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RURAL-URBAN LINKAGES IN GHANA

Volume 1

Main Report

March 1990

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**RURAL-URBAN LINKAGES
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1. INTRODUCTION

1.1 Background to the Study

The purpose of the study is to improve our understanding of linkages between rural and urban economic activities in Ghana so that more effective development policies and programs can be designed and implemented.

Development takes place by strengthening of those linkage . Farmers will raise their production above subsistence levels if they can sell the produce, as well as learn how to increase production levels. Most of the surplus above subsistence needs is sold in market towns, either to traders or final consumers. The farmers also collect many of the inputs they need in the same towns. The farmers or members of their families often have jobs in the towns. This mutual dependence drives development by providing employment opportunities and raising income levels. Market towns are probably even more important in Ghana than in some other African countries since, except for cocoa, almost all cash crops are marketed through these towns.

The process does not work as well if it is constrained by poor infrastructure linking farms to markets and inside the towns themselves and if farmers, traders, and other businesses do not have access to the credit needed to expand their activities. This report will focus in particular on these two key constraints upon strengthening rural-urban linkages: infrastructure and credit. The report will be written from the point of view of the agricultural marketing needs of farmers and the development of the informal sector in market towns. The report will also discuss the management of local development based upon overcoming those constraints. This management is now the responsibility of the District Assemblies and their administrations under the newly introduced Decentralization Policy.

The study has been sponsored by the Government of Ghana and the United States Agency for International Development (USAID).

USAID has as its main objective in Ghana improving the nation's agriculture and accelerating the growth of productive employment. The Agency already has a major program that includes upgrading feeder roads, one key linkage between farmers and their urban customers. The overall objective of USAID's Agricultural Productivity Promotion Program, of which the feeder roads program is part, is to increase food crop production through policy reforms and a local currency program.

Two of the Government of Ghana's policy objectives are of particular importance for this study. The first is to improve agriculture, for food and export crops. Agriculture is Ghana's most important economic activity. Agriculture provides 50 percent of GDP, 66 percent of employment, and 80 percent of the value of merchandise exports. The sector has benefited from policy reforms under the Economic Recovery Program: output has grown rapidly over the past 5 years. However, much remains to be done to bring the benefits of these reforms to a larger number of rural households.

There are many deficiencies in the agricultural production and marketing system which impede the sector from realizing its full potential to generate economic growth. Foremost among these are:

1. Ineffective distribution systems for agricultural inputs in combination with underdeveloped marketing systems for outputs;
2. Poor rural infrastructure (in particular the main and feeder road network) which acts as a powerful disincentive to increasing productivity;
3. The prevalence of small farmers employing farming methods characterized by the limited use of mechanization, irrigation, and modern inputs;
4. High levels of rural unemployment and underemployment leading to outmigration from rural areas.

The Government of Ghana aims to expand the involvement of the private sector in agricultural activities that were previously controlled by Government parastatals and plagued by inefficient management. It also seeks to provide adequate levels of income to efficient farmers, processors and distributors, as well as to others in the food sub-sector.

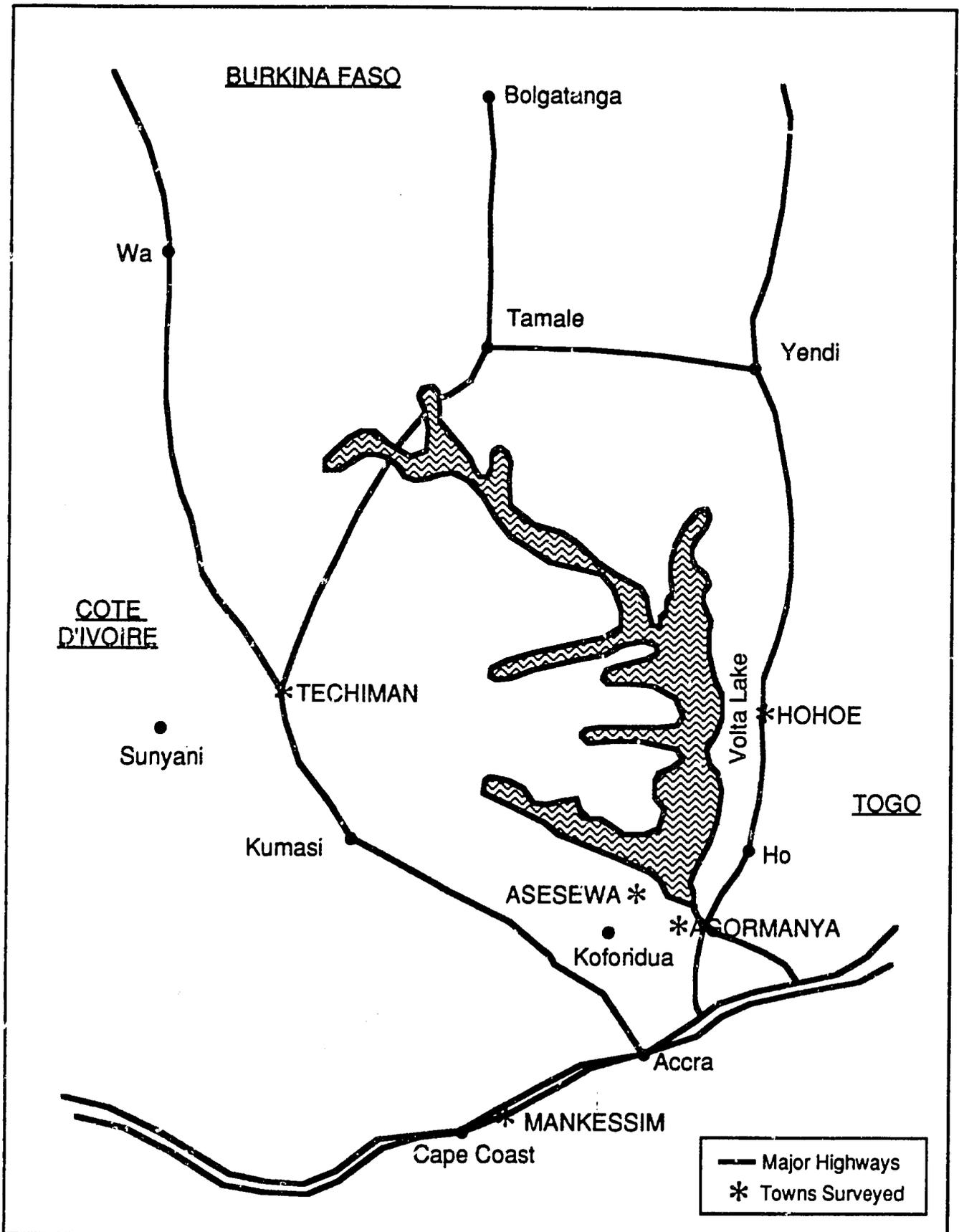
A principal objective of the Government's Decentralization Policy is to promote the development of all economic activities in the Districts, most of which are essentially rural. These activities include the mainly informal private sector activities in Ghana's many small towns. Many of these towns are integral parts of the agricultural marketing system. And yet the infrastructure and services provided by these towns are in very poor condition and deteriorating. Poor infrastructure in small towns and that links small towns to farms constrains agricultural marketing and limits employment creation in urban and rural areas.

1.2 Selection of the Towns and Regions

With guidance from the Ministry of Local Government, the Town Planning Department, the Ministry of Finance and Economic Planning, and the Department of Feeder Roads, four market towns and their hinterlands were selected to be the focus of the study: Techiman, Asesewa, Hohoe and Mankessim. A fifth town, Agomanya was added during the study. The locations of those towns are shown on Figure 1. Their populations are as follows:

Techimanan	27,000
Hohoe	22,000
Asesewa	8,000
Agormanya	10,000
Mankessim	8,000

Location of the Surveys



These towns have in common that they are located in areas where considerable economic growth is already taking place.¹ Although there are many market towns in Ghana, it was decided that it would be best to concentrate on those with the best potential at first for two reasons.

The first is the need to create a strong demonstration effect. Just as farmers learn best from successful farmers (the basis of effective extension programs), so all District Assemblies can learn from those few District Assemblies that are effectively managing District upgrading programs. Such programs have a better chance of success in region when economic activity rates are already high since that guarantees a good flow of revenue to pay for the upgraded services.

The second reason to select market towns that are economically active now is that the public sector's scarce investment resources should be first allocated to towns where upgrading programs will yield the highest economic rates of return, and where it is most likely that financial returns would be sufficient to ensure the repayment of loans. The Government cannot now afford to subsidize market towns upgrading programs. However, with donor support, it may be possible to introduce a program of loans to upgrade facilities that provide commercial services, such as marketplaces and bus and lorry parks.

All five towns have poor infrastructure. The quality of their infrastructure is discussed in Chapters 2 and 3 and summarized in Table 3.3.

A number of additional market towns were suggested by the panel of experts consulted by the team. Bolgatanga is a rapidly growing and strategically important market town in the north. However at the time the surveys were carried out it was thought to be logistically difficult to organize and conduct surveys there. The same was true of Ejura: roads to Ejura became impassable shortly before the surveys began. The panel also advised the team that there is considerable population movement into the northern part of the Western Region, an area with very poor infrastructure and a lack of viable market towns. Again it proved to be logistically too difficult to include that area in the study at the time the studies were carried out.

¹The key informants were asked to assess the level of economic activity in a number of ways (there were rarely hard data to measure any of these variables): a more rapid than average population growth rate (people attracted to the town/region), increasing employment opportunities (small business growth), a busy and rapidly expanding market, rising levels of truck and bus traffic, an increasing incidence of produce and other goods flows from and to outside the region, and agricultural output rising faster than average (food as well as export crops).

1.3 Study Methodology

The study methodology combined the techniques of "rapid rural appraisal" with formal surveys.

A team of Ghanaian and foreign economists, planners and agricultural marketing specialists interviewed key informants in and around these towns. The key informants included large and small scale farmers, traders, other business men and women in the towns, local officials, and other community leaders. The objective of these interviews was to learn about the local economies, the role market town based activities play in the local economy, and the needs in terms of infrastructure, services and credit of farmers and other businessmen and businesswomen. Another major purpose of the interviews was to study agricultural marketing systems and the role played by the town in agricultural marketing. Most of this report is based upon data collected in the key informant interviews.

Three formal surveys were also carried out in each location. The purpose of the surveys was to add more objective, quantitative data to the information collected through the key informant interviews. These surveys covered farmers, traders and other business people. In each location a team of local interviewers was hired and trained to carry out the interviews. This was necessary because of the different languages spoken in each of the locations. Each of the teams was, however, managed by the study's Project Coordinator and some continuity of experience was assured by assigning one or more members of an earlier team to a later team. The survey data were checked, coded and analyzed in Ghana, using the statistical package SPSS.

1.4 Organization of the Report

This report begins with an examination of agriculture and agricultural marketing in the Districts selected for the study. The report continues with an assessment of the economic activities of the private sector in market towns. The role to be played by local government in the promotion of higher rural productivity and employment generation is then discussed. The report concludes with a summary of findings and recommendations. The findings of the formal surveys are summarized in Annex 1.

2. AGRICULTURAL PRODUCTIVITY AND THE ROLE OF MARKETING

2.1 Introduction

Agricultural marketing refers to the chain of operations that moves food and raw materials from the farm to the final consumer or user. Important features of the agricultural marketing system are:

1. Handling of the product at the farm which may include initial processing, grading and packaging.
2. Transport of produce from the farm to local or other markets for subsequent distribution to consumers.
3. Storage of product to maintain quality while ensuring an efficient, intertemporal and spatial distribution for the advantage of both producers and consumers. Storage may occur on farm, at the processing unit or at the market.

Supportive services for efficient agricultural marketing are access to credit and efficient pricing and information systems.

The objective of the agricultural marketing component of the study are:

1. Determine the types, volume, origin and destination of the major agricultural goods traded in the town.
2. Assess the adequacy of marketing facilities and services.
3. Define the role which the market town plays in agricultural marketing.
4. Recommend measures to reduce or eliminate marketing constraints.

In the following sections, a brief description of agricultural production in the locality of each of the five towns studied is presented. This is then followed by a description of marketing activities and an evaluation of the role of each town in agricultural marketing. Marketing constraints are identified and intervention measures specific to each market are discussed. A final section provides a summary of marketing constraints common to all five markets.

2.2 Techiman Market

2.2.1 Techiman Area Agricultural Production

The major local crops in Techiman are maize, yam, cassava, tomatoes, plantain, and cowpeas. The situation in November, 1989 for each crop is as follows:

Maize: Production is up, supply is high and prices are the lowest in a number of years. In the week of October 15th, a 200 kilogram bag of maize grain sold for c2,400 compared to government guaranteed producer prices of c5,000 and c4,000 for grade 1 and grade 2 maize grain, respectively. Some farmers are responding to these low prices by switching from maize production to cowpeas and yam. The Government was unable to honor the guaranteed producer price.

Yam: Local production is up partly due to the switch from maize to yam and partly due to relatively high prices in the past few years. Most of the yam sold in the market is from Techiman area and other parts of Brong Ahafo region.

Cassava: Some fresh cassava is sold on a retail basis. Larger volume of trade is in gari and kokonte -- products processed from cassava. However, these are largely imported from outside Techiman township.

Tomatoes: This also appears to be a crop with a growing market despite handling and storage problems. Tomatoes from Techiman market are distributed in both the Northern and Southern regions of the country.

Plantain: This commodity is in high demand from consumers in Burkina-Faso and Northern Ghana. Trade is constrained by poor local roads and uncertainty about access to regional (Côte d'Ivoire and Burkina Faso) trade products.

Cowpeas: It appears that the area planted to cowpeas is increasing faster than any other crop. Low production costs, coupled with high prices in the Techiman market have made cowpeas a substitute for second season maize.

2.2.2 Commodity Flows

It is clear from the preceding section that the Techiman market benefits from a growing and diversified agricultural base. Each of the commodities listed above is marketed through Techiman to markets as far away as Burkina-Faso and Togo. In some cases, such as yam, cassava, plantain, and cowpeas, local production is supplemented by suppliers from other regions of Ghana. A significant number of other agricultural commodities from non-local sources are traded in Techiman. Among them are groundnuts, rice, palm oil, fish, and onions. Nonagricultural commodities such as salt, bicycles, shoes and second-hand clothes are also traded in large quantities. Figure 2 describes the types and direction of flows of commodities into and out of Techiman.

