The Peasant Farmers Association of Ghana

Post-Budget Analysis of the 2024 Budget Statement and Economic Policy of Ghana and its Implications for Agricultural Development in Ghana

28th November, 2023

1.0. Introduction

The Minister of Finance, Hon. Ken Ofori-Atta, presented the 2024 Budget Statement and Economic Policy of Ghana to Parliament on November 15, 2023, under the theme *"Pursuing growth and development within a stable macroeconomic environment."* The fiscal policies presented seek to advance the path towards fiscal consolidation, restore macroeconomic stability, boost growth, expenditure rationalization, implement structural reforms, and social protection. According to him, the implementation of the growth strategy is to ensure the economy becomes more resilient and put Ghana on the path to prosperity through aggressive private sector participation that will promote job creation, export promotion, economic diversification, and competitive import substitution.

The Peasant Farmers Association of Ghana (PFAG) **post-budget analysis** therefore seeks to scrutinize and highlight these decisions emerging from the agricultural sector budget, especially investment decisions, and how such decisions could impact agricultural performance in the country. Secondly, the analysis also seeks to understand the recent policy decision by the Minister of Trade and Industry to ban or restrict the importation of certain commodities, including agriculture commodities, and grant permits to selected importers. The PFAG is interested in understanding how the policy could affect households, businesses, and the economy at large.

Our analysis is presented in the following order: Providing an overview of the 2023 agricultural sector performance, government expenditure on agriculture, and how the budget allocated to the Ministry of Food and Agriculture (MoFA) is executed The analysis will also shed light on Planting for Food and Jobs Phase Two (PFJ 2.0), the granting of tax exemptions on the importation of agricultural commodities, the implementation of the Economic Enclave Program, and support for the restoration phase for flood victims of the VRA spillage. The analysis concludes by analyzing the recent proposal by the Minister of Trade for the restriction of imports of some selected strategic commodities. These analyses are informed by the PFAG's understanding of the 2024 budget and experiences on developments in the sector and are of the firm conviction that they will be useful to the media, the layperson on the street, and the farmers who are either direct beneficiaries or victims of these decisions.

1.1. A brief overview of the agricultural sector

Ghana's agriculture sector is important, providing employment to about 38.3 percent of the population, with the majority of rural folks engaged in either mainstream production or value chain activities, especially women. The sector is key to the sustainability of domestic industries, the stability of the local currency, ensuring food security, and suppressing food inflation. The poor performance in the agriculture sector is perhaps reflected in and leads to the poor performance of most of the productive sectors of the economy. For instance, the poor performance of the sector in 2021 and 2022 led to almost all the macroeconomic indicators, such as inflation (54% in 2023), exchange rate depreciation (cedi depreciated by 20% in 2023), and a high unemployment rate (13.4% as of 2022, GSS 2022).

The agricultural sector consists of activities of three key ministries that are responsible for coordinating the activities of farmers and agribusinesses. These include the Ministry of Food and Agriculture (MOFA), the Ministry of Fisheries and Aquaculture Development (MOFAD), and the Ministry of Lands and Natural Resources (MOLNR). The activities of these sectors are further categorized into five key areas, as presented in Figure 1.0 below. From Figure 1.0, the crop sub-sector is the largest and most critical in terms of job creation, poverty reduction, and food security. The sector constitutes about 76% of the agricultural contribution to GDP and is a key sub-sector providing livelihoods for many rural folks. It is therefore imperative for policies that target job creation, food security, and poverty reduction to give priority to the crop sub-sector.

