

AFTER THE TEN PERCENT: *Moving Agriculture in Ghana*

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Ghana is among the African nations that committed to develop agriculture as part of the Comprehensive Africa Agriculture Development Programme (CAADP), the agricultural program of the New Partnership for Africa's Development (NEPAD), which in turn is a program of the African Union (AU). In the 2003 Maputo Declaration, which was reaffirmed at the 2014 AU Summit in Malabo, African leaders pledged to deepen their commitments to agricultural growth and agreed that increasing their spending on agriculture to 10 percent of annual national budgets and achieving 6 percent annual growth in the sector would be indicators of that deeper commitment. At the heart of CAADP are the requirements that countries formulate nationally owned investment strategies that are built with wide participation, utilize evidence-based policy making, and build partnerships that leverage private sector investments and fundamentally change the effectiveness with which policies are developed and implemented (Kolavalli et al. 2010).

Donors too have a role to play in CAADP because the program is viewed as a collective effort to demonstrate a shared commitment to develop African agriculture. African countries expect that their commitments will be matched by transformed relationships with donors that will facilitate aid flows in the spirit of harmonization, alignment, and mutual accountability that emerged from the Paris, Rome, and Accra Declarations (Kolavalli et al. 2012). In turn, donors expect countries to achieve higher returns on investment through greater technocratic rigor and improved incentives for the politicians and bureaucrats who dictate public spending to create new and effective agricultural programs and development approaches (Atwood 2013).

Despite the focus on increasing public expenditures on agriculture to 10 percent, the continental share of agricultural expenditure has actually registered a slight decrease since countries began formally adopting CAADP to about 3.1 percent of total expenditure (Badiane et al. 2014). Only thirteen countries have passed the 10 percent target in any year since 2003, with

only seven of these doing so on a consistent basis. Meanwhile, among the best performers, Burkina Faso and Mali have actually decreased their shares of agricultural expenditure from pre-CAADP levels, despite keeping them over 10 percent in most years. Agricultural growth also has been erratic; no sub-region on the continent has reached the 6 percent target over the period 2003 to 2012 (Badiane et al. 2014). Recent evidence indicates that more than 10 percent of total government expenditures for agriculture may be required to bring growth rates in the sector up to their desired level of about 6 percent (Benin et al. 2013).

However, the lackluster progress on the spending indicator hides a key and positive result of CAADP since its inception. Indisputably, the program has brought attention to agriculture and to the notion of holding governments accountable for their commitments to the sector. For example, one aspect of CAADP that gets plenty of attention from stakeholders, at least in Ghana, is the 10 percent national budget share (FSG 2013). Consequently, it is worth asking whether anything else has changed to advance and expand agriculture in Ghana. This note examines that question in the context of CAADP by examining Ghana's agricultural expenditures and the types of investments being implemented to improve Ghanaian agriculture.

AGRICULTURAL EXPENDITURE IN GHANA

There is disagreement about the levels of agricultural expenditure in Ghana, partly due to different definitions of agriculture employed by different studies. A public expenditure review conducted by Ghana's Ministry of Food and Agriculture (MoFA) with support from the World Bank found that the share of agricultural expenditure of total expenditure had risen from 6.5 percent in 2001 to above 10 percent in 2009, 2010, and 2011 (MoFA 2013). This study defined agricultural expenditure as spending on crops and livestock, forestry, fishing, hunting, and agricultural research, which is consistent with CAADP's official definition (AU-NEPAD 2005). The MoFA study also includes the expenditures of the Cocoa Board (Cocobod—a public corporation), despite the

Table 1 Composition and share of government of Ghana agricultural expenditures, 2001 to 2011 (GHS million)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
MoFA	4.7	5.4	7.7	10.0	42.3	35.2	47.4	102.4	145.5	160.0	241.8
Cocoa Board (Cocobod)	13.3	18.3	22.8	31.2	41.8	57.7	70.9	117.6	93.6	108.1	135.5
Fishery					0.0	0.1	2.5	1.9	13.7	3.8	4.7
Forestry	1.0	1.0	1.3	8.6	5.2	10.2	17.8	18.9	15.0	35.5	20.2
Millennium Development Authority							3.7	18.2	52.8	69.0	88.6
Ministry of Trade & Industry (MoTI)		0.3	2.6	7.0	5.8	4.9	5.2	11.2	0.2	15.4	19.4
Research	5.5	9.3	10.4	13.1	11.4	14.7	22.5	35.1	42.7	50.4	66.0
Total Agricultural Expenditure (TAE)	24.5	34.4	44.8	69.8	106.5	122.9	169.9	305.3	363.6	442.2	576.2
Total Government Expenditure (TGE)	468.9	684.6	973.2	1,501.8	1,721.4	2,141.0	2,788.3	5,385.0	8,081.4	10,563.8	13,747.1
TAE as percentage of TGE, with Cocobod	5.2	5.0	4.6	4.6	6.2	5.7	6.1	5.7	4.5	4.2	4.2
TAE as percentage of TGE, without Cocobod	2.4	2.4	2.3	2.6	3.8	3.0	3.6	3.5	3.3	3.2	3.2

