally implemented by German staff sitting within Ministry offices who did not follow the Ministry's procedures because it slowed down implementation – and Ministry senior officials agreed to that.

In addition to dividing personnel, information was fragmented among these multiple bureaucracies and was not necessarily shared with the Horticulture Development Unit. For example, TIPCEE generated important data on the horticulture sector, including global position system maps of producers in horticulture zones. However, this data was not deposited with the government when TIPCEE ended, although the Horticulture Development Unit could theoretically access it. USAID projects built up a lot of institutional memory on horticulture development, as the same private companies won contracts to most of its projects related to horticulture. However, this institutional memory remained in the private sphere and of no use to the government bureaucracy. The same individuals moved from one USAID project to the next. Information and expertise on the sector exist in Ghana, but are not concentrated in one organization. Lastly, the multiple bureaucracies also resulted in fighting 'over turf', and duplication and overlap between two projects – such as with the EMQAP and MCA, which were both implemented by the government.

6. SUMMARY: THE LIMITED IMPACT OF GOVERNMENT INITIATIVES

While ruling elites did not provide sustained political support for developing the horticulture export sector, there were government-

sponsored initiatives targeting the sector. These initiatives were generally designed and implemented by donors, but is also the case that ruling political elites had influence over their design and implementation. Three factors shaped what actually got implemented in the various initiatives affecting the horticulture export sector. Notably, these same factors also explain to a large extent the limited impact of the initiatives in developing the sector.

First, the ruling elite focused on initiatives that could deliver relatively quick and visible benefits to a large number of people. These were gains that the elite could point to during election campaigns. The short time horizon of ruling elites when choosing initiatives was compounded by the short time horizon of donors, who were largely driving the initiatives in the horticulture export sector. Donors were constrained by producing results within project cycles, rather than solutions to meet industry needs. Two key international consultants engaged with the Ghanaian horticulture export sector commented: "Some opportunities never get tested because much of research funding comes from donor or multilateral programmes which seldom exceed the five year horizon. This means that for countries such as Ghana, opportunities to be developed will be those yielding immediate results in the projects' duration and therefore only short to mid-term opportunities get funded" (Voisard and Jaeger 2003: 29).

Second, horticulture producer-exporters were poorly organized and had little holding power within the ruling coalitions. The horticulture export sector was not yet an important pillar of the economy. In the 1980s and 1990s, the producer-exporters were largely Ghanaian and relatively small in size and weak in capabilities. The horticulture industry associations were weak organizations, riddled by internal problems.

They are still learning the importance of collective action for the industry (see Whitfield 2010). As a result, these entrepreneurs were not able to aggregate their interests and persuade the ruling elites of their importance.

The first two factors point to the clear absence of mutual interests between ruling elites (in both the NDC and NPP) and the horticulture producer-exporters. To reiterate the argument presented in the introduction of the paper, the characteristics of ruling coalitions in Ghana –

high vulnerability of the ruling elites in power, the high fragmentation within ruling coalitions, and their existing sources of and strategies for financing the state and the ruling coalition – create incentives that deter ruling elites from providing sustained political support to new productive sectors that do not have significant state presence but rather are driven by private entrepreneurs. On their part, it seems that horticulture producer-exporters have not had an interest or need for ruling elites, in the context of volatility of the ruling elites in power. By the late 2000s, the entrepreneurs that survived had grown large in size and stronger in capabilities, but were still pessimistic about engaging with ruling elites, especially in the form of donor-driven projects.

Third, the relevant state bureaucrats had very little political support and limited embeddedness in the industry. The Horticulture Development Unit became the government key driver for supporting horticulture export industry, but it did not have political backing, and thus became dependent on donor project funding. The fragmentation of agencies implementing projects aimed at horticulture export can be understood as a consequence of the lack of political support for the Unit. The ruling elite did not push donors to implement their projects through the Unit, and the multipli-

cation of agencies created huge coordination problems and losses in terms of knowledge and information. Furthermore, the Horticulture Development Unit staff did not have a shared heuristic understanding of the industry with the producer-exporters. The state bureaucrats were focused on smallholder production and only came to see the need to support larger producer-exporters in the late 2000s, after the crisis. In any case, they were relatively powerless. Donors, politicians, and top-level bureaucrats negotiated the final form of donor-funded projects, often with little input from the technocrats or producer-exporters. Therefore, no ‘pockets of efficiency’ emerged.