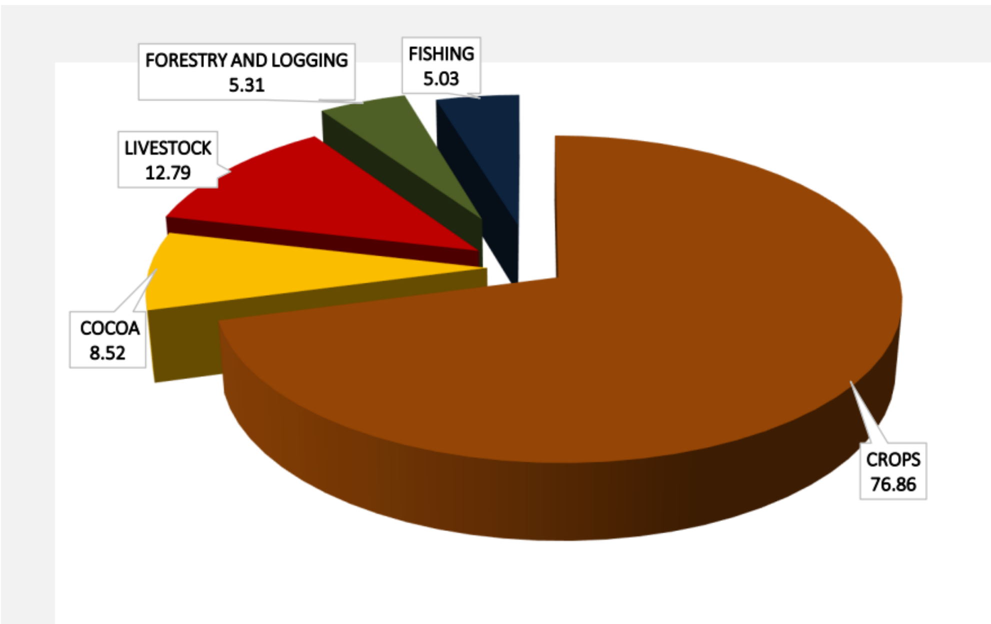


Figure 1.0: agricultural sector sectors

2.0. Key highlights of the 2023 agricultural sector performance

According to the 2024 budget and economic policy of Ghana, the agriculture sector in the first quarter grew by 6.3 percent, compared to a growth rate of 4.3 percent in the same period in 2022. From Table 2.0 below, the overall agricultural GDP growth increased from 4.3 percent in 2022 in the first half of the year to 6.3 percent within the same period in 2023. This growth is said to be driven by the crops and livestock sub-sectors, which recorded a growth rate of 6.8 percent and 6.7 percent in 2023 compared with 3.8 percent and 5.7 percent, respectively, within the first half of 2022. The positive performance of the sector in 2023, especially without any direct support or investment from government in 2023, validates PFAG's 2022 assessment of the PFJ 1.0, where over 70% of respondents indicated no value for money for the PFJ 1.0. Also, the crop sub-sector leading is a sign that the majority of the poor are better off as they are dominant in crop production. With the 6.8% contribution of the crop sub-sector to the agricultural GDP in 2023, it was not surprising to see the 2023 GDP figures being better than the 2022 figures.

In the cocoa subsector, there was a decline in growth rate from 1.6 percent in 2022 to a record low of 0.4 percent. This could be attributed to illegal mining (galamsey), where many cocoa farms were being destroyed for illegal mining activities. The poor performance of the cocoa sector should send a serious warning to the government to intensify the fight against "galamsey"; otherwise, we risk losing the revenue generated from cocoa in the coming years. Also, poor investment, unfavourable weather conditions, and cocoa swollen shoot virus disease could be other contributing factors accounting for poor performance in the cocoa sector in 2023.

Table 1.0: Growth Performance of the Agriculture sector

Subsectors	2017	2018	2019	2020	2021	2022*	2022* H1	2023* H1
Agriculture	6.2	4.9	4.7	7.3	8.5	4.2	4.3	6.3
Crops	7.2	5.8	5.3	8.6	8.9	3.8	3.8	6.8
o/w Cocoa	9.2	3.7	5.4	1.4	10.4	0.9	1.6	0.4
Livestock	5.7	5.4	5.4	5.4	5.5	5.5	5.7	6.7
Forestry	3.4	2.4	-1.7	-9.4	4.4	1.7	-0.4	-1.4
Fishing	-1.4	-6.8	1.7	14.1	14.2	8.8	15.8	4.9

Source: GSS, 2023

Table 2.0. Sectoral quarterly Real GDP Growth rates

Sector/subsector	2023 Q1	2023 Q2	2023 H1
Agriculture	6.4	6.0	6.3
Industry	-2.6	-1.9	-2.2
Services	6.3	6.3	6.3
Overall GDP	3.3	3.2	3.2
Non-oil GDP	4.4	3.2	3.9

Source: GSS, 2023

In table (2.0), the agriculture sector in the first half of 2023 saw a growth rate of 6.3 percent, which is attributed to the growth in the crops and livestock subsectors. On the other hand, the manufacturing/industry sector recorded a negative growth rate of 2.2 percent.

