



LET OIL OXYGENATE AGRICULTURE

By Dominic Hlordzi

Under Ghana's Development Agenda, Agriculture is identified as a key economic pillar. Modernizing agriculture is inextricably linked to Ghana's ability to be self-sufficient in food production, produce raw materials for industry and ensure sustainable national development.

Inadequate funding of the Agriculture sector in Ghana's economy according to the watchers of the sector has over the years been a bane to the growth of the sector which is considered the mainstay of the economy. The general economy is reportedly not doing well because Agriculture which employs greater percent of the population has less "oxygen" to grow.

With the coming on stream of petroleum revenue from the country's commercial oil fields, many suggested that the Agriculture sector should receive "heavy" investment to boost production so as to get the sector to take its rightful position as the backbone of the economy. Proponents also believe that fuelling agriculture will help the country to escape the phenomenon called the Dutch Disease.

This way of thinking by most economists and ordinary farmers is yet to receive significant attention as the agriculture sector continues to receive paltry budgetary support from the Annual Budget Funding Amount, ABFA and other sources of funding.

The Annual Budget Funding Amount which is a creation of the Petroleum Revenue Management Act, PRMA 2011 (Act 815) is one of the receptacles of the Nation's Petroleum revenues. As specified under the ABFA, utilization of the Fund is to among others maximize the rate of economic development. The Act listed some twelve areas government must spend the ABFA and the framers of the Act placed Agriculture as the topmost priority hence it is occupying the first position on the list. This "preferential treatment" envisaged in the Act is however lacking in the disbursement of monies accruing into the Fund. Yes, the PRMA talks about prioritizing the utilization of the Fund and empowers the Minister of Finance to get the best out of the petroleum revenue by selecting not more than four areas for investment. To this end, since 2011 the four priority areas have been Expenditure and Amortization of Loans for Oil and Gas infrastructure, Agriculture Modernization, Roads and other Infrastructure and Capacity Building.

It is however sad that from 2011 to 2013 Agriculture modernization component of the Annual Budget Funding Amount was allocated only 7.50 percent of the total revenue allocation into the ABFA for that period. The Road and other infrastructure topped the four priority areas investment list with 62.94 percent, followed by Expenditure and Amortization of Loans for Oil and Gas Infrastructure projects with 19.51 percent while Capacity Building came third with 10.05 percent. The ABFA according to the Ministry of Finance had GH¢1,322,156,933 from 2011 to 2013. With the 76 Billion Ghana Cedis national debt stock hanging over the necks of Ghanaians government may be voting a lot more ABFA in servicing loans going forward and this may have implications for the Agric modernisation component of the ABFA.