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ANNEX A.**Initiatives Affecting or Targeting the Pineapple Export Industry, 1987-2012**

Initiative	Time Period	Government Institution responsible	Funding	Implementing Agency	Objectives of the project
Pineapple Production Expansion Program	1987-1990	Ministry of Trade & Industry (MoTI)/ Ghana Export Promotion Council (GEPC)	Minister of Trade & Industry; consultants paid for by donors	GEPC	Expand production of pineapples for export. Provided soft loans, assistance in accessing planting material from Ivory Coast, and assistance in production and marketing.
Agriculture Diversification Project, Horticulture development component	1991-1999	Initially GEPC, but responsibility was shifted to the Ministry of Food & Agriculture (MoFA). Project design began in 1988.	World Bank, IDA credit \$ 16.5 million	Created the Horticulture Unit in MoFA as the project implementation unit	Horticulture component objectives: (1) develop technical packages for pineapple production and other horticulture export crops; (2) technical assistance on marketing; and (3) develop 'pilot production villages' and resurface feeder roads.
Agricultural Services Support Investment Program (AgSSIP), Horticulture Export Industry Initiative (HEII)	2004-2006	MoFA Initiated in 2003 work on HEII, because AgSSIP was going to be restructured	World Bank IDA credit (\$9.5 million)	MoFA, Horticulture Unit	Activities: post-harvest infrastructure; MD2 pineapple sourcing & development; planting material trials; research & development; food safety & quality management; and strategic support to the industry (information and studies).
Trade and Investment Program (TIP)	1993-1998	No government institution responsible. Liaises with government institution relevant for activities. Ministry of Finance signs grant (?).	USAID Project	AMEX International	Support to individual enterprises in non-traditional exports, support to export industry associations, and some financing support. Targeted non-traditional exports included agriculture (including horticulture), textiles/garments, and value added wood.
Trade and Investment Reform Program, Increased Private Enterprise Performance component	1998-2004	(same as above) In this component, works directly with producers.	USAID Project (\$60 million)	AMEX International, TechnoServ, & CARE International	Continuation of TIP. New addition from TIP was focus on increasing capacity of micro-enterprises and linking microenterprises/small farmers into production-marketing chain for exports.
Trade & Investment Program for a Competitive Export Economy (TIPCEE), Export Business Development component	2004-2009	(same as above) Coordinated its work more with other donor projects and with MoFA.	USAID Project (\$30 million total for whole project)	Chemonics (in a consortium including CARE and TechnoServ)	Continuation of TIRP. Originally targeted high value horticulture export crops, but later expanded to include food crops. Initiatives focus on market access and strategic partnerships and on development of information tools for example on production techniques, product standards, financial management.

(Continued)

Initiative	Time Period	Government Institution responsible	Funding	Implementing Agency	Objectives of the project
Market-Oriented Agricultural Programme (MOAP)	2004-2013, in 3 phases	MoFA	German Technical Cooperation (GTZ) & German Development Service (DED)	GTZ, DED, MoFA	Components: Promotion of selected value chains in agriculture (including sugar loaf pineapple in Central region & mango in the northern region and Brong Ahafo region); support to public sector services in agriculture development; support to private sector organizations
Export Marketing and Quality Awareness Programme (EQMAP)	2007-2012	MoFA. Initiated by the Horticulture Unit to be a successor to HEII. Project document signed in 2005.	African Development Fund (\$25.85 million) and Government of Ghana (\$2.8 million)	MoFA, Horticulture Unit	Targets horticultural export crop farmers and cassava producers. Focuses on smallholders. Activities include community-owned packhouses, demonstration farms, improvement of feeder roads in production areas, marketing strategy, certification schemes, and regulating planting material production.
Millennium Challenge Account (MCA) compact in commercialization of agriculture	2007-2012	Newly created Millennium Development Authority (MiDA). Government submitted proposal in 2005. Project document signed in 2006.	US, Millennium Challenge Corporation (\$540 million)	MiDA, but it manages a large number of implementing agencies	Increase production, productivity and competitiveness of high-value cash crops and food crops. Three projects: agriculture (training, irrigation, land tenure, credit, post-harvest handling, feeder roads); infrastructure (main roads to air- & seaports), and rural development (community services, electricity, rural finance institutions). Targets 60,000 farmers in 1,200 farmer-based organizations. Operates in 23 districts in the south, Afram plains and northern region.