Sources: Authors' calculations based on MoFA 2013, CAGD various years, and AU-NEPAD 2005.

AU-NEPAD directive that public corporation expenditures should be excluded. Moreover, the MoFA study used lower values of total government expenditure than are reported in the government's official public accounts. For 2011, for example, the total government expenditure reported in the MoFA study is 4.6 billion Ghanaian cedis (GHS) (MoFA 2013), as opposed to 13.7 billion GHS reported by the auditor general on the public accounts of the government of Ghana (CAGD 2012). Together, these choices of figures lead to significant overestimation of the share of agricultural expenditure in total government expenditure.

Using appropriate numerators and denominators and various definitions of agricultural expenditure consistent with CAADP guidelines, 2012 agricultural expenditure is estimated at between 2.1 and 3.4 percent of total expenditure (Benin 2014). Table 1 shows the composition and share of agricultural expenditure between 2001 and 2011 on the basis of this approach.

Much of the growth in agricultural expenditures has been driven by MoFA expenditures, whose share of sector expenditure rose from 19 to 42 percent (Table 1). The cocoa sector registered a modest increase in expenditures in GHS terms, but decreased its share of sector expenditures from 54 percent in 2001 to 23 percent in 2011. The livestock, fishery, and forestry subsectors all experienced increased real expenditure, but remain quite small relative to expenditures on cocoa and on non-cocoa crops.

The increase in MoFA expenditures can be attributed mostly to donor contributions. Real donor agricultural expenditure in Ghana nearly tripled between 2005 and 2011, increasing its share of MoFA expenditures from 27 percent to 37 percent (Table 2). This is not to say that government contributions to MoFA expenditures have not increased. In fact they doubled over the same period, but only after growing rapidly between 2005 and 2008 (at 22.6 percent per year). After 2008, government spending grew by a mere 1.4 percent per year, in contrast with donor spending, which grew annually by about 11.5 percent.

Additionally, donor funds have been overwhelmingly used for investment expenditures (76 percent between 2005 and 2011), while the bulk of government funds go toward covering recurrent costs (70 percent). The donor share of total investment expenditures in agriculture shifted from less than half before 2008 to more than half after 2008 (Table 2). Much of the recent increase in donor expenditure can be attributed to the L'Aquila Food Security Initiative, although only about half of planned disbursements have been released to date (Benin et al. 2014).

The difficulties countries face in increasing agricultural expenditures is reflected in the experience of other countries in

Table 2 Donor and government of Ghana contributions to MoFA expenditure 2005-2011 (2001 mGHS)

	Government Expenditure, 2001 mGHS	Donor Expenditure, 2001 mGHS	Donor share Total Expenditure, %	Donor share Investment Expenditure, %
2005	101.0	37.3	27.0	49.7
2006	134.5	27.4	16.9	40.4
2007	163.7	44.0	21.1	45.7
2008	186.5	78.5	29.6	39.8
2009	156.1	97.9	38.5	64.7
2010	169.1	98.9	36.9	57.6
2011	190.3	112.4	37.3	61.2
Average annual growth rates (%)				
2005-08	22.6	31.1	5.1	-5.3
2008-11	1.4	11.5	6.7	12.5
2005-11	8.6	26.9	11.8	6.2

Source: MoFA 2013.

Africa whose agricultural expenditure as a share of total spending in 2003 was similar to Ghana's share of between 4.7 and 6.7 percent. Of these eight countries, only Ethiopia and Zambia have passed the 10 percent target, while none of the other six has increased its share of agricultural expenditure by more than 1.5 percentage points (Benin and Yu 2013). Indeed, countries can be expected to make only incremental changes to their allocations to agriculture (Mogues 2013).