Sectoral Distribution of Nominal GDP

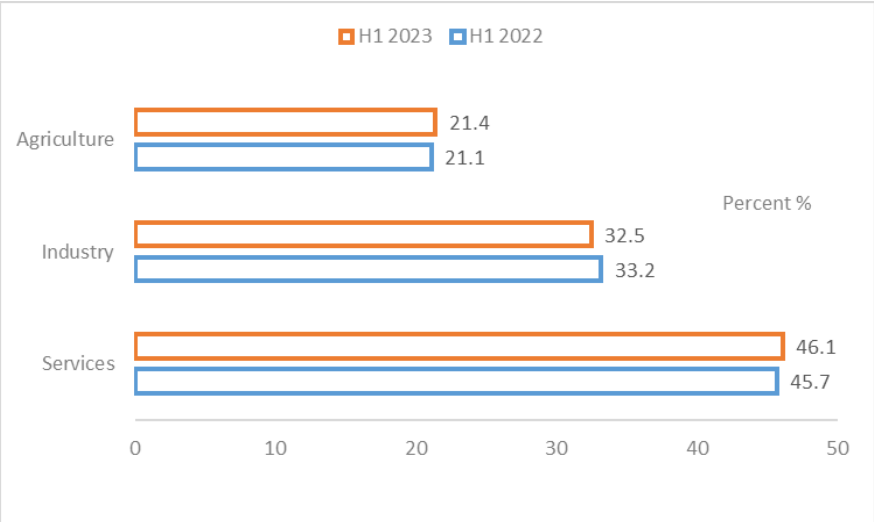


Figure 2.0: Sectoral Distribution of Nominal GDP

3.0 Government expenditure on agricultural

The government expenditure for the agricultural sector comprises the expenditures of the three key ministries (MOFA, MOFAD, and MOLNR) that are responsible for coordinating the activities of farmers and agribusinesses. The total budget allocation for the three ministries in 2024 increased by 74 percent to GHS **5,054,184,462** (MOFA, GHS 3,020,653,634; MOFAD, GHS 298,772,253; and MOLNR, GHS 1,734,758,575) compared with the allocation of **3,717,507,762** in 2023 (MOFA, GHS 2,153,234,369; MOFAD, GHS 213,308,813, and MOLNR, GHS 1,350,964,580). **(Table 3**).

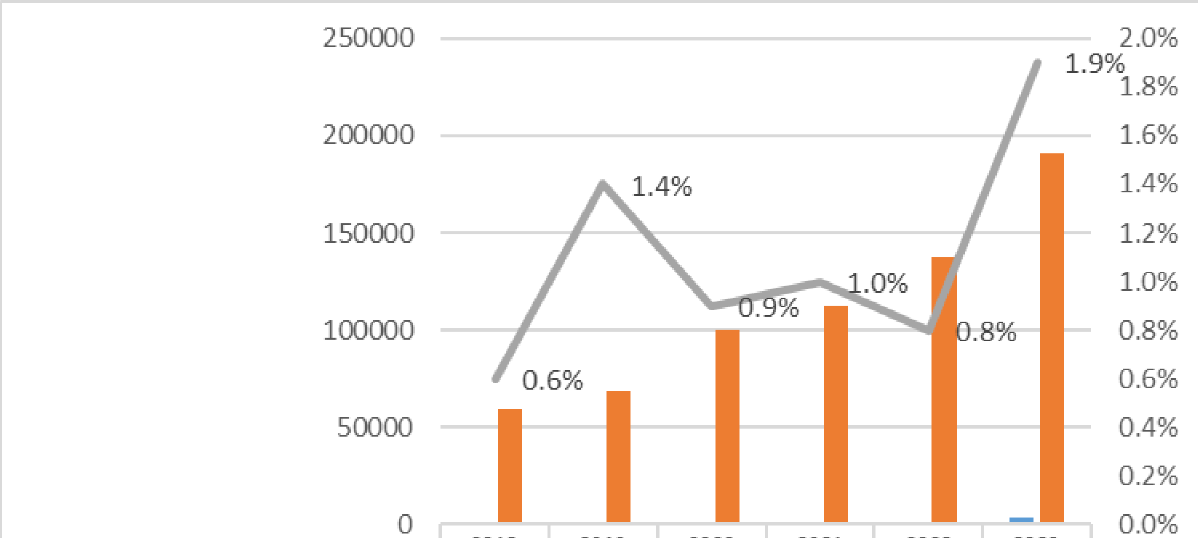
Computing the budget allocations using these three ministries, the agricultural sector budget allocation as a percentage of the total government budget in 2024 is the same as in 2023, i.e., 1.95%. While there is an increase in actual budget allocation, it is still far below the expected 10% commitment made under the Malabo declaration.