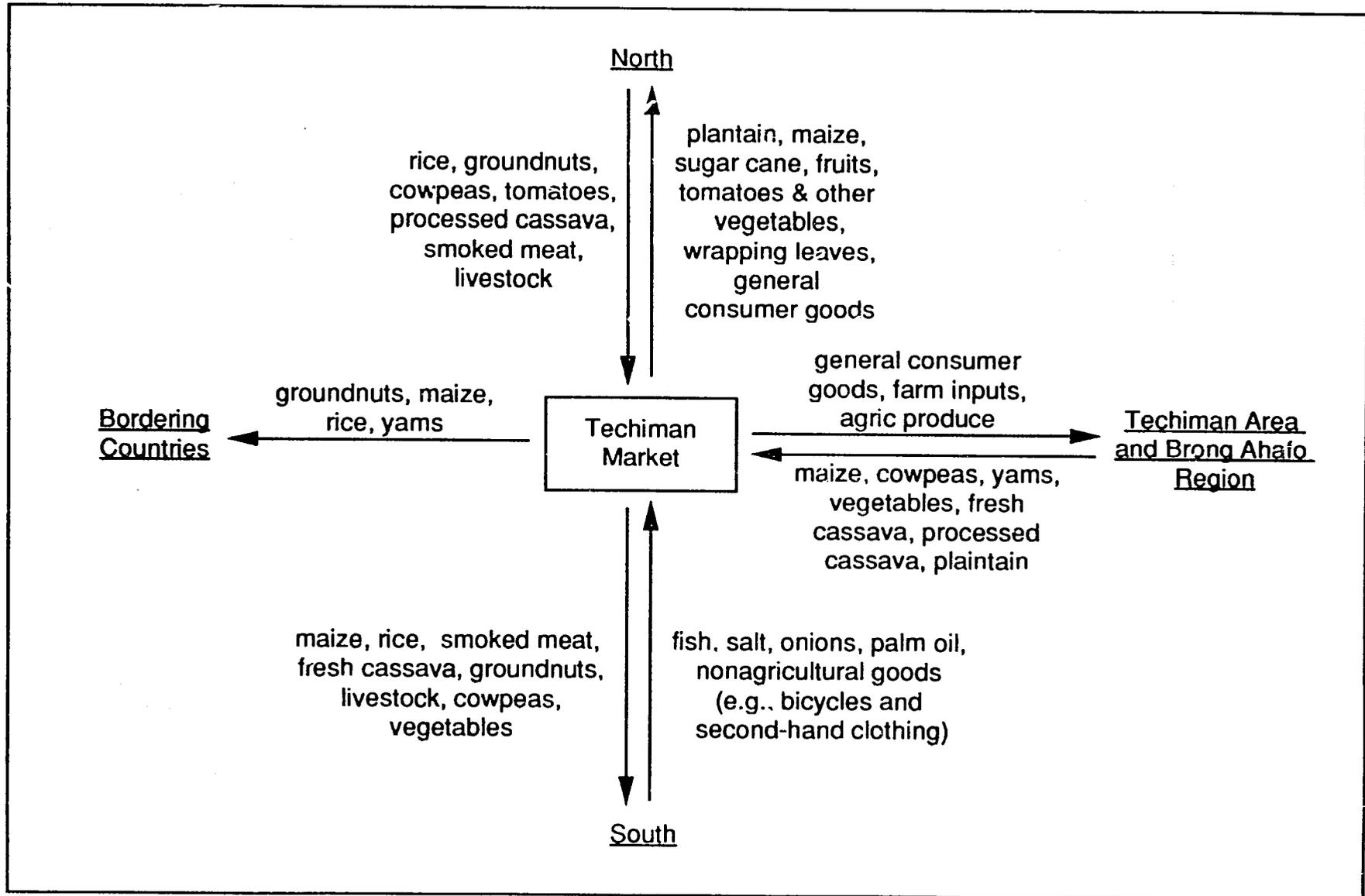
2.2.3 Market Facilities and Services

In spite of (or perhaps because of) its large size, the Techiman market facilities and services are quite poor.

Figure 2

TECHIMAN MARKET

Commodity Flow Chart



Facilities

The market lacks adequate storage for maize and semi-perishables such as yam. The storage which does exist is poorly constructed and poorly maintained. The lack of covered areas for most products including vegetables, tubers, and maize contributes to post harvest deterioration and serious discomfort for buyers and sellers. In the rainy season, commodities are soaked, leading to high losses and trading is often suspended for the rest of the day. In the dry season, the scorching sun and dusty winds are a hindrance.

The absence of sanitary facilities and poor trash collection are serious problems.

The unpaved grounds of the market become a quagmire when it rains. Since the rainy season coincides with major harvest times, rain has a very detrimental impact on the effectiveness of the market.

The Techiman lorry park is located at the lowest, wettest point of the market. In addition to severe crowding, many vehicles must load and unload hundreds of yards from where commodities are located. A small army of wheelbarrow operators is employed to move goods around the market.

Services

Many farmers and some traders complain that because there are no standardized weights and measures they are often cheated on transactions. Maize producers tell of 100 kilogram bags which are stuffed so full that they weigh up to 125 kilograms. However, prices are based on the bag not the weight resulting in a significant loss to the farmer. Techiman market does not have a single scale and common measures such as cups vary in size.

There is no public market information on prices in other markets in Ghana. Sellers and buyers depend solely on "word of mouth" and local supply and demand guesstimate to determine prices.

Though there are agricultural extension officers in Techiman, there are no extension services provided in the market. Specifically, advice for storage owners on the use of fumigants and insecticides is not available. Given that large numbers of farmers attend the market, a good opportunity to disseminate crop production information is being missed.

2.2.4 The Role of Techiman Market

The Techiman market presents a complex and diversified set of economic activities. It is an international market serving neighboring countries. It is also a local market serving the needs of residents and farmers in the hinterland. It also serves as the principal link in the exchange of agricultural and consumer goods between Southern and Northern Ghana. The strength and importance of the Techiman market lies in the complementarity of these different roles.

- Assembly and bulking center for local agricultural products.
- Transit and exchange point for agricultural and consumer goods flowing to and from Southern and Northern Ghana.
- Retail market for local consumers.
- An international trading point for agricultural commodities destined for bordering countries.

Primarily, Techiman is a transit and exchange point for North-South trade. This is due to its location on the principal north-south route. However, Techiman benefits from the agricultural production in its surrounding area. Much of the agricultural trade which passes through Techiman originates in its hinterland. The market provides local producers with an outlet for their surplus production. Techiman has grown because of this complementarity.

2.2.5 Constraints

If Techiman is to continue to grow it must address the following issues.

1. How to increase value-added activities in the town.

Very little processing is currently conducted in Techiman. Before pursuing such initiatives, more needs to be known about the role that Kumasi plays in the processing of agricultural commodities which pass through Techiman.

There appears to be no local knowledge of preservation techniques for tomatoes or yam. It is possible that appropriate technologies already exist and could be introduced in Techiman.

2. How to stabilize prices for local crops such as maize, yam, tomatoes, and cowpeas.

Some type of prefinancing of inputs in return for a portion of the crop may be one way. Storage is also another possibility, although as pointed out earlier, a good deal more study is needed on economics of on-farm and market-based storage. The general absence of credit for producers and traders seems to preclude loans which might be used to meet harvest time cash needs. This, in turn, would allow farmers to hold crops till prices rise later in the season.

3. How to attract more traders from around Ghana and neighboring countries.

The poor facilities and organization of Techiman market already imposes unnecessary costs on traders and transporters. The following are simple steps that can be taken immediately:

- a) Enlarge the lorry park and facilitate the loading, and unloading of trucks by better supervision.

- b) Line out aisles for sellers and enforce their use.
- c) Clean up the market.
- d) Provide two KVIP places of convenience nearby.
- e) Provide traders with information on export regulations and assistance in arranging international trade.

The Techiman market is growing despite the problems cited. There is no alternative market which offers similar benefits to producers, transporters, and traders alike. Therefore, improvements in the market can be made prudently without fear that delay will result in the demise of the market.

2.3 Asesewa Market

Asesewa is an agricultural market town that has suffered a significant decline over the years. The decline in the market and in agricultural production within the Asesewa and its hinterlands are very interdependent. This market was selected because it had once been important and will again be important when the access roads are improved. There are plans to begin reconstruction soon.

2.3.1 Agricultural Production in Asesewa Area

Major crops grown in and around Asesewa are maize, cassava, cowpeas, and vegetables. Coffee which is purchased by the Cocoa Marketing Board has displaced cocoa as a cash crop. Climatic changes caused by the Volta Lake at Akosombo, adversely affected cocoa production.

Although maize is the principal food crop grown in the area, there is now a shift toward cowpeas, especially in the minor season. This is because cowpeas do better without fertilizer, has fewer disease and pest problems, and therefore lower costs in general.

Prices of the major agricultural products in Asesewa were generally low in 1989 because of good rains and poor yields. But in general, prices have shown a downward trend because of poor road conditions. Asesewa is a trader's market -- as few traders venture the bad roads.

Storage: There is little storage at farm-level. The farmers' need for cash is so great at harvest time that they have to sell their crops immediately. The problem is worst for vegetables, especially tomatoes. As in other markets surveyed, there is only the most rudimentary preservation or processing of vegetables between the farmer and the consumer.

Processing: Cassava is processed into gari, kokonte and "agbelima" (cassava dough). This is done on small scale by households or individual commercial units.

Distilling of local gin "akpeteshi" is a booming business. Distillers are organized into both production and marketing cooperatives. These cooperatives have a strong link with the mother organization at the national level,

and benefit from collective price fixing, especially in the off-season. The cost of inputs is causing a shift from maize-based alcohol to palm-based. Imported sugar and yeast are often scarce. However, this shift to palm wine will definitely compete with palm oil processing already on the decline.

2.3.2 Commodity Flows

Asesewa, unlike Techiman, is principally an assembly market. Commodities sold in the market are mostly supplied by farmers and processors in and around Asesewa. The flows are illustrated in Figure 3.

Maize, cassava, cowpeas, and vegetables are supplied by local farmers, while fish, onions, salt are brought in by traders. The traders come from Accra and coastal towns.

The bad roads to Asesewa make the market a buyers market. Therefore, prices tend to be very low. Farmers are at the mercy of the small number of buyers who travel the severely potholed roads. The farmers have no alternative outlets; the traders do visit other markets. Non-cooperation among farmers due to pressing cash needs contribute to the problem of low prices for farm produce. For example, in the week of October 22, 1989, a 200 kilogram bag of maize sold for c2,400 in Asesewa and c4,500 in Agormanya. In contrast, local gin distillers who have well organized groups for marketing.

The Asesewa market also serves as a retail market for local consumers. Goods traded at the retail level include a wide range of non-food items such as clothes, fabric, building materials, and dry cell batteries. The existence of several farmers services shops, retail outlets for soap, sugar, milk, etc. to farmers households in and around Asesewa is worth noting.

Thus, unlike Techiman, which serves as a national and international marketing center, Asesewa only serves parts of the Eastern Region and south-eastern corner of the country.

2.3.3 Market Facilities and Services

The market appears to have suffered from long periods of neglect. Although the surface is in poor condition there exists an elaborate system of drainage around the market grounds. The marketplace once had a paved surface.

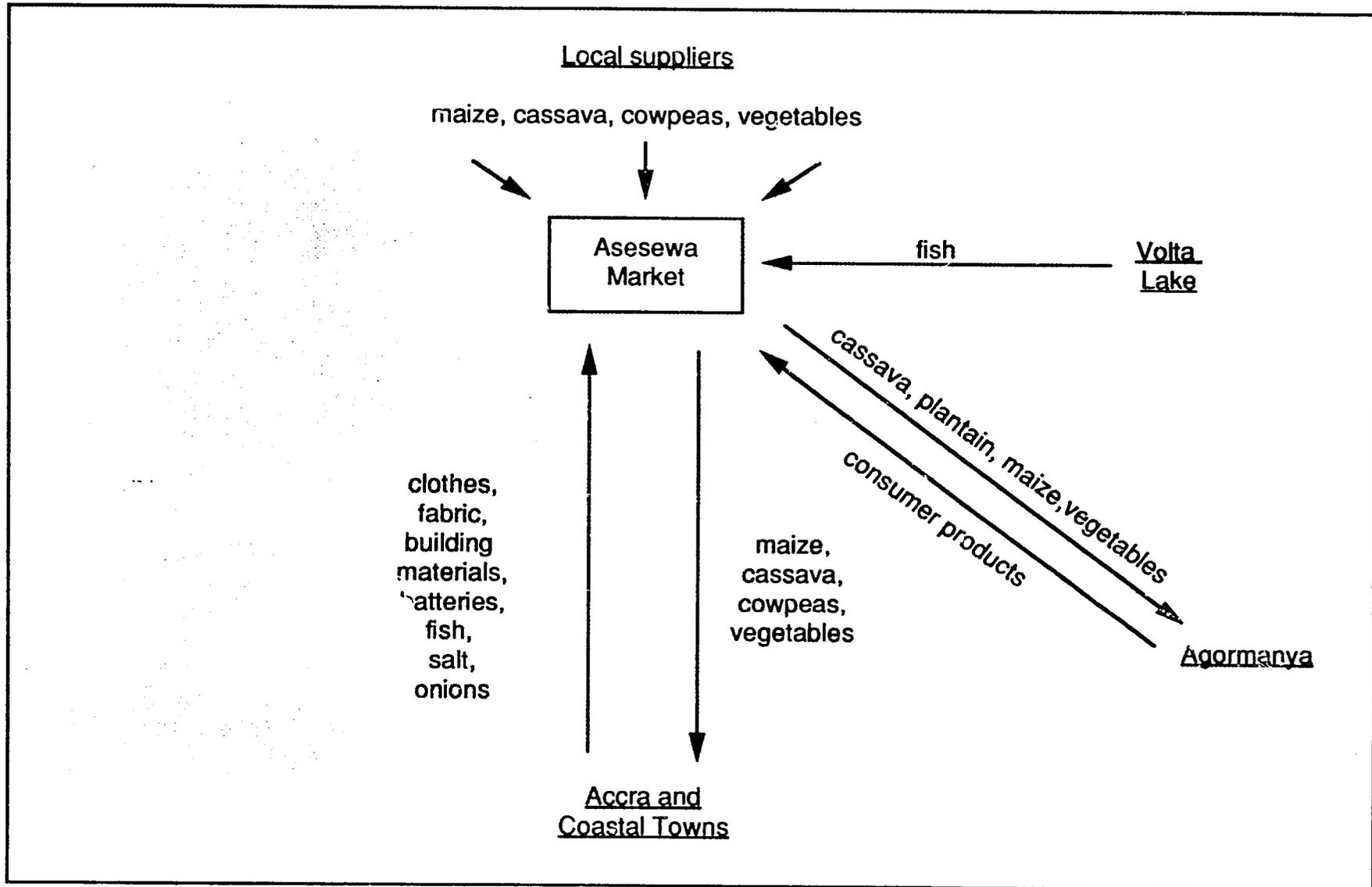
Facilities

The market lacks well organized market stalls, especially for traders of agricultural commodities. Adequate and appropriate storage for both maize and vegetables is also absent but this may not be an urgent problem as the transport of these products out of the market is immediate. Sellers are eager to dispose of the small volumes of produce brought in; and traders then must send their produce to other markets such as Agormanya, which has market day a day after Asesewa market day. Space on the market grounds is crowded. Although there is an attempt to group traders by commodity types, the limited spaces seem to force people to sell from any space they can find. The ground is undulating and a combination of gravel and sand.

Figure 3

ASESEWA MARKET

Commodity Flow Chart



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Services

The most needed service in the market is the provision and enforcement of standard weight measures for all commodities. A grading system also needs to be enforced, especially for maize and tomatoes.

2.3.4 The Role of Asesewa Market

The Asesewa market is important to agriculture in the Manya Krobo district in providing an outlet for farm produce and a source of consumer goods to farmers. This importance is declining because of the constraints outlined previously. However, the potential for increased agricultural production exists as the micro-climate normalizes and farmers' extension programs, such as Global 2000, make their impact.

2.3.5 Constraints

The following are specific constraints on Asesewa and its hinterland. These constraints relate to general agricultural production and Asesewa as a market town.

The Volta Lake and Agricultural Production

Agricultural production in the Asesewa area has declined as a result of the creation of the Volta Lake. First, constant flooding of the dam area led to a displacement of farmers to other parts of the region to find new farm land. Secondly, local leaders claim that the lake has affected the ecology in such a way that cocoa has been eliminated as a cash crop. There is now a transition toward the original ecology, as the micro-climate appears to be stabilized. Thus, coffee is now being promoted and grown as a cash crop.

Land Tenure System

The Krobo people practice the "Hunsa" system of land tenure. In this system, land is inherited partilinearly and shared among children in strips. Each son or daughter inherits a strip of land and upon death this strip is divided into even smaller strips for their children. Thus, as the lineage grows, the strips of land inherited get smaller. Such land ownership hinders agricultural growth.

Development of Other Markets

The poor state of roads to Asesewa has led to a decline in the number of traders patronizing the market. In addition, the supply of produce to the market has declined because of general stagnation in agricultural production in the area, which may be due to the decline in the market.

Markets that are more accessible are displacing Asesewa. A fish market at Akatin, near the Volta Lake, is growing. Sekesua in the Afram plains is a growing market for vegetables produced in the area. A third market at Agormanya has grown in popularity and is probably a more important market in size and location than Asesewa. The Agormanya market is discussed in more detail in a later section.

Asesewa can regain its importance as an assembly market if the following measures are taken.

Roads: Roads leading to Asesewa need urgent rehabilitation. The most important ones are those linking Asesewa to Koforidua and Begoro.

Land Tenure: The "Hunsa" system needs to be replaced by a less restrictive land ownership system. This will require a careful study of the present system and other alternatives.

Facilities: The market grounds need to be expanded and fenced to enhance collection of market tolls. Graveling of grounds, provision of well-constructed and durable stalls and toilet facilities should make trading comfortable enough to attract more traders.