Sectoral patterns in government expenditures are difficult to shift significantly. For example, Ghana has also committed to spend 15 percent of its budget on the health sector, as part of the 2001 Abuja Declaration, and 20 percent of its budget on education, as part of the 2000 Dakar Declaration. While the Ministry of Education spent 28.3 percent of total government expenditure, the Ministry of Health spent only about 10.6 percent (CAGD 2014). While it may be impossible for Ghana to comply with these three sectoral commitments, it is important to recognize that investments in health and education also contribute to improved agricultural outcomes (Benin et al. 2012). However, recent economic difficulties have placed Ghana under pressure to reduce its overall expenditures. There is also significant pressure to maintain or increase funding to other sectors. Moreover, the wage bill for government, which accounted for 61 percent of government spending in 2012, is considered to be non-negotiable (Benin 2014).

Ghana's agriculture sector also faces major disadvantages in the annual government budgeting processes, even though a condition of donor budget support to the sector ensures that MoFA's share in total government expenditures does not decline. Although there are some opportunities for ministries, departments, and agencies (MDA) to present their case for a larger share of the budget, the allocations to Ghana's different government institutions are largely determined by the previous year's allocations. Moreover, agriculture does not appear to have had much success in taking advantage of opportunities to increase the sector's share of the budget. In Ghana, there are a number of gray areas in the budgeting process, such as uncertainty about how much backdoor politicking takes place and how much evidence—instead of politics—factors into resource allocation decisions. According to some politicians, "MoFA just doesn't sell itself very well" in the budgeting process (Johnson 2013).

Expert interviews in several countries point to (1) ministries of agriculture that are neither vocal nor politically savvy in the annual budgeting process; (2) perceptions of a decline in the prestige of agricultural ministries; and (3) a lack of quality data and appropriate monitoring and evaluation within the sector (Headey et al. 2009). This suggests that agriculture is at a disadvantage in the formal government budget channels, since the sector generally lacks the ability to present compelling evidence to justify its requests for increased funding. Nor can it take advantage of whatever informal channels exist to influence the annual budget process. Respondents also voiced concern that donor agencies lack incentives to ensure that ministries of agriculture are held accountable for the effective use of donated funds. Driving this lack of incentives, according to the respondents, is the fact that donor agencies are encouraged to report successes back to their home countries, rather than reporting and, thereby, learning from failures (Headey et al. 2009).

QUALITY OF EXPENDITURES

Ghana's Medium Term Agriculture Sector Investment Plan (METASIP), which is viewed as the outcome of the country's CAADP Compact, has been praised for being inclusive and partici-

patory in bringing together stakeholders from government, development partners, civil society, farmer associations, and the private sector. Donors and the government also appear relatively well-aligned under the plan; 93 percent of foreign aid allocations have largely been reflected in MoFA and other MDA budgets, surpassing the Paris Declaration's target of 85 percent. However, there are concerns that this could be due to METASIP's breadth, and that this wide scope might enable the plan to serve as a "rubber stamp" to endorse almost any donor activity in this regard (Benin et al. 2014).

A number of measures to ensure mutual accountability are in various stages of implementation; these include well-established Joint Sector Reviews in the agricultural sector, a performance assessment framework for development partners, and annual public expenditures reviews (Benin et al. 2014). Despite its contributions toward improving agricultural sector policy processes and national ownership, METASIP has been criticized as being too vague and not bankable—the government only expects to be able to fund 34 percent of its total costs, leaving a gap of over 1 billion GHS to be filled by donors (Benin et al. 2014). However donors remain reluctant to fill this gap – two initial applications to the Global Agriculture and Food Security Program (GAFSP) to fill METASIP's funding gaps were rejected. These rejections prompted interest in developing a revised METASIP, which is more focused and bankable.

Analysis of expenditures up to 2006 suggests that only a small proportion of government agricultural expenditure is generating high returns, although more information is required about the impacts of specific expenditures (Benin et al. 2012). High returns to investment expenditures more than make up for negative returns to recurrent expenditures. More recently, four programs of the ministry that oversees -- agricultural mechanization (AMSEC), fertilizer subsidy, youth block farming, and a national food buffer stock—have been absorbing a large share of its total expenditures. While these programs have favorable cost-benefit ratios in the medium term (Benin et al. 2013), questions remain about the appropriateness of programs such as AMSEC (Diao et al. 2012) and the financial sustainability of fertilizer subsidies (Minot and Benson 2009; Benin et al. 2013).

