

GHANA

Strategy Support Program



The Comprehensive Africa Agriculture Development Programme as a Collective Institution

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DISCUSSION NOTE # 005

INTRODUCTION

The Comprehensive Africa Agriculture Development Programme (CAADP) was designed to promote the transformation of agriculture in SSA. Under this program, African countries have committed to seek development through agriculture-led growth by targeting at least 6 percent growth and by allocating about 10 percent of government budget to the sector. In return, the donor community has implicitly committed to increase their support to agriculture using the CAADP mechanism, while at the same time coordinating their activities in this sector and aligning them with the CAADP priorities set by the African countries themselves. The ownership of agriculture-based growth strategies by African countries is expected to make donor investments more effective than previous aid to the sector. Many donors (the term is used here to include bilateral and multilateral donors as well as international financial institutions) are already supporting countries and regional organizations under the framework of CAADP implementation.

CAADP has significantly contributed to the enthusiasm around the prospects for an African green revolution by moving policy discourse and spending away from its focus on industrial development toward agriculture-based development. More than any other initiative, CAADP has received political endorsement and continent-wide attention as well as the commitment of the countries' own resources. However, the program is not without its critics and the reactions of governments have varied from enthusiasm to reluctance. Against this background, this paper aims to analyze the potentials and challenges of CAADP, and to draw conclusions concerning the future of the program. In particular, the paper examines whether CAADP can be expected to increase investments in agriculture and the conditions under which it may be expected to take place. The paper uses the theory of collective reputation (Tirole 1996; Winfree and McCluskey 2008) and the theory of common-pool resources and collective action (Olson 1965 and Ostrom 1990), to examine the incentives of countries in this collective action effort.

OBJECTIVES AND DESIGN OF CAADP

The objective of CAADP is to help African countries achieve higher levels of economic growth through agricultural development, thus eliminating hunger, reducing poverty and food insecurity, enabling expansion of exports, and supporting environmental resilience (NEPAD 2008). The program seeks to guide country strategies and investments, encourage regional peer learning and review, and facilitate greater alignment and harmonization.

CAADP recommends four "pillars", continent-wide entry points for investment and action, around which agricultural strategies should be developed: These are:

1. Sustainable land and water management
2. Improved market access through rural infrastructure and trade-related interventions
3. Increased food supply, reduction of hunger by increasing smallholder productivity and improving response to food emergencies
4. Improved agricultural research and systems to disseminate appropriate new technologies and to supporting farmers in adopting them

CONCEPTUAL CONSIDERATIONS

CAADP can be seen as an effort to build collective reputation. In economic theory, reputation can be seen as the overall estimation of the quality of a firm or an agent held by all those who know them. Reputation is important for decisions about the consumption of so-called "experience goods", a concept developed in consumer economics (Nelson 1965). The quality of the goods becomes known fully only after they are consumed. Collective reputation is a product of individual reputations, and individual and collective reputations influence each other (Tirole 1966). It may be viewed as an average individual reputation of group members. However, in their study of the individual and collective reputation of Bordeaux wines, Gergaud and Livat (2004) showed that group reputation is a product of the reputations of most famous members. Collective reputation evolves as a product of past average and current levels of quality.

The CAADP initiative can be interpreted as an attempt by AU/NEPAD to enhance collective reputation or external perception of African countries relating to their commitment to develop agriculture. Instead of a framework where countries can develop individual reputations, CAADP decided to use a collective approach for the important reason that African countries cannot escape a collective reputation. Developing a collective reputation is a challenging task because of the free-riding problem involved. As collective reputation is influenced more by the reputation of famous or infamous members, the abuse of aid by a few may receive greater attention than reputation of a few countries in using aid effectively. The threat of being lumped together or bad news receiving more attention than good news makes collective reputation very important for African countries.

Strong dependence on donor aid can be seen as a major reason for the propensity of countries to promise one thing and then do another. CAADP can be seen as a collective effort of African countries to improve their bargaining position with the donor community in order to generate the resources they need to succeed in their “real world” of domestic politics and policymaking. CAADP is particularly attractive to African policymakers because the program requires a commitment to spend more resources on agriculture, not necessarily to implement neo-liberal agricultural policies. In addition, the program is attractive to politicians because it generates resources that allow them to develop a stronger rural base.

CAADP involves collective action challenges for donors as well because incentives can be created for countries when donors act collectively. A key requirement is that aid to countries is in some way related to their participation in CAADP. Bilateral donors have a particularly strong incentive to support individual projects, because that makes it possible for them to show their taxpayers how their money is spent. Another equally important reason is that donors may not have a shared vision of development the priorities or strategies that should be employed to achieve development objectives. This leads to a considerable coordination problem.

COMPLIANCE INSTITUTIONS

The conceptual considerations presented above show that CAADP needs strong compliance mechanisms in both African countries and donor organizations to ensure that the collective action problems inherent on both sides can be overcome. The countries are expected to contribute to reputation building by doing the following:

- Attain at least 6 percent growth in the agriculture sector and increase the share of agriculture expenditure to 10 percent of the national budget.

- Implement CAADP with attention to evidence-based policymaking, participatory processes, and partnership building.

A country “free-rides” by not doing the above or by benefitting from increased funding that might become available because of improved collective reputation. At present, there is little to benefit from because as yet no pot of funds has been made available, except for the Global Agriculture and Food Security Program (GAFSP), which is managed by the World Bank. It may well be that going through the motions of CAADP implementation without making fundamental changes in the way policies are developed and implemented can place a country in a favorable position to benefit from enhanced bilateral support.