Introduction and enforcement of use of standard measures such as scales, should help farmers get better values for their crops. This innovation will require some amount of training for farmers and traders, and better cooperation among farmers. Asesewa market cannot be abandoned. Whereas traders can decide to go to other markets, farmers in the district will continue to sell in that market. As agricultural production in the country grows, markets such as Asesewa are needed to support that growth.

2.4 Agormanya Market

The Agormanya market, also in the Manya Krobo district, appears to have displaced Asesewa in terms of inflow of traders. Its advantage over Asesewa is due to its accessibility to growing industrial towns of Kpong Akosombo and Juapong, all of which are on the major trunk road leading to Tema and Accra.

2.4.1 Agricultural Production in Agormanya Area

Agormanya is in the same district as Asesewa and therefore has similar agricultural production patterns, problems and potential as Asesewa.

2.4.2 Commodity Flows

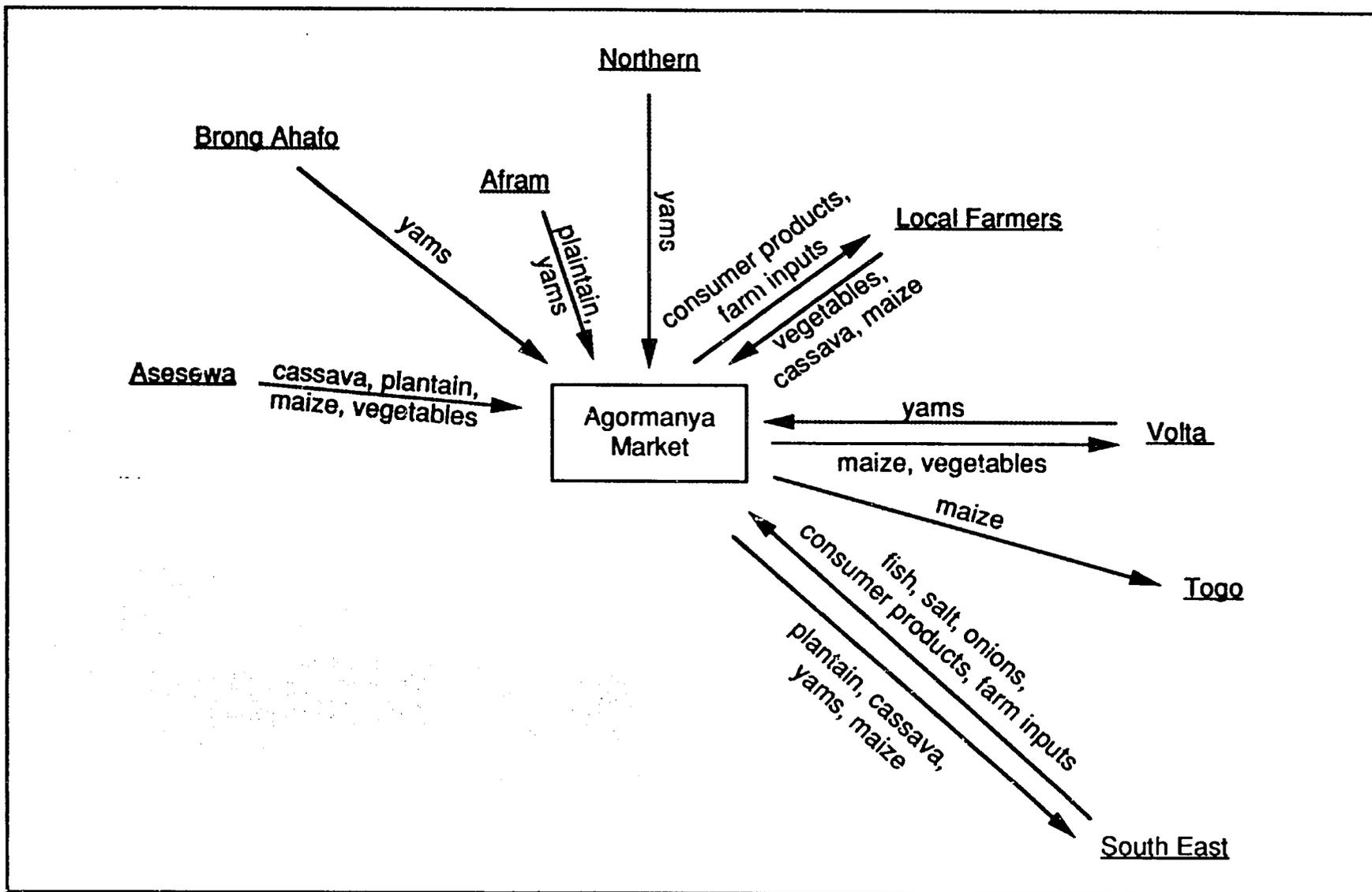
Major agricultural produce sold in Agormanya are plantain, fresh and processed cassava, yams, maize, and vegetables (tomatoes, red pepper, garden eggs and okra). These commodities are brought in by the farmers in the hinterlands and by traders from as far away places as the Afram plains in the Eastern region, Sefwi in the Western region, and Techiman in Brong Ahafo region. Other commodities brought in from outside the district -- mainly southeast Ghana -- are onions, fish and salt. The main flows are illustrated in Figure 4. The situation for each major commodity is described below.

Plantain: Plantain are brought in by traders from Asesewa, the Afram plains, and Sefwi. The distance of Agormanya from the various supply points does affect prices -- as a finger of plantain from Sefwi was priced 25% higher than local plantain. The production of plantain has increased, although suppliers from Asesewa have declined because of bad roads and lower production. In general, business is better as demand is growing. The demand points are Tema, Ada, Aflao, Asutuare and Akuse.

Figure 4

AGORMANYA MARKET

Commodity Flow Chart



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Cassava: Villages around Agormanya supply the bulk of cassava to the market. Some cassava is imported from Asesewa but high transport charges make this flow unattractive. Cassava production has grown over the past five years, but the bulkiness of the product and poor roads infrastructure contributed to high transport charges and erosion of profits. Cassava is processed into gari, kokonte and agbelima and supplied to Kpong, Juapong, Akosombo and towns along the Southeastern coastline.

Yams: Sources of yams in the Agormanya market are Atebubu, Ejura, Techiman -- all in the Brong-Ahafo region; Dambai in the Volta region, Bibmilla, Welensi, Tendi and Kpasa in the Northern region and the Afram plains. The diversity of sources ensures a continuous supply of yams to the market all year round.

Yams are brought in by traders resident in Agormanya. They often carry with them to the yam producing areas, local distilled gin, pots and pans and baskets. Although no standard weight measures are used, yams are priced according to variety, and at least three grades by sizes. There is about a 20% price difference between grades.

The volume of yams traded is larger than plantain and cassava. On average, a trader can bring in about one to two thousand tubers per trip. Lack of appropriate storage for such quantities leads to rotting within days. The district administration has storage for only seven traders. Other traders provide storage in their houses and these are inappropriate and inadequate. Traders from Akropong, Koforidua, Dodowa, Tema and other southeastern coastal towns re-export yams from Agormanya. Yam supplies to the market is on the increase, but so is the number of traders. Profits may also be better now, although the trade in yams is risky because of demand instability.

Maize: Maize is supplied from Niaso, Asesewa, Sekesua and villages around Agormanya. Traders from Agormanya travel to the more distant places to bring in maize, while farmers in neighboring villages send their produce to the market. Again, fewer traders go to Asesewa now because of decline in the supply of maize in that market and the bad roads.

The maize marketed is characterized by high seasonality. This is again due to lack of on-farm storage and high cash needs of farmers at time of harvest. There are neither sheds nor storage rooms for maize traders at the market. It is a buyer's market because of the farmers' immediate cash needs. Lack of standard weight measures is a disadvantage to farmers and traders here, too. Unlike yams, cassava, and plantain, there is no obvious grading for maize, although the drier grain tends to be priced higher than wet grain but this differentiation is highly subjective. Maize from Agormanya is supplied to Tema, Ashiaman, Ningo, Ada, Ho, Aflao, and Togo.

Vegetables: Major vegetables traded in Agormanya are: tomatoes from Akumadan, Techiman, Twobodom, Sekesua, and Asesewa; garden eggs from Asesewa, Sekesua and Agogo; okra from Okenay (in Agormanya area) and Agogo.

Asesewa is an important source of tomatoes and garden eggs when these are in season in that area. Profits on these vegetables are so high that the bad roads do not deter vegetable traders from going to Asesewa. In general, supply of vegetables is on the increase and because of growing demand, prices are up; but high transport costs are again eating into profits. The major demand points for vegetables are Kpandu, Ho, Hohoe and Akuse.

2.4.3 Market Facilities and Services

The market needs well organized stalls for agricultural produce. While there are several rows of sheds and stalls for traders of non-consumer goods, all trade in agricultural products is done in the open.

Simple storage facilities should be constructed on the market grounds for maize and especially yams. These should be based on existing traditional systems. The post harvest management division of the Ministry of Agriculture should extend its activities beyond the farm or household level to markets.

2.4.4 The Role of Agormanya Market

Agormanya serves as a link for the exchange of goods between farmers and traders in Manya Krobo and centers mentioned earlier. It is an assembly and bulking center for agricultural produce as well as a retail center for consumer goods.

2.4.5 Constraints

Agormanya shares similar constraints with the Asesewa as a market, although it is more accessible to demand centers than Asesewa.

Roads: Poor feeder roads from farming villages to the market still remain a constraint. Diversity of sources of agriculture produce results in high prices due to high transportation costs generally operating in the country. The market depends less on agricultural production within the area; its importance lies in its closeness to major demand centers.

Land Tenure: The "Hunsa" system practiced here also needs careful study and modification for the benefit of expanded agriculture.

Marketplace: Graveling or even paving the market grounds and the enforcement of use of standard measures will be very welcome improvements in the market.

2.5 Hohoe

2.5.1 Agriculture Production in Hohoe District

The major agricultural activity is crop production with very little livestock production. Crops grown are maize, rice, cassava, oil palm, cow-peas, vegetables, and yams. Crop production is mainly by traditional methods. Irrigation is completely absent.

Generally, agricultural production is growing. In particular, rice production is rising because of the current maize glut and its low prices. A potential constraint on the expansion in rice production is a conflict between northerners (consumers of rice) and southerners (whose major staple is maize), over valley bottom lands in the south. In addition, the sharecropping system of land tenure is expensive to farmers who are strangers to an area.

Most cassava is processed into gari and agbelima, the sale of which is no problem. Oil palm production is in small holdings. Palm trees are being felled for palm wine and this is causing a gradual decline in palm oil production.

Production of yams and vegetables is in the northern sector of the district and is increasing. Information from FASCOM (VR) Limited, an agro-chemical dealer, indicates that prices of agro-chemicals have been increasing by about 20% every year as a result of removal of government subsidies. This has led to a drop in sales.

The principal agro-processing activity is processing of cassava into gari and agbelima. Although the products are sold to retailers at the market or at home, the bulk is sold to other regions. Processing units consist of several individual commercial processors living in one compound. They buy cassava directly from farmers and, in most cases, this is supplemented with cassava from their own farms. Since traditional methods of processing are used, output volumes are small. Credit for all agricultural activities is lacking.

2.5.2 Commodity Flows through Hohoe's Markets

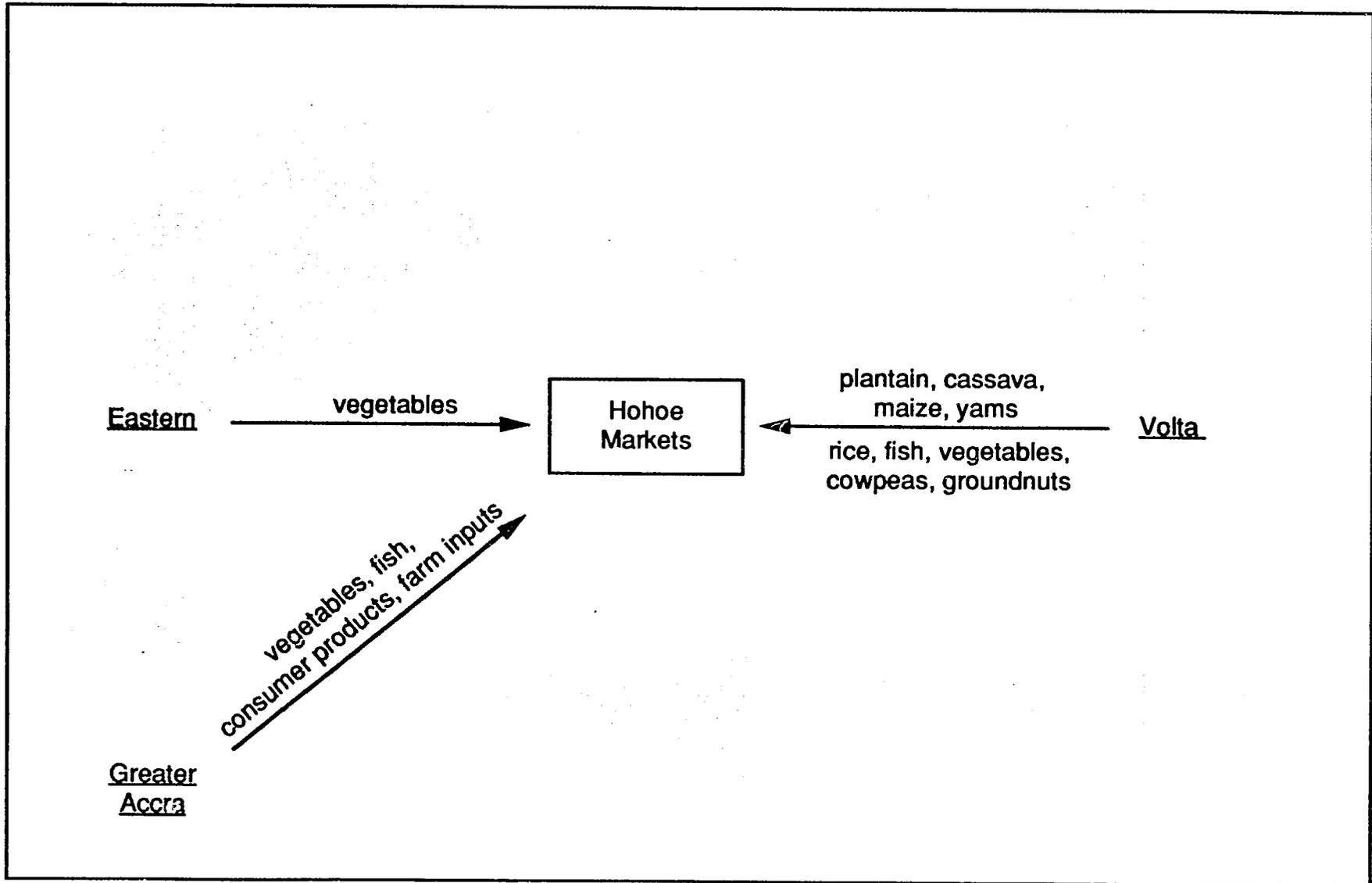
Hohoe is a large town with several markets serving the needs of its consumers. In this way, Hohoe is similar to any large city with several shopping malls to serve different communities. The flows of produce into Hohoe are shown in Figure 5.

There are four markets in Hohoe. These are located within one mile radius, with Dzigbodi/Mawuli being the largest in terms of infrastructure. The products sold in each are similar in three of them. Lomnava is the second largest market. The Kpeme market is only active in the evening when traders living in the vicinity sell their goods after their morning chores. The fourth market is the special market for yams. Each market is discussed in more detail below. This will include a discussion of their conditions, constraints, and needs.

Figure 5

HOHOE MARKET

Commodity Flow Chart



Dzigbodi/Mawuli Market: Major commodities traded are cassava, plantain, maize, rice, fish, vegetables, cowpeas, and groundnuts. They are brought and resold in Lomnava and Kpeme markets. These commodities are imported by Hohoe traders from towns in the Volta Eastern and Greater Accra Regions. Figure 5 identifies the sources of the major produce. Demand comes from Hohoe township itself.

Lomnava Market: Lomnava is next to Dzigbodi/Mawuli market in size. The same commodities are sold in both markets. In fact, fishmongers sometimes move between the two markets, while traders in the smaller market import produce from the bigger one.