To ensure that expenditures are made where they bring the highest returns, CAADP promotes greater use of evidence for policymaking and for prioritizing government expenditures. In Ghana, these efforts have remained weak because of the lack of progress in implementing greater technocratic rigor and evidence in the design and monitoring of new investments under METASIP. For example, efforts to establish a Strategic Analysis and Knowledge Support System (SAKSS) for Ghana have so far not yielded the evidence needed to influence choices about agricultural expenditures. Also hampering progress are (1) an absence of reliable data; (2) an uncertain level of commitment to the SAKSS model under the current setup, (since many members are said to view participation as a voluntary additional commitment rather than an integral part of their policymaking responsibilities); (3) limited financial resources; and (4) lack of technical capacity.

More importantly, however, there is still little demand for evidence in Ghanaian policy processes in general (Dittoh 2013). Adding to this is that the METASIP steering committee, which is expected to bring greater accountability for expenditures made in the sector, has yet to become a credible mechanism. It has not received adequate support. Other accountability mechanisms have generally not been effective and the political leadership of

the agricultural ministry seems not to pay much attention to articulated policies and investment plans for the sector (Dittoh 2013).

Apart from increasing government expenditures on agriculture and increasing aid flows, a further objective of CAADP is to encourage private sector investment. For Ghana, this has been further enhanced by the government's signing of a cooperative agreement with the G8 donors under the New Alliance for Food Security and Nutrition. The Alliance seeks to encourage private sector resource mobilization for development by improving access to land for investors; establishing appropriate seed regulations; and making agricultural policy formulation processes more open and transparent. There are signs that private sector investments are being promoted as a result, with up to \$1.2 billion committed under the Grow Africa Initiative in 2014, for example (Grow Africa Initiative 2013). Most of these investment involve large scale commercial enterprises for import substitution opportunities in rice production and milling, vegetable production, and oil palm production.

The response of the private sector to CAADP, however, is difficult to measure. While the inclusion of private sector concerns in policy planning is notable, it will mean little if there is not a favorable environment for investing in agriculture in Ghana and elsewhere in Africa. Private firms view the policy environment in Ghana somewhat favorably, but with room for improvement, especially regarding the transparency and timeliness of fertilizer subsidy operations (World Bank 2013).

CONCLUSION

CAADP has brought attention to agriculture as a key component of Africa's economic and social development and to the notion of holding governments accountable for their commitments to the sector. Ten years after the program was established, an important question is whether it has brought about any notable changes in agricultural expenditures, both in terms of increased spending and in the quality of investments. To answer this in the context of Ghana, we evaluated how the country has fared in advancing agriculture. We find that (1) while spending has increased, donors have led the way; (2) the increase in spending does not seem to have translated into clear improvements in the quality of investments; and (3) while encouraging, recent moves to encourage private sector investments raise the question of whether this will change anything given the challenges faced so far with implementing CAADP and METASIP, in particular. For example, the METASIP steering committee has yet to become a credible mechanism that is fully integrated into decision-making processes. Other accountability mechanisms have generally not been effective either. These include concerns that the political leadership of MOFA are not attentive to advancing the articulated policies and investment plans for the agricultural sector, and that the leadership in the ministry is weak in influencing the government's budgetary process. Finally, government expenditures patterns across sectors generally are difficult to shift significantly.

Despite these challenges, and beyond the debates for achieving the 10 percent target, the success of CAADP will ultimately be determined by changes to country policy processes. The changes needed are those that lead to more effective government spending and to creating an attractive environment for private sector investment. Strategies adopted under CAADP in Ghana and elsewhere should seek to hold back on the growth of recurrent expenditures, while expanding the provision of infrastructure and public goods that make private sector investments more attractive. Predictable policies relating to (1) fertilizer subsidies and

trade, in particular; (2) better regulation of input markets; (3) superior crop varieties; and (4) a more effective public role to support the development of a private seed market should all be put in place. Without improvement in the policy processes leading to

more effective policies in the agriculture sector, any well-publicized increase in public expenditures in the sector will likely fail to bring about CAADP's desired growth and development outcomes.

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This publication of the Ghana Strategy Support Program is made possible by the generous support of the American people through the United States Agency for International Development (USAID). It has not been independently peer reviewed. The contents are the responsibility of the author(s) and do not necessarily reflect the views of USAID, the United States Government, or the International Food Policy Research Institute.

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