The underinvestment in the agricultural sector is underscored by MOFA's actual budgeting expenditure, which averages just 1% of total government expenditure between 2018 and 2021. Given the high inflation of about 40.5% and over 20% depreciation of the cedi on average, the nominal value of total budget allocation in real terms has reduced, while allocation to the agricultural sector in real terms has declined by 40.5%. The failure of the government to commit substantial resources to the agricultural sector is worrying given that this is the sector that can trigger growth in most of the other sectors, especially the industry and manufacturing sectors. Also, with IMF support, PFAG was expecting to see substantial budget allocation in support of capital investment in agriculture in the areas of irrigation development, feeder roads, warehousing, and mechanization, which are critical for meaningful transformation in the sector. Apart from inadequate allocation, there is no detailed breakdown of specific areas of investment, which makes it difficult to monitor and track.

Table 3.0: Percentage of agricultural sector budget to total expenditure

Source: Ministry of Finance, Budget Statements, 2023 and 2024

	Subsector	**2023**	**2024**
Total government Allocation		**190,996,541,127**	**259,052,474,750**
Total Agriculture expenditure	MOFA:	2,153,234,369	3,020,653,634
	MOLNR:	1,350,964,580	1,734,758,575
	MOFAD:	213,308,813	298,772,253
	TOTAL	**3,717,507,762**	**5,054,184,462**
Percentage (share) of agriculture to total expenditure		1.95%	1.95%

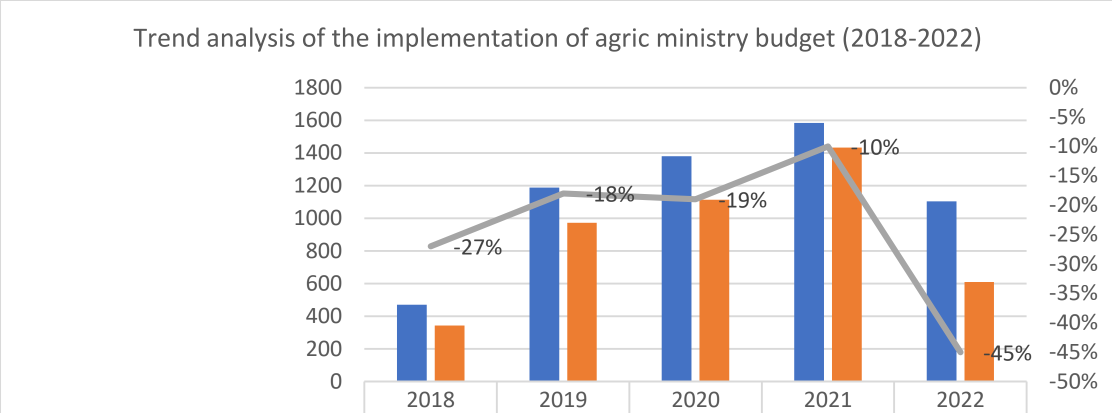


	2018	2019	2020	2021	2022	2023
Agriculture sector expenditure	343	973	857	1,105	1,103	3,717
Total Government expenditure	59,310	68,271	100,026	112,451	137,530	190,996
Agriculture share of total expenditure	0.6%	1.4%	0.9%	1.0%	0.8%	1.9%

Figure 3.0: Trend of Agric expenditure as a share of total government expenditure (2018-2023)
Source: Ministry of Finance, Annual Budget Performance Report

3.1 Execution of Ministry of Food and Agriculture Budget

The analysis of the Ministry of Food and Agriculture spending against budget allocations depicts underspending. This trend has been a common feature of the ministry's implementation, spanning from 2018 to 2022. Budget performance data for the period 2018–2022 shows that MoFA's budget has been underspent by **27%, 18%, 19%, 10%, and 45%** for 2018, 2019, 2020, 2021, and 2022, respectively (Figure 3). The underspending is largely due to failure on the part of the Ministry of Finance to disburse funds for project implementation. In 2021 and 2022, for instance, the Ministry of Finance failed to release funds for the payment of fertilizer and seed supplied under PFJ 1.0. Ghana will certainly not achieve Sustainable Development Goal 2 of Zero Hunger by 2030 and the Maputo Declaration of 10% budget allocation to the agricultural sector if the country does not change strategy to improve the execution of the sector's budget. Areas such as irrigation, improving access to key farm inputs (affordable quality fertilizer and seeds), mechanization services, warehousing, feeder roads, extension services, irrigation systems, storage and warehousing, value addition, and research and development are key areas that require serious government intervention.