Kpeme: This is a very small market which becomes busy only in the evenings. Traders living near the market sell their produce here after the day's work of farming, trading in the other two markets and purchasing produce from the lorry station, which is the main buying center for traders in Hohoe. Major products sold are fish and vegetables. This is basically a retail market whose patronage is declining, as many people are moving to the bigger markets.

Yam Market: Patronage of the market is declining in this specialized market, as many sellers are deserting the yam-sellers' cooperative to sell them along the roadsides. There is therefore increasing competition between the roadside sellers and cooperative members.

2.5.3 Market Facilities and Services

Dzigbodi/Mawuli: Infrastructure in the market consist mainly of stalls made of wood and metal or thatched roofs. There are no storage facilities for any produce. A daily fee of c40/trader is charged, but the only service provided is sweepers. The market lacks basic amenities. There have been requests by traders for storehouses, lavatories, tap water, watchmen and public radio in the market.

Lomnava: The facilities and services are as poor as in Dzigbodi/Mawuli. There has been no physical improvement for the past five years; markets stalls have therefore deteriorated drastically and many traders have left because of flooding during the rainy season. High transportation costs and lack of storage facilities have driven both purchase and sale prices up. This has made business less profitable.

Kpeme: This small market has few facilities. It is basically an open area.

Yam Market: The principal problem with this specialized market is the lack of storage. Traders are charged a monthly fee of c300 per head by the town council in addition to a charge of c200/100 tubers at the purchasing villages. Revenue is not being used to provide basic facilities such as storage sheds and sweepers.

The few available storage sheds are built with galvanized iron sheets. The floors are unpaved but provided with wooden platforms to carry the yams. These may once have been appropriate but with time and no maintenance, these sheds have deteriorated. Also, the galvanized iron sheets tend to absorb heat which hastens yam deterioration.

2.5.4 The Role of Hohoe's Markets

There are few flows through Hohoe. Produce is brought into the town for sale there, as shown in Figure 5. The markets are mainly for sale of goods to final consumers.

2.5.5 Constraints

The facilities are poor in each of the markets, as outlined above. Several traders expressed the desire to have all the markets, except the yam market, integrated on a new site. But the usefulness of this integration will depend on the accessibility of the new location to consumers in the town.

2.6 Mankessim Market

2.6.1 Agricultural Production in the Mankessim Area

Mankessim belongs to the Cape Coast agricultural district. The major agricultural commodities produced in the district are maize, cassava, plantain, yams, and vegetables (garden eggs, tomatoes, pepper).

Low farm prices and lack of credit for farmers are major bottlenecks to increased agricultural production. The fishing industry enjoys better financial support from the Biriwa Rural Bank. Other problems are high transportation costs and high input prices. There is low demand for local maize compared with the improved variety introduced by the Global 2000 project.

2.6.2 Commodity Flows

A wide range of commodities are traded. The principal ones are maize, vegetables, fruits (oranges, bananas and avocados), fish and plantain. Interviews with Market Queens indicated that each commodity enters Mankessim from sources around the country and, in the case of fish, from the Gambia, while traders from Ivory Coast also deal in a variety of items. The destination are mainly towns and villages in the Central Region and others along the coast, including Accra and Takoradi.

Figure 6 summarizes the sources and destinations of some key commodities.

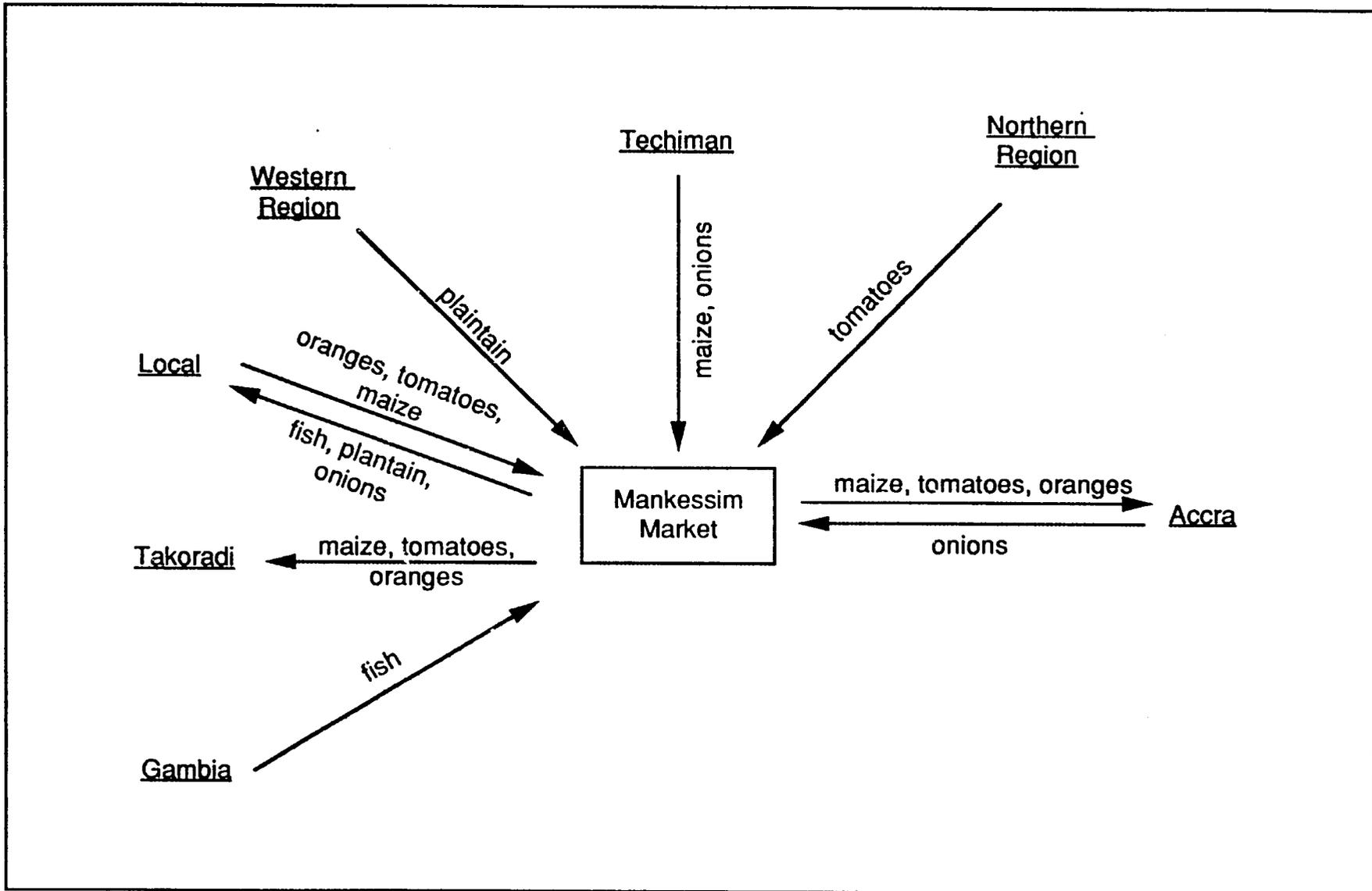
2.6.3 Facilities and Services

Facilities and services are as poor as in the other markets studied. There are no storage facilities. The ground is uneven and poorly drained, and water supply is inadequate.

2.6.4 Role of the Market

Mankessim is the biggest market in the Central Region, with market days on Wednesdays and Saturdays. The market serves as an assembly market for traders and a retail market for consumers in Mankessim and its hinterland.

Figure 6
MANKESSIM MARKET
Commodity Flow Chart



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2.6.5 Constraints

Top on the list is lack of storage facilities for agricultural produce and the absence of any intermediate processing or preservation. For the large volumes of vegetables traded, sheds or stalls for traders and their produce are also lacking, and at peak of trading the market appears to be in a state of disorder and confusion.

In addition, the grounds need graveling and expansion, especially the lorry park. Toilet and pipe borne water were popular requests from traders. Other facilities that traders thought necessary are a clinic and day care center. These would be provided through community help, given the right support in terms of land and technical expertise for building.

Finally, standardization measures and a market information system should be introduced. Market information is particularly important here given the variety of sources of commodities traded. Seasonality may determine the source of a commodity at any time, but high transport costs associated with very distant sources may render these sources less profitable to farmers.

Since Mankessim is on the major coastal road, transport between the market and other towns and along the main roads is easy. However, transport is difficult between Mankessim and its inland hinterland. The demand for improved feeder roads is high in this market.

2.7 The Importance of Farm-to-Market Linkages

The surveys showed that small towns perform important functions for farms as sources of inputs, outlets for cash crops, and sources of supplementary employment.

There is a clear upward trend in the use of inputs, many of which are purchases from the towns, where the some of the extension services are also based. Fifty per cent of the farmers interviewed use chemical fertilizers. Hohoe has the highest incidence of usage at 90 per cent, and most used less in 1988 and 1987. In contrast none of the farmers interviewed in very inaccessible Asewewa use fertilizer. One third use pesticides, with the highest incidences of usage being in Techiman and Hohoe. Again the trend is upward. Twenty eight per cent use improved seeds, mainly for cocoa, maize and fruit, Hohoe's farmers using most. Irrigation use, although low at 10 per cent, is rising. Irrigation is mainly used for fruit and vegetables in the locations surveyed. Farmers in Mankessim have most irrigation.

Most of the farmers interviewed do sell produce in the local market town. For three quarters of the farmers interviewed, 60 per cent or more of their farm produce is for sale not for family consumption.

Some farmers take their produce to the towns themselves and others sell to traders. Forty per cent of the farmers interviewed take all their own produce to market. Although only 10 per cent rely entirely on traders, almost half rely partially on traders. Very few have their produce collected by marketing boards. There are some regional variations: almost none of

Techiman District's farmers rely entirely on traders, but almost half of Mankesim's do. The farmers that do take their own produce to market make many visits to the market each month. About half visit the market weekly.

Sources of income other than the family farm are important for farm families. Sixty per cent of the families receive 20 per cent or more of their income from sources other than the farm. Of those who do have other sources of income, 34 per cent earn their income from other farms, 24 per cent from labor in the town, 36 per cent from businesses in the town, and 7 per cent from services in the town. There are some regional differences. Town-based economic activities are relatively more important in Techiman District and other farms more important in Mankesim.

2.8 Summary of Constraints

Each of the markets examined in the study has a number of marketing systems constraints in common.

Farm-to-Market Roads: Each of the markets suffers from poor farm-to-market roads. The proportions of farmers who classified roads to markets as "poor" or "very poor" were 60% in Techiman, 84% in Agormanya, and 100% in Asesewa. The proportions were lower in Hohoe (20 percent) and Mankessim (30 percent).

The fact that the principal harvest of the year coincides with the rainy season aggravates the problem of moving produce, especially bulky ones such as maize, yams, cassava, and plantain, from farms to the markets.

The poor state of roads have resulted in:

- high cost of transport
- lack of competition among transport owners
- damage to produce from poor handling and jarring
- waste from spoilage when no transport is available
- low farmgate prices from those few transporters who do brave the poor roads, due to a lack of competition.

Credit: There is lack of credit for producers, transporters, processors and traders. Little or no credit is available to finance investments by any of these market participants. The fundamental consequences for each of these actors is the marginalization of their marketing activities. Some of the consequences for each participant are:

Producers: Inability to expand use of fertilizers and other inputs. Due to cash needs, sale of crops at time of harvest at lowest price. Cash needs also force producers to sell produce without due regard to quality -- such as selling wet maize grain.

Transporters: Poor maintenance of existing vehicles and difficulty in replacing trucks which are no longer operable.

Processors: Inability to move beyond rudimentary processing technologies. Often processing is on a very small scale (family-based) and done by hand. There is virtually no packaging (except for polythene and jute bags) of products.

Traders: Lack of credit causes many traders to quickly turnover small quantities of goods in order to finance their next purchase. Crops which otherwise might be marketed remain in producing areas.

Storage: Each market has inadequate and poorly constructed storage. Each market handles a wide variety of agricultural goods, grains, beans, fruits and vegetables and tubers. Storage facilities for perishables have very different requirements than those of grains. This means that several types of storage facilities may be required in a given market.

For all communities, the lack of on-farm and market-based storage results in excessive post-harvest losses. In the case of market-based facilities, both short- and medium-term storage is in a very short supply.

Market: The fourth common constraint is poor market facilities, organization and services. The markets are characterized by unpaved surfaces, inadequate number of sheds and stalls to protect traders and products from the elements, and an absence of running water and toilet facilities (except in Agormanya). The markets also suffer from poor organization of marketing activities: retailers and wholesalers sit side-by-side; transport access is often hundreds of feet from selling area; and aisles, where they exist, are narrow and helter-skelter. A number of services are lacking: standardized weights and measures, and information on prices in other markets.

3. INFORMAL SECTOR IN MARKET TOWNS

3.1 Introduction

There is an urgent need to create more employment opportunities in market towns. Nationally the labor force is growing by almost a quarter of a million each year. Since about 20 percent of the population lives in small towns, about 50,000 new jobs need to be generated in small towns each year.¹

It is important to generate more non-farm employment for the following reasons:

1. Farmers are very poor. The surveys show that many farm households depend partly on non-farm employment to supplement their incomes.
2. The productivity of the economic activities located in towns often exceeds that of agriculture, making them attractive to rural labor.
3. Linkages to agricultural processing activities can increase the value added retained in the market towns.
4. Linkages to services and other manufacturing activities can generate employment.
5. Activities closely linked to the agricultural marketing function, such as storage and simple processing serve both macro and micro-economic functions:
 - Microeconomic: If seasonal surpluses can be utilized over longer periods and post-harvest losses can be diminished, farmer and trader incomes are directly increased and price fluctuations dampened.
 - Macroeconomic: If price fluctuations are dampened and the disincentive effect produced by low prices after abundant harvests are lessened, over the longer run, both the volume and value of total production are enhanced.

Efforts to enhance market-linked activities such as merchandising, manufacturing, and services will assist in strengthening the private sector. The private sector accounts for the great majority of employment in Ghana. About 85 percent of private sector enterprises nationwide, and even more of the enterprises in the towns covered by this study, are small and informal.

¹In 1987, 32 percent of the population lived in urban areas, or about 5 million people. Probably slightly more than 2 million of these live in Accra and the three largest towns, leaving 3 million in the smaller towns, some of which are administrative centers and most market towns. Three fifths of 32 percent of 250,000 is 50,000.

In this study "informal" and "microenterprise" are defined to be synonymous. These are enterprises employing 10 or fewer people. Enterprises within this range employ almost everyone in each of the towns included in the study (and almost everyone employed outside Ghana's larger towns), with the exception of government employees. There is almost no private formal sector employment in small towns.

Studies around the world confirm the findings of this study by showing that there are strong economic linkages between rural and market town income and employment. The Kutus Study in Kenya found that farm households make local consumption expenditures equivalent to 40 percent of their income. Using data from 12 African and 4 Asian countries, the World Bank found that 1 percent growth in agricultural income was associated with 0.5 percent growth in non-farm income; that \$1 invested in agriculture resulted in 80 cents of value added in the local non-farm economy; that a 10 percent increase in rural household income resulted on a 13 percent increase in expenditure on rural goods and services in Nigeria and 24 percent in Malaysia. (See the references in the bibliography.)

It may be even more important to create jobs in rural areas and small towns than elsewhere. The need for employment in these locations is even greater than indicated by the rate at which the labor force is increasing. This is because so many of the jobs in small towns and rural areas do not provide adequate income to support families even at minimal living standards. People are forced to take second jobs. This survey confirmed that this is the case: 60 percent of farm households receive 20 percent or more of their income from sources other than farming. Data from the Ghana Living Standards Survey (GLSS) shows that 20 percent of the labor force as a whole has a second job. What is more interesting is the finding that 90 percent of those in agriculture who have a second job have that job outside agriculture. That GLSS finding too is in line with the findings of this study: 67 percent of the farmers interviewed in the formal survey who have a second job have that job in the local town.

The main purposes of the business surveys was to gain a better understanding of the linkages between the businesses in the market towns and the farming in the towns' hinterlands, and to identify key business development, and therefore employment creation, constraints. These constraints will be discussed in this chapter, following a brief description of the characteristics of businesses in the towns.