There are several potential mechanisms to enforce compliance. The threat of exclusion would be a deterrent against non-compliance. However, the institutional setup does not allow for that, and excluding some countries from a group that is building collective reputation would undermine the value of the collective reputation.

With technical assistance from international organizations such as FAO and IFPRI, countries are encouraged to follow a specific process of implementation that includes three steps:

1. Stocktaking of past agricultural situations and future trends
2. A roundtable that brings together all CAADP stakeholders including AU, NEPAD, national ministries, and development partners
3. Signing a country Compact to affirm the commitment of government and development partners

These steps were designed to align sector strategies and development assistance to the priorities of CAADP, and to build partnerships and mutual accountability among various stakeholders. Apart from supporting countries to implement CAADP, the overall system is designed to nudge countries through peer pressure. The Regional Strategic Analysis and Knowledge Support System (ReSAKKS) plays an important role in this through monitoring of performance. At the country level, country implementation teams, which are likely to include all the signatories to compacts and national SAKSS nodes, are expected to provide a forum for monitoring progress.

THE GHANA EXPERIENCE

Having committed to implement CAADP, Ghana—like many other countries—was not initially keen to implement the process. Empirical evidence collected by the authors from Ghana, Nigeria, and Kenya indicated that the regional economic communities (RECs) and other organizations in charge of promoting CAADP have had to cajole and persuade countries to organize their roundtables. The regional organizations also gave countries the funds required

for stocktaking and organization of roundtables (Zimmerman et al. 2009).

One of the reasons for governments' reluctance was that they felt that CAADP was of little incremental value, particularly because countries such as Ghana, Kenya, and Uganda have well-developed policy processes and agriculture is prominent in their development plans. Although CAADP is offered only as a framework to carry out country processes, countries are expected to recast their policy and strategy development processes under the CAADP label, which the countries perceived to be of marginal value (Kolavalli et al. 2010). Donors too, at the country level, felt that CAADP was unnecessary as it duplicated processes already taking place in the country, although their organizations at the highest levels had committed to supporting the processes (Zimmermann et al. 2009).

When the Economic Community of West African States (ECOWAS) initiated implementation in the region, Ghana was well into revising its agricultural policy with donor support. The local donor community, the agricultural working group in particular, was expecting Ghana to produce a policy accompanied by an investment plan to fashion their support to the sector. With the processes in place, it was not difficult for Ghana to claim that it was CAADP-compliant. It could also claim that the policy was aligned with the CAADP pillars as any agricultural policy would address each of the four pillars.

Building on what was already in place, Ghana began the process by holding a retreat to finalize the policy. The country then developed an investment plan without any support from the pillar organizations. After unsuccessful attempts internally to cost the investment plan, the ministry, with external help, estimated the costs of investing the plan, which went into briefs prepared for the roundtable. The ministry made significant efforts to identify representatives of various stakeholders to attend the roundtable and sign the compact. The country went into CAADP implementation with the expectation that it would result in increased donor support to the sector. Following the signing of the compact, the donors in Ghana and elsewhere felt that the investment plans developed through the CAADP process were not bankable. The Ghana plan was reviewed by a CAADP team representing some of the pillar organizations, and USAID had a consulting firm refine it before presenting the plan at a regional meeting in which donors committed substantial funds.

The investment plan, however, has developed an aura of legitimacy over time. It is in the interest of both the government and the donors to claim that there is an investment plan that is owned by government that needs to be supported. Donors now claim that they are aligning their investments to help in the implementation of the Medium Term Agriculture Sector Investment

Plan (METASIP). METASIP is not particularly strategic except to identify investments that will contribute to achieving the key objectives set forth in the policy. Two proposals by the ministry to GAFSP were unsuccessful. NEPAD itself recognizes that in the rush to get compacts signed, the rigor of evidence-based assessment before the signing of the compact has also suffered (NEPAD 2008).

There have been a number of developments that might draw greater attention to agriculture. Although it is not clear to what extent farmers are aware of the commitment their leaders have made internationally, the language of CAADP pervades all discussions related to agriculture in government and donor documents. A 10 percent share for the sector has now become a benchmark. Based on NEPAD recommendation, an oversight committee comprising of all the signatories to the compact has been established for the implementation of the investment plan. The agricultural ministry is expected to become accountable to this committee.

The agriculture sector grew at less than 1 percent in 2011, largely because of poor performance of the fishery and forestry subsectors. Performance is expected to be closer to the target rate in 2012. Ghana is close to the target of 10 percent. The share of MoFA expenditures in the total sector expenditures is nearly one half. The share of donor funds in the budget of the ministry has increased from nearly two fifths to two thirds. The donor funds account for nearly all of the expenditures made on services and investments.

Trends are similar across the continent. According to a study by Benin et al. (2011), only a handful of African countries have increased their share of the total spending devoted to agriculture. The countries with the largest 10 agricultural sectors in the continent in fact have spent less than 5 percent their total budget. The same study suggests that productivity growth required to achieve the targets might require expenditures even higher than 10 percent. It is difficult to understand how countries will be able to make such significant reallocation of expenditures based on commitment alone, particularly one that is not generated through grass root demands.

Assuming that the countries allocate their budgets at least to some extent based on the returns they expect from different sectors, and assuming donors tie aid to effectiveness, both country and donor allocations to the sector will depend on the returns. The CAADP implementation process, however, has not improved investment plan development or its implementation.

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