	2018	2019	2020	2021	2022
Agric budget allocation	470	1,187	1,379	1,584	1,103
Agric actual expenditure	343	973	1,114	1,433	610
% underspending of agric budget	-27%	-18%	-19%	-10%	-45%

Figure 3. Trend Analysis of the Implementation of Agric Ministry Budget (2018-2022)

Source: Ministry of Finance, 2023

5.0. Planting for Food and Jobs Phase Two (PFJ 2.0)

Although the Planting for Food and Jobs Phase One Program has contributed to an increase in the use of fertilizers and seeds over the period, resulting in increased production of some selected food crops, given the quantum of public resources devoted to the programme within the last five years, it is reasonable to conclude that there was no value for money in its implementation. With the PFJ 2.0 concept, which focuses on four principles: private sector focus, value chain approach, market-driven, and inclusivity, PFAG is foreseeing a facelift for the sector when properly implemented. The 2024 budget highlighted government efforts to address heavy spending on poultry imports. With this, the PFJ 2.0 has a special focus on poultry production through the anchor and out-grower system in 5 regions (Ashanti, Greater Accra, Bono, Bono East, and Eastern regions). This is expected to produce 65,000 MT of broilers in 2024. Furthermore, the condition and capacity of existing warehouses are expected to improve to enhance their condition and capacity for storage during bumper harvest and maintain price stability.

5.1. Key shortfalls of the PFJ 2.0

The introduction of PFJ 2.0 to replace PFJ 1.0 is a step in the right direction, as PFJ 2.0 is expected to put less strain on the government due to private sector participation. Notwithstanding, PFAG was expecting to see more committed investment from the government, given that the agricultural sector is too risky and vulnerable to be left in the hands of private individuals. Also, with a total budget allocation of **GHS 3,020,653,634** to the Ministry of Food and Agriculture and **GHC 700,000,000** representing **23.2 percent** allocated for the implementation of PFJ 2.0, this is far lower than the 2017–2021 period, where the average PFJ budget was over 70% of the ministry's total budget. This amount, in our view, is inadequate for the impactful implementation of PFJ 2.0. It is also worrying that there is no clear indication of government investment that targets farmers under PFJ 2.0. It appears the government is performing a facilitation role.

On the other hand, we are particularly shocked, astonished, and disappointed that the 2024 budget did not address the mechanization gaps, which are a key pillar for the success of PFJ 2.0 and agricultural modernization globally. Government failure to allocate resources to address mechanization challenges will pose a serious challenge to the success of PFJ 2.0 and agricultural mechanization in Ghana since no young person will like to use cutlasses and hoes for farming.

Another shocking report in the 2024 budget is the reported investment under PFJ 2.0. We expect detailed clarity on interventions that are reported to have been carried out under PFJ 2.0 in the 2024 budget. Per the operational modality of the PFJ 2.0, the Ministry plays no role in providing or even facilitating inputs (fertilizer and seeds) for farmers, as these are the primary roles of the anchor farmer (aggregator). Secondly, per the design of the PFJ 2.0, the government cannot forecast the quantity of inputs to be supplied since it will be demand-driven and based on the number of farmers that are rolled onto the program. It is therefore shocking to read that, since the launch of PFJ 2.0, the Ministry has facilitated the procurement process and distribution of 9,827.5 MT of seeds, comprising 5,000 MT of maize, 450 MT of rice, 300 MT of sorghum, 4,071 MT of soya, 1.3 MT of pepper, 1.2 MT of tomato, and 4 MT of onion seeds, in addition to 365,165 MT of inorganic fertilizers and 7.2 million litres of pesticides to farmers for the minor planting season under the Input Credit Model". The PFAG members constitute the majority of smallholder farmers in the various districts, and PFAG also led its members, who are onion farmers, to the ministry for support. So far, there are no reports among these groups of any government investment.