3.2 Characteristics of Businesses

Most of the economic activities that take place in market towns are linked to the agricultural activities in their hinterlands. These market town based economic activities can be divided into six categories:

1. Activities that are outlets for the farming and other primary activities in the town's hinterland (including fishing). These include the sale of farm produce in the market, and in other retail and wholesale establishments, to final consumers and to traders.

2. Activities that provide inputs and services for those same activities in the hinterland: for example fertilizers, improved seeds, transport services and irrigation parts.
3. Businesses that sell other consumer goods to rural and urban households in and around the town. Almost all of these goods tend to be "imported" into the town from other, usually larger towns, or from overseas, via larger towns.
4. Businesses that process agricultural produce, including grading and packaging.
5. Other businesses that manufacture goods or perform other services for sale in the town or for "export" from the town. These include metalworking, minor assembly (such as fans), and construction.
6. Financial and other service sector institutions.

All but the fifth have very strong linkages to agriculture, the most important economic activity of the majority of the population living in the region of which the market town is the center. However many of the customers for the output of the fifth category, small scale or microenterprise manufacturing, are farmers, or those who deal with farmers. In summary, the economic activities in market towns, are dominated by their rural environment.

Almost all the businesses in each of the categories are small. Most can be categorized as in the informal sector, which in this report is defined as "microenterprises". Half the traders interviewed in the survey operate as single person businesses. The "other businesses" in the town are only slightly larger.

Businesses in each of these categories were covered in the in-depth and formal surveys. There were separate formal surveys of traders and other businesses. These results of the formal surveys are reported and summarized in Annex 1. Two main types of businesses are distinguished in this section: traders and other businesses. Each will be discussed below.

3.2.1 Traders

The traders include men and women who buy produce from the farmers, either at the farmgate or at the market, and sell to other traders or to final consumers. **Almost all are women.** Traders usually specialize in a single commodity and a set flow of produce from farm to market or from one market to another.

The traders are organized into commodity groups, each presided over by a "Queen Mother". The study team interviewed many Queen Mothers. In each market one of the Queen Mothers is the overall leader. A local administrator wishing to make changes to the market, especially if fees will have to be raised, would have to work closely with the Queen Mothers. For example, when the District Secretary in Kumasi wanted to double market fees he had to convince the Queen Mothers that services would improve.

Almost all the traders spend much of their time travelling. They travel between markets, usually in the same area, and they visit farms to buy produce. Some travel very long distances. Some of the traders interviewed in Techiman, for example, travelled to the very north of the country to buy, and sell, produce. There is considerable international trade passing through some markets, Techiman and Mankessim, for example. The traders usually travel according to a set pattern dictated by their specialty and the market days. The team met many of the same traders in Agormanya that they had interviewed the day before in Asesewa.

The traders interviewed in the formal survey trade in a wide range of goods, the largest group being the 40 percent who trade in farm produce. About one half are single person businesses.

There is considerable trader-to-trader business: 54 percent bought their goods from other traders.

Although the traders have had mixed fortunes over the past three years, with almost as many worse off this year as better off, they are optimistic about the future. Two thirds feel that the trading outlook will improve over the next two years and only 19 percent think that it will deteriorate.

The traders, in common with the farmers and the other businesses, complained about the quality of facilities and services in the market towns. The top complaints were about marketplace facilities (77 percent thought them to be "poor" or "very poor"), water supply (69 percent), and farm-to-market roads (60 percent). Eighty percent reported that they were in general dissatisfied with the marketplace (taking all its services together).

When asked to identify their main problems, the most popular responses were, in order, poor roads and transport services, marketplace facilities, and business capital. Very few identified a lack of storage facilities as a problem. The traders do not see themselves as performing a storage function: basically they buy and sell as quickly as possible. Overnight storage is however needed.

3.2.2 Other Businesses

Most of the businesses covered by the formal surveys are in "retail and other services". Only 6 percent are in agricultural processing. Forty eight percent have as their main customer "general consumers"; the others sold mainly to traders and, very few, to manufacturers. However the backward linkages to manufacturers are stronger: manufacturers are the main supplier for 32 percent of other businesses. Backward as well as forward linkages to traders are strong: traders are the main supplier for 32 percent of the "other businesses". Farmers are the main supplier for only 8 percent. Many of these "other" businesses are owned by women.

In common with the traders, these businesses tend to be optimistic about the future: 61 percent thought that business would improve over the next two years (This despite their mixed fortunes over the past two years: as many have lower revenue now compared with last year as have higher revenue).

These businesses rated marketplace facilities to be the worst, followed by water supply and farm-to-market roads. Many also complained about the poor or even very poor banking facilities. They identified their main problem to be the lack of business capital. This topic will be discussed in more detail in the next section.

There is a more detailed profile of the manufacturing businesses in one of the towns that the team visited, Techiman. Techiman's manufacturing businesses have been studied in some detail in another study. Manufacturing, as defined in the IFO study, employs about 20 percent of the town's economically active population. The town's manufacturing business profile is shown in Table 3.1 (this profile excluded traders, retail and other services). Many of these businesses are linked to Techiman's agricultural hinterland through the flows of inputs. One third of the manufacturing businesses are in food and beverages. Many of the customers are of course farmers, too. In addition about 14 percent of the businesses produce wood products, another output that uses rural inputs, the timber coming from Brong Ahafo and Ashanti. The linkages for some of the businesses are both within and outside the town. These include car repair and metal working. Some of the businesses depend upon inputs from other towns and their markets: for example, garment making.

Techiman's distribution of manufacturing employment is similar to the country as a whole, as shown by comparing columns 2 and 3 in the table. However given its rural hinterland it is not surprising that the food and beverages proportion is higher in Techiman, 33 percent, compared with 26 percent in the nation as a whole.

As stated above almost all of Techiman's employment is in the informal sector. This is also true of the manufacturing business. The 1984 Census identified the proportion of each subsector that is informal. In the national economy, 46 percent of the total informal employment is in the sub sector that is the largest in Techiman, food and beverages.

3.3 Development Constraints

The surveys revealed that there are two main types of development constraints in market towns: poor infrastructure in and around the towns; and a lack of credit for entrepreneurs in the towns and for farmers in their hinterlands. Each will be discussed in this section. The consequences of relaxing these constraints will also be assessed. A third constraint, weak local administration, will be examined in the next chapter.

3.3.1 Credit

Both formal and key informant interviews identified poor access to credit as a major problem for farmers, traders and other businesses. This is not surprising since in general expansion cannot take place without investment and the smaller scale entrepreneurs do not have access to formal sector funds; they only have access to expensive informal sector funds. Entrepreneurs therefore have to rely largely on their own savings and borrowing from friends and relatives.

Table 3.1
Manufacturing Business in Techiman

	(1) Manufacturing Activities in Techiman (# Concerns)/%	(2) Manufacturing Employment % Distribution Techiman	(3) Formal Sector Manufacturing % Distribution Employment	(4) Informal Sector Manufacturing % Distribution Employment
Food & Beverage	209/36.2%	(33.1%)	26.4	45.7
Brewing	66			
Bread	73			
Milling	23			
Misc. Food Processing	6			
Oil Products	41			
Wood Products	75/13.9%	(21.9%)	25.7	N.A.
Carpentry	72			
Sawmills	3			
Textiles	93/16.1%	(14.7%)	20.6	16.4
Garment Making				
Metal	59/10.2%	(9.3%)	7.6	N.A.
Metal Working				
Machinery & Equipment	90/15.6%	14.5%	4.9	6.5
Automechanics	51			
Misc. Repair Services	39			
Chemicals	-		3.9	N.A.
Tobacco	-		1.4	0.02
Other	42/7.2%	6.6%	9.3	31.3
Shoes	17			
Other	25			
TOTAL	578	100%	100%	100%

Sources:

1. IFO Study of Manufacturing in Techiman
2. Estimate based on IFO study data. Given distribution of number of owners by establishment, it is assumed that each establishment has 1.1 employees except for the sawmills. The largest sawmill employs 45 persons. The other 2 were assumed to employ 30 persons total.
3. Ghana Statistical Service Industrial Census Bulletin No. 4, Accra, October 1988.

In fact the private sector invests very little. The private sector dominates employment Ghana, yet investment by private entrepreneurs forms a very small proportion of total investment. The private sector provides 91 percent of employment and 61 percent of GDP. Private investment represents only 4.2 percent of GDP. The situation is even worse in rural Ghana where almost all the employment is provided by the private, informal sector.

Some of the problems lie with controls upon, and the performance of, the formal financial sector. The composition of the formal financial sector is as follows. There are 3 primary banks, 7 secondary banks, 1 cooperative bank, and 120 rural banks (1987).

Apart from the Agricultural Development Bank (ADB), the rural banks allocate most to agriculture. Table 3.2 shows the lending pattern of one of the rural banks visited by the team. Thirty eight per cent of the value of loans was to farmers and fishermen in 1987. Very few loans were to "cottage industries" and almost as many were to trading as to agriculture. Lending for trading is attractive for the banks because, as reported by bankers interviewed in the study, profits are higher and the loans can be repaid quickly. Farmers have to wait much longer than traders until they have cash to repay loans taken out at the beginning of the production cycle.

Table 3.2
Asewewa Rural Bank Sectoral Breakdown of Loans and Overdrafts
as at 30th September 1987

SECTOR	AMOUNT GRANTED (cedis)	NO. OF BORROWERS
I. AGRICULTURE		
(i) Cocoa farming	1,474,000	128
(ii) Livestock breeding	200,000	2
(iii) Food crop cultivation	8,891,450	256
(iv) Fishing	2,529,000	29
II. COTTAGE INDUSTRIES		
(i) Local distilling/tapping	1,550,000	7
(ii) Corn mill operation	1,680,000	5
(iii) Brick making	120,000	2
(iv) Welding	160,000	2
(v) Kente weaving	100,000	2
(vi) Tailoring	45,000	1
III. TRADING	12,581,850	78
IV. TRANSPORT	5,097,250	20
TOTAL	34,428,560	432

Source: Key informant interviews.

The rural banking system was started in 1972. Twenty five percent of rural bank equity is owned by the Government. In 1987 rural banks advanced 1,156 new loans. In that year the equity to loans ratio was about 20 percent and the deposits to loans ratio 191 percent. The rural banks provided 3 percent of total credit in 1987.

In rural areas in Ghana, as in other developing countries, informal credit is very important. In the economy as a whole, thirty seven percent of the money in circulation is outside the formal banking sector, according to USAID's MAPS study.

The provision of credit to the rural sector has fundamentally collapsed. In fact the banking system as a whole is weak. The Bank of Ghana has recently undertaken a study of the sector. The weaknesses are due to a combination of factors including credit ceilings, credit allocation parameters that favor larger enterprises and parastatals, and the undercapitalization and the near or actual bankruptcy of the banking system (especially if the defaulted portions of the portfolio are revalued). In addition, many recipients of loans who could repay do not feel obliged to do so. The default rate in Techiman Commercial Bank is 90 percent; in Asesewa, 45 percent.

The demand for credit greatly outstrips supply. In the MAPS study, the lack of credit was found to be the most negative factor for businesses of all size categories and in three of four sectors (agriculture, services and manufacturing). Only the commercial sector cited other factors as more detrimental: taxes and interest rates.

The main financial sector development issues are:

1. A lack of confidence in the banking sector, which seriously hinders deposit mobilization;
2. Negative real returns on deposits (elasticities regarding rates are not known, but assuming they are not zero, the lack of confidence must be a dominant factor);
3. Threats to liquidity and solvency. There is an immense portfolio of non-performing loans, inadequate provision for these loans, and a resulting undercapitalization;
4. At the same time as demand is high, and all these problems remain to be dealt with, the macroeconomic need to limit monetary expansion has resulted in a ban on further lending activity, excess liquidity, and a reluctance on the part of large banks to accept new deposits. This anomalous situation has resulted in a standstill at far too low a level of credit.

Rural financial institutions not only have to face these problems but must also compete with a well established network of informal banking ("susu" credit unions). The formal sector institutions suffer from higher operating costs than the susus; poor management; and having to operate in a high risk sector. Indeed the GTZ study emphasizes that the scope of the formal rural intermediation is extremely small relative to potential; rural borrowers utilize informal sources which, while acceptable and familiar, offer no return on deposits and very high cost lending. The susus are to a certain extent filling in the gap left by the formal banking sector; this gap is itself partly caused by the IMF credit ceilings, and provide some liquidity to the system. The susus borrow at twice the commercial bank rate and onlend at rates that are sometimes as high as 10 percent a month. The Bank of Ghana would like to license the susus, but this threat has simply served to drive them underground.

The difficulties facing the rural financial institutions constrain the development of almost all of the businesses located in rural areas. The problems associated with access to credit can be illustrated by contrasting the experience of one of Techiman's saw mills and its hotel industry.

The saw mill is clearly a formal sector enterprise. It is the largest private sector employer in Techiman with 45 employees, 15 of whom are skilled. The mill has been in Techiman for 4 years. It relocated from the Western Region to Ashanti and then to Techiman. Its customers are in the north and Kumasi, from where the lumber is exported. Some of the wood is sold through the market in Techiman, some to customers from the north who use the wood for smoking fish and for construction. Local farmers exchange timber for lumber. Revenue is rising by about 30 percent per annum.

Since timber is a "priority sector", the firm is quite large, and its revenue flow good, the company was able to take out a loan of \$90,000 from the National Investment Bank (NIB) in 1984. The loan was for 3 years at 22.5 percent. Another loan was taken out in 1989: \$165,000 at 20 percent for 3 years. The second loan was to buy a saw to process the lumber for export.

This mill's linkages to the Techiman economy are not as strong as they might be partly because others cannot raise loans. Although the firm does expect its sales in Techiman to rise, it is looking elsewhere for much of its growth. They see an opportunity for someone to start a plywood mill in Techiman to use their byproducts. Despite there being a large metal workshop and repair ("magazine") area in Techiman, the sawmill's machinery is repaired in Kumasi. Spare parts come from Kumasi too.

With one exception, Techiman's hotel industry has been less successful in raising finance. There is one 15 room hotel, with 13 additional rooms under construction, and eight small hotels, some with as many rooms but constructed to much lower standards. The large hotel serves about 60 guests each week and turns away about 50. Most of its customers are Government officials and not traders. The hotel has water piped into the rooms, water-borne sewage, and a restaurant. It has been advanced a NIB loan.

The other hotels are just as highly occupied and appeal to lower income clients since their rooms are about one quarter of the price of the larger hotel's. Their association has lobbied with the banks to obtain loans to expand the hotels and improve the quality of their services. The hoteliers reported to the team that there is now a ban on loans for hotels; yet the in-depth surveys showed that there is a high demand for rooms almost all week from traders coming to the market. Although the market is held on three successive days, traders begin to come into town one or two days before the market opens. They have to sleep in the open or with local friends. The hoteliers' remaining hope is that the Bank for Housing and Construction, which is just opening a branch in Techiman, will be prepared to make loans to small scale hoteliers.

If hoteliers who are in a buoyant market and who have collateral (land and buildings) find it so difficult to borrow from the formal banking system, the system is clearly well out of the reach of almost all of the "informal sector" businesses in market towns. Since these informal sector businesses

employ almost everyone in market towns, this means that most of the workforce has limited opportunities to become more productive and that these businesses will find it difficult to expand and create more employment opportunities.

The lessons from these contrasting cases can be summarized as follows. The saw mill is big, and in an export sector. The hotels are small, and in that way typical of most business in market towns; they also serve local markets. The saw mill managed to borrow from the formal banking sector; all but the largest hotel could not.

Almost none of the farmers, traders or other businesses covered by the survey had ever managed to borrow from the formal banking sector. This study confirms the conclusion of the MAPS study that "cash constraints keep the private sector small and informal."

The team came across many cases of entrepreneurs who wanted to go into a processing activity but could not do so since they lacked access to credit. The women responsible for the fish smoking in Mankessim, which provides them with a livelihood for only part of the year, could not afford to buy the simple machinery needed to process gari. These women had therefore decided that their only option was to travel to Cape Coast to buy gari for distribution in Mankessim market. Women in Biriwa, Abandzie and Anomadu make their living out of distilling sugar cane. However they do not have enough cash to buy and hold stocks of sugar cane when it is cheap. Entry into the canoe fishing industry requires the investment of cedis 1.5 million in a canoe and outboard motor. Working capital is also needed for fuel.