**ANNEX B.
MCA COMPACT WITH GHANA
EXECUTIVE SUMMARY,
1 AUGUST 2006**

The five-year, approximately USD 547 million, Millennium Challenge Compact aims at reducing poverty by raising farmer incomes through private sector-led, agribusiness development. To this end, the program focuses on increasing the production and productivity of high-value cash and food staple crops in certain areas of Ghana, and on enhancing the competitiveness of Ghana's export base in horticultural and other traditional crops. The program operates in 23 districts in the northern region, Afram Basin region and the southern horticultural belt. The program consists of three projects:

Agriculture Project

- *Farmer and Enterprise Training in Commercial Agriculture:* Accelerate the development of commercial skills and capacity among Farmer-Based Organizations (FBOs) and their business partners, including entities adding value to agricultural crops such as processors and marketers.
- *Irrigation Development:* Establish a limited number of retention ponds and weirs requested by the FBOs and FBO partnerships for whom access to water is critical to the success of their businesses.
- *Land Tenure Facilitation:* Improve tenure security for existing land users and facilitate access to land for higher-value agricultural crops in the Intervention Zones.
- *Improvement of Post Harvest Handling and Value Chain Services:* Facilitate strategic investments by FBOs and FBO partnerships in post-harvest infrastructure improvements and build the capacity of the public sector

to introduce and monitor compliance with international plant protection standards.

- *Improvement of Credit Services for On-Farm and Value Chain Investments:* Augment the supply of, and access to, credit provided by financial institutions operating in the Intervention Zones, providing seasonal credit to FBOs through commercial and rural banks, as well as through non-traditional channels such as input suppliers, and medium-term credit through banks to finance capital goods such as irrigation and post-harvest processing and storage facilities.
- *Rehabilitation of Feeder Roads:* Rehabilitate up to 950 kilometers of feeder roads in eight districts in the Intervention Zones to reduce transportation costs and time, to increase access to major domestic and international markets, and to facilitate transportation linkages from rural areas to social service networks (including, for instance, hospitals, clinics and schools).

Transportation Project

- *Upgrades to Sections of N1 Highway:* Reduce the bottleneck in accessing the International Airport and the Port of Tema and support an expansion of Ghana's export-directed horticulture base beyond current production, by upgrading of 14 kilometers of the National Highway (N1 Highway) between Tema and Accra.
- *Improvements of Trunk Roads:* Facilitate the growth of agriculture and access to social services by rehabilitating or constructing up to 230 kilometers of trunk roads in the Afram Basin region.
- *Improvements of Lake Volta Ferry Services:* Facilitate the growth of agriculture in the Afram Basin region by improving the ferry service of Volta Lake Transport Company that connects Adawso on the southern

shore to Ekye Aman from on the northern shore.

Rural Services Project

- *Strengthening of Public Sector Procurement Capacity:* Support the development of procurement professionals and reinforce the capabilities of the Government of Ghana to procure goods and services, reinforcing execution of the overall program and, in particular, the community services.
- *Support for Community Services:* Complement the Agriculture Project by funding construction and rehabilitation of educational facilities, construction and rehabilitation of water and sanitation facilities and electrification of rural areas, and by providing capacity building support to local government institutions.
- *Strengthening of Rural Financial Services:* Automate and interconnect 121 rural banks that are private, community-owned banks, and provide other improvements in the national payments systems that will draw a large number of people currently not served or under-served into the financial system.