Furthermore, the Ministry has already estimated the number of seeds and fertilizers it will facilitate and provide for the 2024 planting season under PFJ 2.0. These revelations do not portray transparency and clarity in the PFJ 2.0. Since PFJ 2.0 is to be built on inclusivity and transparency, we urge the Ministry to provide clarity on these issues and provide a breakdown of beneficiaries, how they were selected, and which aggregator undertook that task. This prompts us to believe that there is no difference in the PFJ 2.0, which was berated with corruption that led to the modification of the PFJ 1.0. We are calling on farmers and all value chain actors to be on alert as the government is possibly going to take us for granted and report on investments that never happened.

6.0. Granting exemptions on the importation of agricultural machinery equipment and inputs

The 2024 national budget established that import duties on the importation of agricultural machinery, equipment, and inputs that are not available locally will be waived. This measure will reduce the cost of such goods, reduce the cost to farmers, reduce the cost of production, and make the sector more attractive.

6.1 Key issues

We are particularly pleased that the government has approved our request to grant exemptions on the importation of agricultural machinery, equipment, and inputs. This is a bold move, and we commend the government for that. We are hopeful that the processes leading to the execution of this exemption will be accelerated to ensure that farmers enjoy low production costs. While we encourage importers and distributors to reduce their prices to reflect these waivers, we also urge the government to create a tracking mechanism to ensure that importers who enjoy these waivers also reduce their prices for the benefit of farmers and consumers at large.

7.0 Implementation of the Economic Enclave Program

At scale and speed, GHC 1 billion has been allocated to the Millennium Development Authority (MiDA) to complement the PFJ II. This funding will be dedicated to providing critical infrastructure, including irrigation and canals, as well as clearing and developing land for private sector actors in the EEP. Other key interventions under the Ghana CARES program, such as the completion of the Foundry, will benefit from this funding.

To improve local capacity for the production of food items that account for about 45% of the value of our annual imports, such as rice, fish, sugar, and poultry, amongst others, the Government of Ghana is targeting these products for import substitution by supporting the private sector through partnerships with existing and prospective businesses to expand, rehabilitate, and establish manufacturing plants for these crops. In addition, under the Ghana CARES Programme, an Economic Enclave project with a focus on providing support for the cultivation of up to 110,000 acres of land in the Greater Accra, Ashanti, Central Savannah, and Oti Regions was considered in 2023.

7.1. Key issues

On irrigation development, we are particularly disappointed that there was no specific mention of major irrigation interventions to address climate change effects on agriculture in the country. Work on the Pwalugu Multipurpose Dam has been halted since the sod-cutting was done by the President, and even though there was an allocation of GH 200 million in the 2023 budget, no single work has been done. In addition, major dams under the One Village, One Dam policy have been abandoned, making them unusable in many communities in the Northern part of the country where the intervention was targeted.

Along the Volta Lake, we had expected that the government would take advantage of the excess water in the Akosombo Dam to develop a mechanism to store water for irrigation purposes, but this was not considered.

While we acknowledge the interventions from the Economic Enclave Project to complement this PFJ 2.0, we reckon that the EEP is limited to only specific locations and comes with implementation modalities different and separate from the PFJ 2.0. The government therefore needs to be clear on the specific budgetary allocation to the PFJ 2.0 and the specific areas where the funds will be spent, considering the private sector approach adopted.

8.0. Allocation of funds under the restoration phase for flood victims of the VRA spillage

The government, through the Ministry of Agriculture, will allocate additional resources to support the restoration of the livelihoods of inhabitants affected by the Akosombo Dam spillage.

8.1. Key issues

We commend the government for seeking to restore victims of the Akosombo Dam spillage, who are mostly farmers, to their economic activity. However, the government needs to be specific and clear on the restoration of livelihood plans for these victims. The provision to work through the Ministry of Food and Agriculture to allocate additional resources for the restoration is vague and unclear as compared to the budgeted amount of GH¢220 million to support the relief phase of the victims. The government should announce a clear-cut policy intervention, coupled with actual monetary allocation and a framework for the disbursement of funds to the affected victims during the restoration phase.

We will continue to monitor the progress on the requested funding from the World Bank under the IDA Crisis Response Window (CRW) to support the resettlement of the victims, restoration of livelihoods, compensation, and reconstruction of infrastructure in the affected communities.

Conclusion

Considering the state of agriculture and food insecurity and the high food inflation recorded within the year, the PFAG and its members were expecting committed investment to improve food production, reduce food prices, and improve farmers’ livelihoods. Though the 2024 budget attempts to do so, it falls short of the rapid transformational change we expect to see in the agricultural sector that will address the current food security crisis and food inflation the nation is battling with.