The rural banks probably offer the best opportunity for improving the supply of credit to the small businesses that characterize market towns. One of the banks visited by the team provides a good model of effective rural banking. The Biriwa Rural Bank in the Nfantsiman District has been successful for the following reasons:

1. The management and Board of Directors are of very high quality. The chairman was formerly Ghana's representative to the ECA. The manager has been in banking for over 20 years.
2. The bank carries out a careful appraisal of the project before advancing a loan.
3. Almost all the loans are given in the form of inputs rather than cash and those inputs are clearly identified by the Bank's appraisal team.
4. The bank organizes its potential borrowers into groups or cooperatives. The managers of the cooperatives are made aware of any loans advanced to a member. The cooperative takes responsibility for repayment by its members.
5. The bank also has its own local representatives who monitor loan repayments.

From 1978 to 1988 the bank has advanced 8,053 loans ranging from cedis 4,000 to 2 million. The default rate over that period was 35 percent, which is unacceptably high. However, that rate has fallen ever since the bank adopted a strategy of advancing inputs rather than cash to farmers (the farmers were the main defaulters). As well as farmers, fishermen, fish smokers and traders have received loans from this bank.

The team visited two other rural banks that were doing well. Deposits with the Ekump and Abura Rural Banks in Mankessim have been rising rapidly, somewhat at the expense of the Ghana Commercial Bank in the town. Deposits have come from small scale businesses and farmers. The Commercial Bank has just embarked upon a campaign to attract small savers.

The only significant way in which the supply of credit can be increased is for the lending institutions to mobilize more savings locally.

There are savings to mobilize. Rural families and households living in market towns do save. Their savings take the form of hoarded cash, goods (jewelry), and debt claims. These forms of savings earn very small returns; many studies have shown that the rural poor often earn zero or negative interest on their savings. Some save with informal credit associations, "susus" Ghana. Very few rural families now save with the formal banking system.

The rural banks probably have the best hope of mobilizing these savings they are closest to the potential savers. These banks have the locational advantage of being part of the rural community and they interact with local people in ways that are less daunting than the other banks. Most of the business men and women interviewed in the survey had not only never thought of applying for a loan but did not know how to do so. Many did not have bank accounts and could not carry out rudimentary bookkeeping. They need a local banking system that will help them to identify their needs and manage their flows of funds.

Many would also benefit from advice on business opportunities. If they had information on simple processing technologies, the town would be able to capture more of the value-added from the agricultural produce passing through the town. Many of the local bankers met by the team thought that rural banks could be outlets for such advice.

In summary, the key to increasing the supply of credit is not to supply more credit from the center but to mobilize more resources locally (in any case, there is only very limited credit to be allocated from the formal banking system). That resource mobilization will itself require programs to upgrade the management and outreach activities of the locally based banks, in particular the rural banks. Such institutional development will take a long time, particularly given the ingrained resistance of many Ghanaians to risk depositing their savings in banks. This means that the credit supply constraint can only be overcome in the very long term.

3.3.2 Infrastructure and Market Services

Better feeder and main roads would encourage farmers to grow more marketable crops, which would in turn provide more business for traders and for potential processors of agricultural produce. Experience from other countries such as Kenya shows that if the marketplace itself is upgraded then more traders are attracted to the town and that in turn encourages more farmers to grow marketable crops. Residents and businesses in the town would also benefit from better water and sanitation services, power supply, and health and education services. The quality of infrastructure in and around each of the towns is summarized in Table 3.3.

Table 3.3
Quality of Infrastructure in Market Towns

=====

Techiman:	Most feeder roads inaccessible during rains. Very poor potable water supply. Poor sanitation. No solid waste management. Improving access to electricity.
Hohoe:	Good roads, access to water and electricity. Poor sanitation. No solid waste management. No well organized market. Poor street lighting.
Aseewa:	Main access road very poor. Feeder roads appalling. Almost no potable water. No electricity (except for bank). No solid waste management. Housing in very poor condition.
Agormanya:	Very poor urban roads. Poor sanitation. No solid waste management. Some access to electricity. Poor drainage. Inadequate potable water supply.
Mankessim:	Many roads inaccessible during rains. Very poor drainage. Acute water supply problems.

=====

Source: Key informant interviews.

The farmers' and traders' need for better farm-to-market roads have already been discussed in the previous chapter. The road network is particularly sparse in Brong Ahafo: at 0.04 km of roads per km² of area, this region has the least dense road network in the country. The average distance between settlements and main roads, 6.25 miles, is the highest in Ghana. Some of those interviewed manage to carry their produce along very poor feeder roads to market. Nevertheless, roads that are easily washed out and are not repaired or properly maintained are a major agricultural marketing constraint, as has been well documented in many studies in Ghana and elsewhere. Better roads would also improve access to educational and health services.

Farmers and traders also need marketplaces in which to sell their produce, and buy inputs and consumer goods. Most of the marketplaces visited by the team were once in better condition, indicating that the public authorities

once regarded the market towns as much more important than they have in the recent past. Both Asesewa, the smallest and most remote of the market towns visited, and Techiman, with the largest market outside Kumasi, have markets that were once paved and properly drained. Remnants of the pavement can be seen sometimes as much as two feet above the current bare surface, indicating the extent of the degradation.

During the in-depth interviews, the traders argued that it is now unnecessarily expensive to trade in each of the markets visited by the team. It is difficult for traders to move their produce into and out of the market since lorry parking facilities are so poor, with narrow entrances, no clear circulation system, very uneven surface conditions, and a simple lack of parking space in most cases. Roads around and inside the markets become impassable when it rains. There is so little covered selling area that the markets, especially the areas of the markets dealing with farm produce, which is stored in the open, cannot function on rainy days. Water to provide refreshment and clean the produce is in very short supply in each of the markets. Power supply is less of a problem, since few traders operate machines or wish to sell at night, but it is less than adequate in most of the markets. Sanitary conditions make the markets unattractive to visit and unhealthy to work in. There are few toilet facilities, or none at all. Mountains of solid waste have accumulated inside each of the markets.

Improvements to markets benefit the economy as a whole and do not simply benefit the economy of one area at the expense of another. The attraction of more traders to better quality markets may in the short term be at the expense of other markets and the farmers around those markets, but there is an overall benefit to the economy. Studies have shown that the "crossroads" type of market, where a small numbers women sell their farm's produce, tend to decline or are even abandoned when a nearby larger market is improved. However markets further up the hierarchy linked to the main market, such as Techiman, take on new functions and also benefit. Many of the traders operating in the big markets buy from the smaller markets, and so upgrading the former benefits the latter. There is an overall net increase in trading and in the production of crops to be marketed.

In any case, most markets tend to be complimentary as much as competitive. And the extent to which they are competitive acts as an incentive to improve performance. Two of the markets visited by the team appeared at first sight to be only competitive. The team was told when it visited the Manya Krobo District headquarters that Agormanya had taken business away from what used to be the main market in the District, Asesewa. Indeed revenue from Agormanya market had risen to exceed Asesewa's. The neglect of the road to Asesewa was said to be the main cause of Asesewa's decline. However interviews with the traders in both of these market town indicated that the activities of these markets are linked, with traders moving from one to the other (they have different market days), despite the very poor roads. Asesewa deals with large volumes of agricultural produce while Agormanya has relatively less produce and more final consumer oriented merchandise and also more highly finished produce (for example, more ready-to-wear compared with only fabric in Asesewa). This complementarity is partly because the two towns' economies are somewhat different as shown in Table 3.4. Agormanya, and neighboring Sumanya, have high incidences of carpentry, garment making, machinery repair, and retail trade compared with low incidences in Asesewa.

Table 3.4
Manufacturing and Processing in Many Krobo

	ASESEWA	AGORMANYA/ SUMANYA
=====		
Food & Beverage		
Brewing	M	M
Bread	M	M
Milling	L	H
Misc. Food Processing		
Oil Products		L
Wood Products	L	H
Carpentry	L	M
Sawmills		
Textiles		
Garment Making	L	H
Metal		
Metal Working	L	H
Machinery & Equipment		
Repair	L	H
Other Consumer Services		
Banking	L	M
Hairdressing	M	H
Retail Trade/Wholesale Trade		
Foodstuffs	L	H
Basic Household Goods	L	H
Higher Quality Consumer Goods	L	H

=====

H, M, L = High, Medium, Low (based simply on observations and a few interviews)

Source: Key informant interviews.

This complementarily means that to improve facilities at one market would probably be to increase the flow of goods to and from the other. And if the road to Asesewa were improved, as is planned, Agormanya would probably benefit as well as Asesewa, with a large overall benefit to farmers around Asesewa and beyond.

Many of the other businesses in the town would benefit indirectly from the improvements to market facilities, as well as directly from improvement to roads, water supply and power. More traders and consumers visiting the market means more business for hotels, chop bars, retail establishments, and so on. As the market grows there would be higher demand for repair and metal fabrication services. The increased volumes of produce coming into the town would tend to make it more economic to invest in processing equipment.

There are three ways in which the upgrading of District infrastructure could be funded: by Central Government grants, by raising more taxes locally, and by charging enough for the services provided to cover all costs.

It should be possible to recover all the costs of improving some of the infrastructure in the towns. This should be true of the marketplace and the bus and lorry parks. A simple example is shown in Table 3.4. In this example it is assumed that it will cost about \$ 1 million to upgrade Techiman market, which covers 12 acres, by paving the surface, improving the drainage, installing a small number of standpipes, enclosing the market with a wall, and constructing wooden frames for a number of covered stalls (the stallholder would provide the roofing, etc.). If the existing annual revenue were doubled from this year's \$150,000 to \$300,000 by increasing fees by a rate that the traders told the team would be acceptable for an improved market, and revenue rose by 5 percent annum thereafter, the financial rate of return would be adequate to repay a loan at international interest rates and operating costs, assuming operating costs of \$30,000 per annum, more than twice the current level. Smaller scale improvements would be financially feasible in the other markets visited by the team, as long as revenue collection standards were improved, an issue that is discussed in the next chapter.

Other facilities would have to be partially or fully financed by central or local government. As will be discussed later, the potential for the districts themselves raising significantly more revenue, or enough additional revenue to finance many of their development needs, is limited. Additional funding would have to come from Central Government which, in a small country such as Ghana, has a comparative advantage in revenue collection.

3.3.3 Health, Education and Other Services

This study did not particularly focus on health and education issues. However some were raised during the key informant interviews. Poor health and education services were referred to as basic development constraints, common to all towns.

The headmasters of the secondary and primary schools in Asewewa (both were members of the District Assembly, one its Chairman and the Chairman of the Rural Bank too), complained that although a reasonable proportion of the children living in the town itself go to school, almost none do in the countryside around the town. This problem is confirmed by data from the Ghana Living Standards Survey. The literacy rate is 58 percent in Accra, 34 percent in other towns, and 21 percent in rural areas. Many of the business men and women questioned in the key informant interviews said that technical training facilities should be improved. The manufacturing workforces in the towns have the best trained workforces. According to the IFO study, 60 percent of the owners of manufacturing enterprises in Techiman have had formal technical training.

Health issues were frequently raised. Although health provision in the region is about average, it is deteriorating. In 1984 there was 1 hospital bed per 850 people and 1 doctor per 79,000. There are few or no toilets in the markets visited by the team. Although there is a KVIP in Techiman market, with a small user charge, many traders said that they would be prepared to pay more for better facilities. During the market days the traders basically

live in or around the market, in the open or in shop or office doorways, with very limited toilet and washing facilities. Another clear health hazard is the mountain of garbage in or next to each market. Techiman's, which is the worst, was featured in a national newspaper in January, 1990. District Assemblies lack the equipment to remove such large quantities of garbage (even Techiman's manager of the Department of Feeder Roads does not have a truck for his exclusive use; he has to apply to the Departmental District Engineer for a vehicle).

These basic services, education and health, are in most countries an important contribution of the public sector to the development of the private sector. Education gives people the skills that employers need and widens the horizons of current and future employers (it is interesting that many of the leading entrepreneurs in the towns visited by the team are school teachers). The trade or marketing that goes hand-in-hand with rising agricultural productivity requires a broader perspective on the part of farmers and greater skills. These skills can more easily be transmitted to better educated rural dwellers. More sophisticated agricultural and off-farm employment activities both require reliable labor forces. Better health assists in bringing that reliability.

Poor housing was another frequent complaint made during the key informant interviews. Some of the strongest complaints came from civil servants who had been relocated under the Decentralization Policy without adequate provision for accommodation. They also said that educational standards were much lower for their children in the small towns than in Accra or the larger towns where they had originally been posted. One characteristic of housing in rural areas which may offer some hope is that according to the Ghana Living Standards Survey, over 50 percent of households own their house in rural areas compared with less than 10 percent in Accra. This means that the house could be used as collateral for loans to upgrade their units, or for any other loans. In addition, studies in many countries including Ghana (Kumasi's housing market has been studied for a number of years), have shown that owners are prepared to spend more for housing than renters, therefore the need for subsidies is less. The incidence of ownership of business property tend to be higher. According to the IFO study of manufacturing in Techiman, 30 percent of the entrepreneurs own the land and 70 percent the property.

3.4 The Role of Women

The important role played by women in rural areas is mentioned many times in this report. Farm women work in the fields, are generally responsible for the farm marketing activities, including headloading produce to market or to the main road, as well as taking care of the children. They dominate the trading activities in the towns, as pointed out in Chapter 3.2.1. They operate many of the "other businesses" covered by the surveys, not only retailing but also businesses such as fish smoking, gari preparation and palm wine brewing.

It is in their management of the agricultural trading activities in the towns that women have their most important role, one that is pivotal in rural-urban linkages. To improve access to credit, upgrade farm-to-market roads, and install better market facilities would have a major impact on the incomes and employment of the women who manage the trading activities in the towns and at the same time greatly strengthen rural-urban linkages.

3.5 Conclusions

The economic activities in market towns and their hinterlands are closely linked together. Farmers market food crops through the towns, many of them by using traders. Farm families also depend upon their own business activities in towns or labor there to supply essential supplements to their farm income. Farmers buy most of their inputs and many consumer goods in market towns. Businesses in the towns depend largely on inputs from and sales to farmers. Many commercial service sector activities in towns, such as hotels and bars depend upon business brought to the town by its marketing activities.

Inadequate access to credit and poor rural infrastructure are constraining employment creation in rural districts. Not only do these deficiencies inhibit farmers' production and marketing activities--even limiting their incentive to market crops at all--but they also constrain the development of the economic activities to which farmers are linked in market town.

Almost none of the farmers or market town based business men and women interviewed by the team had even managed to obtain a loan from the formal banking system. Most thought it pointless even to apply. Entrepreneurs have to rely mainly on their own savings, borrowing from friends and family, susu credit unions, or moneylenders. National credit controls are so severe that the formal banking system will not be able add significantly to liquidity in rural areas unless it can mobilize more of the savings held informally by farmers, traders and others. These savings now earn little or no interest, since they are in the form of goods, credits and cash. A major mobilization program carried out by financial institutions close to the potential depositors offers the best hope to overcome the credit supply constraint. The institutions best placed to do this are the Rural Banks and the credit unions.

Farmers, traders and other business men and women also complained about poor or very poor farm-to-market roads, marketplaces, water supply, and a lack of agricultural processing facilities. The responsibility to overcome many of these problems with infrastructure lies with the public sector, in particular the District Assemblies, or Central Government through the District Assemblies. Better public facilities such as marketplaces and bus and lorry parks could be provided with full cost recovery by the Districts.

4. LOCAL GOVERNMENT

4.1 Introduction

The responsibilities of the local administrations, in particular the District Assemblies, will be discussed in this chapter.

The need to improve the supply of credit to the mainly informal and private sector enterprises, to improve the infrastructure linking farms to towns, and to improve infrastructure and services in towns in order to promote employment creation and improvements in agricultural production and marketing have been discussed in Chapters 2 and 3. Although almost all the economic activity in rural Ghana, including market towns, is in the hands of the private sector, the public sector has a responsibility to facilitate the necessary changes. Under the Decentralization Policy, much of the responsibility for the economic and social development lies with the newly formed and elected District Assemblies.

This chapter will begin with an outline of the objectives of the Decentralization Policy and discuss its institutional structure. The findings of the study on how the policy is actually working will then be outlined. The finances on the District Assemblies in the four districts visited by the team will then be discussed. This chapter will conclude with an assessment of the role of the District Assemblies in overcoming the development constraints described in the previous two chapters.¹

4.2 Decentralization Policy

The objective of the decentralization policy is to allow Districts to participate in economic and social development decisions. It is thought that if the Districts either make the public investment decisions or have a significant input into the decisionmaking by central government, then the investments themselves are more likely to be those needed most by the residents of the districts and the entrepreneur active there. Further, if the District has to raise all or some of the funding required for the investment in public infrastructure and services, it is more likely to mobilize the resources needed to operate and maintain them. Decentralization is in that way a resource mobilization device for countries where central government finances are likely to be severely constrained in the foreseeable future.

Although many African countries have decentralization policies, few have implemented these policies with as much vigor as Ghana. The Local Government Law of 1988 established 110 District Assemblies. These Districts have been set up and the Assemblies elected. Offices have been built or found for the 45 new districts. The District Assemblies have set up committees covering all aspects of development, development priorities have been established, and the new "composite" budgets prepared. The first such budgets are now being monitored by the newly established District Planning and Budgeting Officers.

¹Fiscal decentralization, a key issue, has been studied in much more detail by a recent World Bank mission.

There is a training program for District staff and help is being provided to the Districts by mobile teams from the Ministry of Local Government.

It was clear from the team's discussions with District officials, especially the District Secretaries, and with Assembly members, that farmers, traders and other business men and women in their Districts look to the District administrations rather than the "decentralized departments" (the Central Government Ministries) to solve their problems with infrastructure and services. In a sense it is the job of the District Assemblies to facilitate development. Some of the problems associated with fulfilling that responsibility will be discussed in the next two sections. However, the range of activities actually administered by the District is limited. The staffing of Techmian District indicates this limited range: education 5, public health 49, works 3, administration 24, revenue 64, accounts 4. Clearly most of the staff are not directly active in providing services to the community.

4.3 Revenue and Expenditure

An important finding of the team's examination of the Districts' revenue is that the District Administrations do not themselves have surplus funds for any significant development. In other words they do not raise sufficient revenue themselves to overcome in a significant way the infrastructure and service constraints identified by the farmers, traders and other business men and women. For example, only cedis 1.2 million (\$3,000) out of a total expenditure of cedis 22.8 million was for development projects in 1988 in Krobo District. The projects included cedis 337,000 for market rehabilitation, cedis 250,000 for latrines, cedis 176,000 for town roads, cedis 5,200 for street lighting, and cedis 421,000 (see Table 4.1).

Table 4.1
Krobo District Assembly
Revenue and Expenditure (to Dec. 1988)
cedis

Revenue		
Rates	794,000	
Market fees (4 markets)		11.3 million
Lorry parks		1.3 million
Licenses	865,000	
Rent for market stalls		217,000
Other rents		89,000
Trading: 1. transport		402,000
2. floor		200,000
Reimbursement for salaries & wages		10.4 million
Grants	750,000	
Expenditures		
Salaries and wages: 1. government		10.4 million
2. council		5.97 million
Trading and services		1.4 million
Development projects		1.2 million
Total	22.8 million	

Source: Key informant interviews

Most of the funding for development projects has to come from Central Government sources. In fact much of the funding even for these very small projects comes from Central Government. This was true in Techiman, as shown in Table 4.2. There were three grants from Central Government for development projects there in 1988: cedis 360,000 for sanitation, cedis 40,000 for electricity, and cedis 400,000 for school rehabilitation.

Table 4.2
Techiman District Assembly
Sources of Revenue

Sources of Revenue (to Dec. 1988)	m. cedis
Central government for wages and salaries (*)	12.9
Rates	2.9
Property rates	3.6
Market fees	33.2
Other fees	2.6
Licenses	1.9
Interest on investments	0
Lands	0
Trading and services	0.3
Rents	0
	====
	57.4
Grant from Central Government for Development Expenditure	
Sanitation	360,000
Electricity	40,000
School Rehab	400,000

(*) to cover 50% of wages and salaries
Source: Key informant interviews

The Districts continue to depend upon the Central Government to fund recurrent expenses too, through a grant covering half the cost of salaries and wages. This grant forms a large proportion of revenue in all Districts. It is one quarter of Techiman's revenue and 40 percent of Manya Krobo's.

As shown in Table 4.1, the Districts are even more dependent on the central economic activity of market towns, the marketing in the marketplace, for their revenue. Fifty eight percent of all revenue for Techiman District was from market fees in 1988, or 75 percent of revenue excluding Central Government grants. The proportions were similar for Manya Krobo.

The dependence on market fees will or could rise. This is partly because revenue collection is so poor and partly because the rates are lower than they need to be. Techiman increased its fees by 40 percent in 1989. By August of that year, almost cedis 30 million had been collected, almost equivalent to the total fees collected in 1988. Better revenue collection also helped in Techiman, through better supervision of the collectors. The Krobo District Assembly has demonstrated just how much potential revenue is not normally collected. The District set up a market revenue collection task force in June, 1989. Each revenue collector was accompanied by an Assembly member, a CDR representative or a member of the militia. By 10 am of the first morning they had collected revenue equivalent to 2 whole market days' fees.

Revenue from property taxation is very low. In Techiman revenue from this source was less than 10 percent of all revenue in 1988, in Krobo 5 percent. This is partly because of poor collection practices, but mainly because the rates are based upon old property valuations. Property in Techiman was revalued in 1988, and revenue from rates rose from cedis 310,000 in 1987 to cedis 2.9 million in 1988. Four million is expected for 1990. The last revaluation in Manya Krobo was in the early 1970s.

Mfantseman's and Hohoe's 1988 revenue and expenditure are shown in Tables 4.3 and 4.4.

The overall picture is that although some increases in revenue might be expected once revenue administration has been reformed, this will not create large surpluses for development projects.

Table 4.3

Mfantseman District
Revenue and Expenditure (to Dec. 1988)
(thousands of cedis)

Revenue	
Total own revenue	18,748
Taxes	4,943
Fees	11,391
Licenses	943
Other	1,470
Central Government Grants	21,280
Total Revenue	40,028
Expenditures	
Total recurrent	6,629
Of which financed from own resources	6,629
Wages	3,979
Capital Expenditure	2,079

Sources: Ministry of Local Government.

Table 4.4

Hohoe District
 Revenue and Expenditure (to Dec. 1988)
 (thousands of cedis)

Revenue	
Total own revenue	1,553
Taxes	6,007
Fees	3,132
Licenses	1,097
Other	225
Central Government Grants	7,955
Total Revenue	13,963
Expenditures	
Total recurrent	11,740
From own resources	4,535
Wages	9,147
Central transfers	7,205
Own resources	1,942
Capital	750
Central transfers	750

Sources: Ministry of Local Government.

Under pressure to raise more revenue, the Districts visited by the study team have become active in economic enterprises of doubtful value. Techiman District Council is now running a bus to Kumasi. The 23-seater bus cost about cedis 6 million, which is being repaid on a hire purchase basis, with 6-monthly payments. This bus competes with private sector operators. The service is said to cover its costs. Techiman has a plan to undertake a joint venture with "Techiman Citizens Abroad" to exploit a clay deposit near Bamari. The Citizens would provide the foreign currency for imported equipment, the Assembly the cedis. The business would produce bricks and tiles, which now have to be bought from Sunyani. Krobo District has a truck for hire, and also makes money out of buying cement and flour at the controlled price and selling to the public at a markup.

A useful public sector activity that does produce a revenue surplus in all towns is operating the marketplace. A still better service could be provided if the District also upgraded the market so that it served farmers, traders and consumers even more. It should be possible fully to recover the costs of investing in and operating an appropriately designed market, as demonstrated in the example in the previous chapter.

However even in this case, partnership with the private sector, or at least non-governmental organizations should be considered. Some Districts have been active in mobilizing local private sector support. Techiman has a Town Development Committee, which was set up as an independent development company. The Committee raised local contributions to put up street lighting in the town center. The transport unions are working with some Districts, for example Techiman and Mankessim. The Ghana Private Road Transport Union (GPRTU) collects revenues on behalf of Techiman District from users of the lorry park. GPRTU has raised funds from members to upgrade the lorry park in Agormanya. It may be wise to consider contracting out the operation of the market, and perhaps the lorry and bus park, to the private sector. This would probably improve revenue collection.

The District Assemblies are not alone in mobilizing local support for development projects. The decentralized departments do so too and probably could do more. The Department of Feeder Roads in Sunyani has a pilot project under which it has provided a grader towed by a tractor, a tipper truck and a roller pulled by a tractor to communities that will provide communal labor to maintain and repair the roads. However this scheme is reported not to be as appealing to communities as was once thought. Some communities have requested "incentives" such as food-for-work. The Department also works with CDRs and Town Development Committees to keep roadsides and drains clear.

4.3 Financial Management

A new budget and monitoring system has been introduced under the Decentralization Policy. Planning and Budgeting Officers have been appointed in each District to be responsible for the preparation of a "composite budget", which is also referred to as an "Integrated Plan and Budget". This budget is goal oriented. District Assembly Committees plus heads of departments set goals for each sector and calculate the resources required. The budget headings on the composite budget are "District Assembly" and each of the decentralized ministries (Roads and Highways, Education, etc.). These budgets are submitted to the Regional Secretary, the Central Government ministries and the Ministry of Finance and Economic Planning. Budget hearings take place in Accra by region; each hearing takes half a day. The hearings take place in September and October. The outcome of the hearings is not known until January when the MFEP sends out notices of expenditure permitted for the first quarter. The Planning and Budgeting Officer monitors composite budget expenditures.

Although this is only the first year of composite budgeting, the District Assembly members and the District officials in practice have little say on which development projects are selected for funding. They tend to propose long lists of projects for which there is far from sufficient funding. For example, the Techiman District Assembly identified 12 roads that needed to be upgraded. Those proposals are being reviewed by the District Engineer in Sunyani (the Department's "District" which covers 5 Ministry of Local Government Districts), the Department in Accra and the MFEP. The local engineer expects that one of the twelve roads will be accepted--and that will be funded by the USAID feeder roads program. The Districts can only be sure of eventual funding for projects that they can fund out of their own local revenue surpluses, which are very small, as explained above.

There remain problems of central/local integration. According to the Local Government Law, the District Assemblies should decide the expenditure priorities. In reality, they have little fiscal autonomy. The Central Government's programs of grants to the Districts themselves pose a number of problems: (a) the level of grants fluctuates from one year to the next; (b) grants may be allocated to capital projects which the Districts cannot operate and maintain; and (c) grants are used to supplement operating budgets and in some instances in effect reward Districts for poor financial management. Finally, all the Districts visited reported that, despite the Decentralization Policy, the level of grants is diminishing.

In addition, local integration is sometimes frustrated by the career loyalties of staff. The Planning and Budgeting Officers generally come from the MFEP and still report there. The rest of the District Assembly staff are part of the Ministry of Local Government "cadre". The decentralized ministries' staff are from their respective ministries, of course. Professional and career loyalties are divided and many look to Accra rather than to their District. Eventually the decentralized staff are to report to the District Assembly. The problems faced by the Planning and Budgeting Officers, as told to the team, illustrate the issue of conflicting loyalties. One of the duties of these officers is to monitor the composite budget expenditures. They check revenue and expenditure against the plan on a monthly basis, and then report deviations to the Assembly, the ministries concerned and MFEP. The officers report that the decentralized ministries supply their returns on time, but the districts are months late. The District Treasurers argue that they are already monitored by the Ministry of Local Government's Internal Auditors.

All of the District Secretaries and Planning and Budgeting Officers interviewed by the team asked for more training for themselves and their staff so that they could better carry out their new responsibilities under the Decentralization Policy. In general the District Secretaries are very experienced administrators, many having held a similar job prior to the setting up of the new local government system. The Planning and Budgeting Officers tend to be young, often recent graduates in economics, planning or geography. These officers have been to special training courses. For example, Techiman's Budgeting Officer, a geography and economics graduate, had been on two week and four week courses run by GIMPA at Legon. Many districts do not have anyone qualified to prepare development plans and no one qualified in financial management as opposed to bookkeeping. The Ministry of Local Government is helping with its mobile planning teams. In addition the planner in one district often also helps in another.

4.4 Funding the Districts

The demands for expenditure made by the various subcommittees of the District Assemblies far outstrip the revenue the Districts raise themselves locally or obtain from Central Government. The Government has made it clear that the Districts should regard as one of their top priorities the funding of more development projects and the operation and maintenance of those projects from locally raised revenue; to do so the Districts will have to raise more revenue from local sources. Although some progress has been made in that regard and a real growth in locally sourced revenue can be expected for some years to come, there is a limit to the degree to which Districts can depend on local sources of revenue.

Central Government will have to improve its funding directly to the District Assemblies if the Decentralization Policy is to progress. There should be more funding; it should be more reliable; and its disbursement should be better linked to performance.

That is not to say that there should be a major net drain on the central funds in the future. First of all, more discretion should be given to the Districts over funds now effectively controlled by the decentralized ministries. This would simply be a reallocation of existing funds. Secondly, Districts should be encouraged to fund projects for which there would be full cost recovery.

There could be two types of funding to the Districts.¹

1. **District Development Fund.** This fund would give grants to cover administrative expenses, such as the current grant to cover 50 percent of wages and salaries, and the "social" component of development projects for which costs cannot be recovered, such as PAMSCAD-type public works. Even for these kinds of projects there should be a built-in "reward" component, for good operation and maintenance performance or local contributions.

2. **District Loan Fund.** This fund would advance loans for projects on which costs could be fully recovered. Many District-sponsored projects could be in this category: schoolrooms, clinics, upgrading the marketplace, lorry and bus parks, and KVIPs, for example.

A precondition for access to either of these funds should be for the District to reach a certain, high standard of financial management and revenue collection. This would require the participation of staff in appropriate training programs. The "certification" could be carried out by the Auditor General, the Ministry of Local Government's Auditing Department, or the Ministry of Finance and Economic Planning.

The managers of each of these funds should require Districts to prepare feasibility studies. It would be particularly important to demonstrate financial viability for applications made to the Loan Fund. Funding should be provided for local consultants to carry out these studies for the Districts.

The funds should be managed centrally. The Development Fund could be administered by a Central Government department, possibly Local Government or Finance and Economic Planning. The Loan Fund should probably be administered by an existing bank or a specially established bank. This is because the Loan Fund should be managed on a commercial basis. The Loan Fund should be fully self-sustaining, able to repay its own borrowing. If a donor were involved, the interest rates of the Loan Fund's borrowing might be lower than the high rates that prevail in Ghana today.

¹Kenya has examples of both of these types of funds. There is the District Development Fund and the fund managed by the Local Government Loans Authority, which is supported by a Housing Guarantee loan from USAID.

Care should be taken with the initial allocations of these funds. Districts with particularly good development potential, best of all, districts that are already growing rapidly, should be selected first for a development program supported by the District Development Fund.

In the long run, all districts or towns should be able to participate in the Loan Fund. The conditions for participation should be a high standard of financial management by the District, rising District revenue, an appropriate design for the facility, and the preparation of a financial feasibility study that clearly demonstrates that revenue from the project is sufficient so that the upgrading loan can be repaid in a timely manner, and the operation and maintenance costs can be recovered. It is important to emphasize that a necessary precondition is that the District be well managed financially. In other countries otherwise good projects have failed because local authorities have not taken their loan repayment responsibilities seriously, threatening the overall financial viability of the program.

However, in the short run it will be important to target the District Loan Fund's seed capital to where it will bring the highest returns. The same is true for the District Development Fund's grants. Returns will be greatest in market towns and districts where the utilization of facilities is highest relative to the quality of those facilities. This, in effect, means the busiest market towns, since facilities in all of them are very poor and very run down. These towns will tend to be located in regions where agriculture is growing particularly rapidly. Each of the towns selected for this study has a very busy market, which is in very poor condition, and has a growing agricultural hinterland. Where there is severe pressure on limited facilities it will be much easier to raise the fees to the levels needed to repay upgrading loans at commercial rates.

The selection of the districts should take account of future trends. Planned improvements to the highway network may make a hitherto remote but fertile region grow very rapidly. This will put pressure on its existing and probably inadequate market towns. The Afram Plain is such a case: a major road building program will, over the next few years, make this highly fertile region accessible to the rest of Ghana. One of the towns selected for this study, Asesewa, is also in this category. The planned rebuilding of the main road leading to this town will greatly help farmers in the region and make the market even more congested than it is now. Major agricultural programs can also make some regions, and therefore market towns, grow more rapidly than others. Global 2000 has greatly helped maize growing areas, such as the area around one of the towns selected for this study, Techiman.

It is probably important not, at least initially, to target districts that are declining, except where the cause of the decline is about to be reversed (for example the rebuilding of the road to Asesewa). Infrastructure leading strategies in these circumstances have generally failed. The prospect for financially viable projects is not good when business is falling.

4.5 Conclusions

Although considerable progress has been made in its first year, many aspects of the Decentralization Policy remain to be worked out. Many of the problems common to central/local government relations throughout the world were also evident in the Districts visited by the team, notably overlapping responsibilities and weak coordination. Although there is now a more significant local input into expenditure decisions, most of these decisions are in effect being made as before, by Central Government. The Districts will be able to be responsive to local needs when they raise more funds locally and when they are given better access by Central Government to a reliable flow of funds that they could spend at their (the District's) discretion on viable projects.

It is clear that for the Districts to provide the public facilities and services needed to promote the development of the informal and formal sector economic activities in the towns and the countryside, they need to be better managed, particularly in terms of revenue mobilization, planning and budgeting, and financial management.

There also needs to be a realistic assessment of just how much Central Government can rely upon the Districts to plan, fund, operate and maintain development projects. The Districts will be able to do much more than they do now once the quality of management has been improved and a much greater effort is made to mobilize more local resources. However most of the funding for development projects will have to continue to come from the center.

The Districts should limit their commercial activities to those unlikely to be provided by the private sector. The Districts best contribution in that regard to the promotion of economic activity and employment in their sub-region is probably to upgrade the marketplace and the bus and lorry park. This can be done with full cost recovery as long as the temptation to overdesign the facilities is resisted. Overcoming probably the most important constraint of all, the lack of credit, is not the responsibility of the District Assemblies. Solutions in that regard will have to be sought through the formal and informal banking system, as discussed in the previous chapter.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Rural-Urban Linkages

There are strong employment and income generation linkages between rural areas and market towns. Most farm families earn some income from non-farm employment in the town. The survey found that 60 per cent of farm families receive 20 per cent or more of their income from sources other than the farm. Two thirds of those earning income from the town have businesses there.

The economic activities that take place in market towns are an important part of agricultural marketing. Market towns are part of the agricultural marketing system, which can be defined as the chain of operations that moves food and raw materials from the farm to the final consumer or user. Many of the farmers interviewed market their produce in the town. For three quarters of the farmers, 60 per cent or more of their produce is grown for sale not for family consumption. For many farmers their farming activities are linked to the town through traders. Almost half the farmers interviewed rely wholly or partially on traders to market their produce.

There is very little processing of agricultural produce in the towns. Even the town with the largest market, Techiman, had few such facilities. These towns are basically transit centers. If they could add more of the value added to the produce marketing in the town many more employment opportunities would be created.

The were strong complaints from rural and urban dwellers about the quality of infrastructure and services in their districts. The farmers', traders' and other businesses' ratings of infrastructure and services are summarized in Tables 5.1 and 5.2.

Table 5.1
Opinions on Quality of Infrastructure
Percentage Poor or Very Poor

	Farmers	Traders	Other Businesses
Farm-to-Market Roads	54	60	51
Marketplace	72	77	63
Water Supply (town)	54	69	53
Electricity	43	51	31

Table 5.2
Quality of Services for Farmers
Percentage Poor or Very Poor

Access to fertilizer	43
Access to pesticides	38
Access to improved seeds	45
Access to credit	91
Access to market information	35
Access to processing	85

Farmers complained most about the quality of (in order) marketplaces, farm-to-market roads, and water supply (in the town). However poor farm-to-market roads are the most important physical constraint reported by the farmers. The most important overall constraint is access to credit, which 91 per cent of farmers said was poor or very poor. (Respondent were asked to rate infrastructure and services and then in a separate question identify the most important constraints fro them).

Traders complained most about the quality of the marketplace, water supply, and farm-to-market roads. For this group poor marketplace facilities is the greatest development problem, even more important than access to capital.

Other businesses complained less but they were most concerned about the quality of the marketplace. However they did not identify poor infrastructure as important a development constraint as access to capital.

Credit

Very few farmers or owners of informal sector enterprises in the towns have any contact with the formal banking system. Most do not think it worthwhile even to apply for a loan. Few even have current accounts with banks, let alone deposit accounts.

There is a strong demand for better access to credit. This comes from the farmers, traders and other businesses interviewed in the survey. Very few of those interviewed had ever received loans from the formal banking system. Some of the consequences are as follows:

Producers: Inability to expand use of inputs. Due to urgent cash needs, sale of crop at time of harvest at lowest price. Also selling of crop without regard to quality, for example, wet maize.

Transporters: Poor maintenance of vehicles and difficulty replacing old vehicles.

Processors: Unable to move beyond rudimentary processing technologies. Very small scale and manual processing. Very little packaging of products.

Traders: Traders have to turnover quickly small quantities of goods to finance the next purchase. Crops which otherwise might be marketed remain in producing areas.

Improving the supply of credit would be very beneficial to women. Many of the participants in the agricultural marketing process are women. To extend more credit to traders in particular would be to give women in market towns and rural areas access to credit for the first time.

The key to increasing the supply of credit is for locally based financial institutions to mobilize local savings now held as cash, goods and personal credit. National credit controls will remain for some time. Farmers, traders and other rural resident will have to be encouraged to deposit their savings with Rural Banks and credit unions, both of which are locally owned if the supply of credit is to be increased.

Infrastructure

Social and economic development would be promoted by upgrading District infrastructure. Farmers would be encouraged to grow more produce to be marketed if roads were improved. Traders' costs would be reduced if roads and market-places would be improved. All kinds of business would benefit from better power and water supply. Health standards would rise if there were better sanitation and the solid waste was removed.

Improvements in the quality of public commercial infrastructure would have an important development impact. The process by which economic development will be promoted by improved facilities and services is as follows. Better roads, markets, lorry and bus parks will encourage more traders to come to the market. This will encourage more farmers to grow marketable crops and devote less of their land to subsistence crops. This will raise agricultural productivity and farm incomes. Farmers will also demand more inputs, some from the market town itself. Higher town incomes will raise the demand for farm produce. Thus a "virtuous circle" of economic development will be generated. A by-product will be higher District (and Central Government) revenue based upon higher levels of economic activity.

These public commercial facilities could be financially viable. The level of business in each of the markets that the team visited is even now sufficiently high that upgraded markets, bus and lorry parks could probably support loans at international interest rates. These facilities now yield large revenue surpluses for the Districts.

Upgraded market towns would be very beneficial to women. Most agricultural marketing and trading activities are carried out by women. Many of these women are heads of households. The trading activities are managed by women.

Better marketplaces would lead to more trading activity and more crops brought to market. Both would increase the income of women and their families. Many of the other businesses in market towns are also owned by women, including fish smoking along the coast, rivers and lakes.

Local Government

The Districts could mobilize more local resources to support development projects. Revenue from the marketplaces, and the lorry and bus parks and from property taxation could be increased considerably. Many Districts have demonstrated that revenue collection procedures can be greatly improved.

However the Districts will not be able to raise sufficient additional revenue to meet their urgent development needs. At the moment the markets yield huge surpluses for the Districts. Techiman market will have revenues of about cedis 50 million this year and the operating cost is only about cedis 5 million, leaving a cedis 45 million surplus. It may be possible to double the revenue from an upgraded market, but loan repayments and operating costs will be so high that the surplus may actually fall. And at the moment, even with the huge profit from the market, the Districts have nothing to spare. They barely have enough revenue to pay their staff, let alone engage in capital projects. Higher District revenue will be earned indirectly through higher levels of business activity. Rising incomes from business and employment will tend to add to District (and Central Government) revenue from property (and income) taxes.

The Districts have training needs that are not yet being met by current training programs. District officials report that they have benefited from the training programs that have been introduced in support of decentralization. However most would appreciate more training particularly in planning, budgeting and financial management.

Much remains to be done to implement meaningful decentralized planning and budgeting systems. In reality the District Assemblies have little real authority over development expenditure. Most of the items in the "composite" budgets are really decided upon by Central Government. The Districts only have control over the expenditure of the revenues they raise themselves.

5.2 Recommendations

Government of Ghana

The Government should continue to seek ways to improve the supply of credit to small scale and micro-enterprises by mobilizing more savings from farmers, traders and other businesses. This will not be an easy task. National credit controls will make it difficult for the formal banking system to make advances to informal sector entrepreneurs whom it regards as more risky than larger, formal enterprises. The key to increasing the supply of credit will be to mobilize more savings from the majority of the population that do save but who do not deposit their savings with the formal sector financial institutions. Poor farmers, traders and businessmen and businesswomen do save, but their savings are in forms that earn little interest (hoarding of cash, goods such as jewelry, and delayed payments). Many still lack confidence in the formal

banking system, and now even in the "susu" system. The local banks visited by the team were often found to be very enterprising and expansion-minded, but many suffered from severe financial difficulties, largely because the loan repayments are not treated seriously by their clients.

The Government should continue to study ways to mobilize more local revenue to support District Assemblies. Discussions with traders in this study indicated very clearly that they would be prepared to pay much more than they do now in market fees for better market services and facilities. The experience from towns that have had their properties revalued indicates that revenue from that source could be increased many times over.

Central Government should realistically assess the extent to which the Districts can become financially independent of budgetary support from Central Government. The towns visited in this study are among the more economically viable market towns and yet despite large revenue surpluses being earned from their markets their District Assemblies barely manage to cover staffing costs, with no surplus for development projects. The poorer market towns will continue to need substantial budgetary support for many years.

The Government should consider setting up a District Assembly Development Fund to provide grants to improve the infrastructure and services most needed by local farmers and businesses. This fund would supplement the Districts' own revenue and would be used for labor intensive capital works. This would extend PAMSCAD's Priority Works Project to small towns and rural areas. The fund would supply modest but reliable annual funding to the Districts. Eligible expenditure could include water supply, drainage, sanitation, District roads, health clinics, and schoolrooms.

The Government should consider setting up a District Assembly Loan Fund to improve commercial public facilities, such as marketplaces, lorry and bus parks in market towns. Lending under such a program should be fully recoverable at international interest rates. The borrower would be the District Assembly, which would have to prepare a feasibility study prior to obtaining the loan. A roster of local consulting firms qualified to carry out these studies should be prepared. Technical assistance will be required to set up the fund. Prior to borrowing from the fund, the District Assembly would not only have to prepare a financially feasible project but would also have to demonstrate the capacity to manage the flow of funds so that the loan would be repaid in a timely manner.

The Government should target a small number of Districts for the first upgrading and training programs. These should be Districts similar to those selected for this study which are located in regions which are already growing rapidly. Not only should the economic rates of return on upgrading projects in towns such as these be high and the revenue be sufficient to repay the loans, but success in the first set of towns should help to create a favorable demonstration effect for improved financial management at the District level. Training programs should be designed that would involve one town or District learning from another through within-Ghana study tours.

Central Government grants should be allocated partly on the basis of efficient performance by the District in the execution of its duties. The Ministry of Local Government or the Ministry of Finance could measure performance in terms of increased revenue collection, improved services, and success at mobilizing support from the private sector. Grants to match local contributions could be introduced.

District Assemblies should seek collaboration with the private sector and non-governmental organizations in the provision of better facilities and services. This is already happening in some towns. In one town representatives of the private sector have proposed to finance improvements in facilities for the District Assembly; in another a association of lorry owners is collecting revenue for the District. Given the apparent difficulties that the Districts have in collecting market revenue, serious consideration should be given to contracting with the private sector to perform that function.

These facilities must not be overdesigned. For example, the marketplaces need a paved surface, an enclosing wall (to help revenue collection), adequate drainage and sanitation, access to electricity (although not all will need it) and good water supply through standpipes. Stalls and storage areas should be provided on a "sites and services basis": let the trader buy or lease the space from the District and erect what he or she needs on the basis of a set of standard, affordable designs. Elaborate covered markets, such have been suggested for Techiman and Agormanya, would almost certainly lose large sums of money (as the multistory Karneshie market in Accra is reported to do).

The upgrading public commercial facilities should be driven by the availability of revenue locally to support the projects. This will in effect mean that the projects themselves will have to provide sufficient revenue to achieve full cost recovery, since Central Government is unlikely to have funds to spare to subsidize market facilities. The preparation of plans must therefore go hand in hand with an analysis of revenue potential. District planning teams should include financial analysts and management experts.

Plans for District facilities should also be "demand driven". Pains should be taken, through rapid appraisal supplemented by demand surveys, to find out what farmers, traders, and the town's business people really want and need, and are willing and able to pay for. It is important for local plans to be based upon demonstrable local need. This approach is very complementary to the Decentralization Policy, which is based upon the premise that Districts can and should decide what they need, without undue direction from Central Government.

District Assemblies should be wary of extending the range of activities of the public sector. The aim should be to make the public sector more effective in the small range of activities that it has to undertake. The District Assemblies are under strong pressure to raise more revenue locally. They want to undertake small development projects but lack the necessary financial resources; none of the districts the team visited had any surplus at all for such projects. The Districts are therefore beginning to introduce commercial activities such as the sale of cement and flour, renting trucks to the general public, running bus services, and even operating brick works in attempts to boost revenue. None of the projects described to the team is generating much

of a revenue surplus. All compete with rather than promote the private sector. Some actually lose money. However running markets and bus and lorry parks may be legitimate public sector activities.

The Ministry of Local Government should manage the identification of District upgrading projects. A team based in the Ministry of Local Government should, with the help of local consultants, continue to identify the needs of farmers, traders and businesses in and around market towns. It is not necessary to undertake elaborate, expensive and timeconsuming planning exercises to design spatial strategies for market town development. The rapid appraisal approach used in this study has demonstrated how to move quickly from the identification of viable market towns to the specification of suitable interventions, with a high degree of local participation in the process.

The program of District based rural-urban linkage studies begun with this study should be continued. Initially local technical assistance should be provided to extend the studies to additional market towns and their Districts in other regions and to prepare detailed investment and institutional development programs for those towns and the Districts. As the same time, assistance should be given to the Government to build up a core staff of professionals to prepare District development programs on an ongoing basis.

Donors

Donor funding could provide seed capital for the District Assembly Development Fund and the District Loan Fund. Local currency would be advanced at commercial rates from the Fund to District Assemblies that have submitted to the loans authority feasibility studies for market infrastructure and other upgrading projects.

Donor support to improve the supply of credit should focus on the training and institutional development required to mobilize more of the savings from farmers, traders, businesses and residents not now deposited in the formal banking system. To add more credit to the system without mobilizing more savings would run counter to national credit control policies and risk diminishing the incentives to mobilize more funds locally. In the long run, the credit constraint can only be overcome by raising more of the resources needed by the Districts' entrepreneurs from savers in the Districts. More successful local banking holds the key.

Donors could fund the local technical assistance that would be needed to study the needs of farmers, traders and businesses in the Districts and to prepare the feasibility studies for priority works projects and the loans for commercial public facilities.

Donor funding could also support the training programs at Ghanaian institutions such as GIMPA and MDPI that would upgrade management, in particular financial management, skills at the District Assembly level. Training programs already exist at these institutions but they need to be extended and better targeted to the new needs of decentralized administration.

Donors should support a limited number of study tours abroad for the Central Government staff responsible for the market towns program and for the key local administrators responsible for implementing the initial program. These study tours would include visits to countries that have municipal development funds, countries that have implemented market town development programs, and countries where local administration has been reformed. Some key staff would also benefit from attendance at courses in Europe and the United States that specialize in municipal management and finance.