BELOW IS A GRAPHICAL REPRESENTATION IN PERCENTAGE OF ABFA ALLOCATION TO PRIORITY AREAS 2011-2013

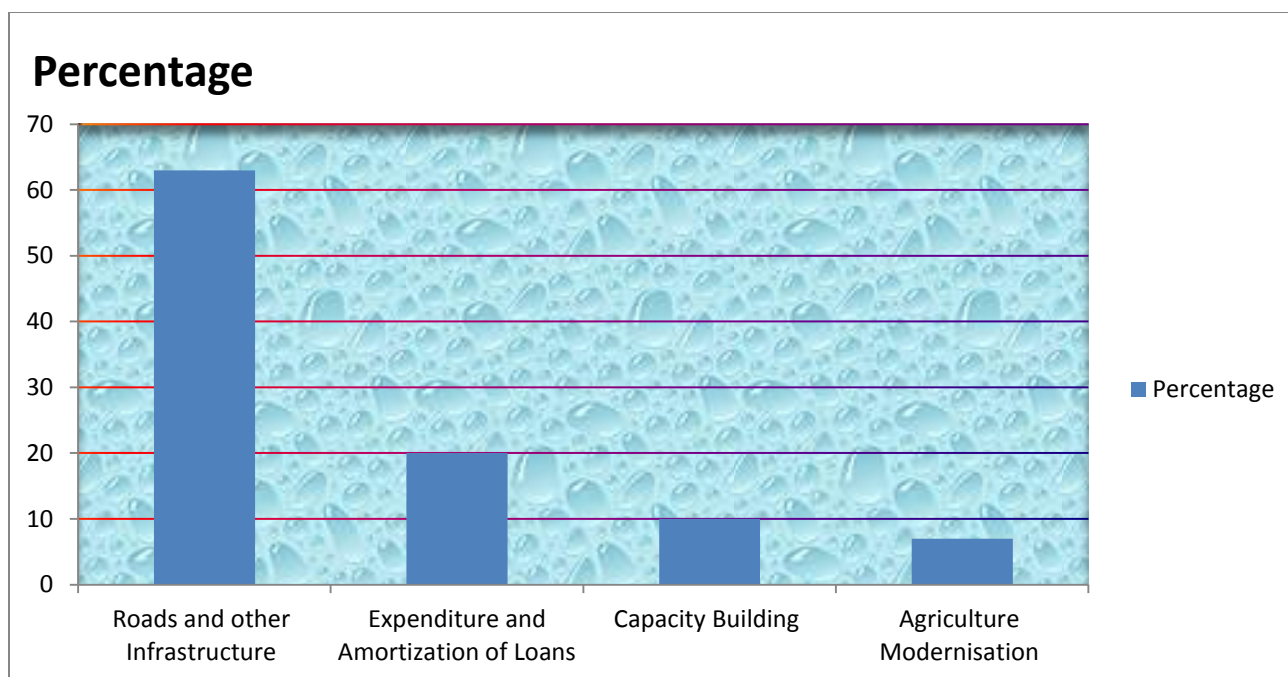


Figure 1

Connoisseurs have observed that the Ghanaian economy may continue waning due to the low level of attention to the agriculture sector, which has been the strength of the economy for decades with the help of Cocoa and other cash crops. Farmers in the non-cash crop sector, animal husbandry and fisheries subsectors require serious assistance to produce to meet domestic demand and for export.

Agric GDP contribution

The contribution of the agriculture sector to Gross Domestic Product (GDP) has plummeted by a whopping 10% in five years. It nose-dived from 31.8 % in 2009 to 29.8% in 2010, 25.3% in 2011, 22.7% in 2012 and 21.3% in 2013. The contribution of the agriculture sector was also not encouraging in 2014 as government failed to deliver on fertilizer subsidies and other interventions like the establishment of more mechanization and irrigation centres as well as the dormancy of the Youth in Agriculture Programme which also received some funding from oil revenue in the previous years.

As a signal that no significant things will happen this year in the sector, government allocated about 400 Million Ghana Cedis to the Agriculture Ministry in the 2015 budget while Interior Ministry had about one Billion Ghana Cedis far more than what the Agriculture Ministry got. Even the full budgeted amount may not be released for the execution of the planned programmes following the current economic quagmire the nation finds itself as a result of the drastic drop in the benchmarked oil revenue as a result of the plummeted crude oil prices.

ABFA allocations to Agriculture Modernization since 2011

In 2011, 261.54 Million Ghana Cedis was allocated to ABFA and Agric had 13.147 Million representing about 5percent of that amount. The sector received 72.47 Million Ghana Cedis signifying about 14 percent of 516.83 Million Cedis of ABFA allocation in 2012 and 13.60 Million representing a paltry 2.5percent of the total 543.78 Million Ghana Cedis ABFA allocation for the 2013 fiscal year. In 2014 the

sector was supported with 136.4 Million Ghana Cedis representing only 15.2 percent of the 899.96 Million Ghana Cedis allocated to the ABFA. (Sources: Oxfam report, national budget and PIAC report)

ABFA AGRICULTURE SECTOR FUNDED PROJECTS AND PROGRAMMES 2011-2013

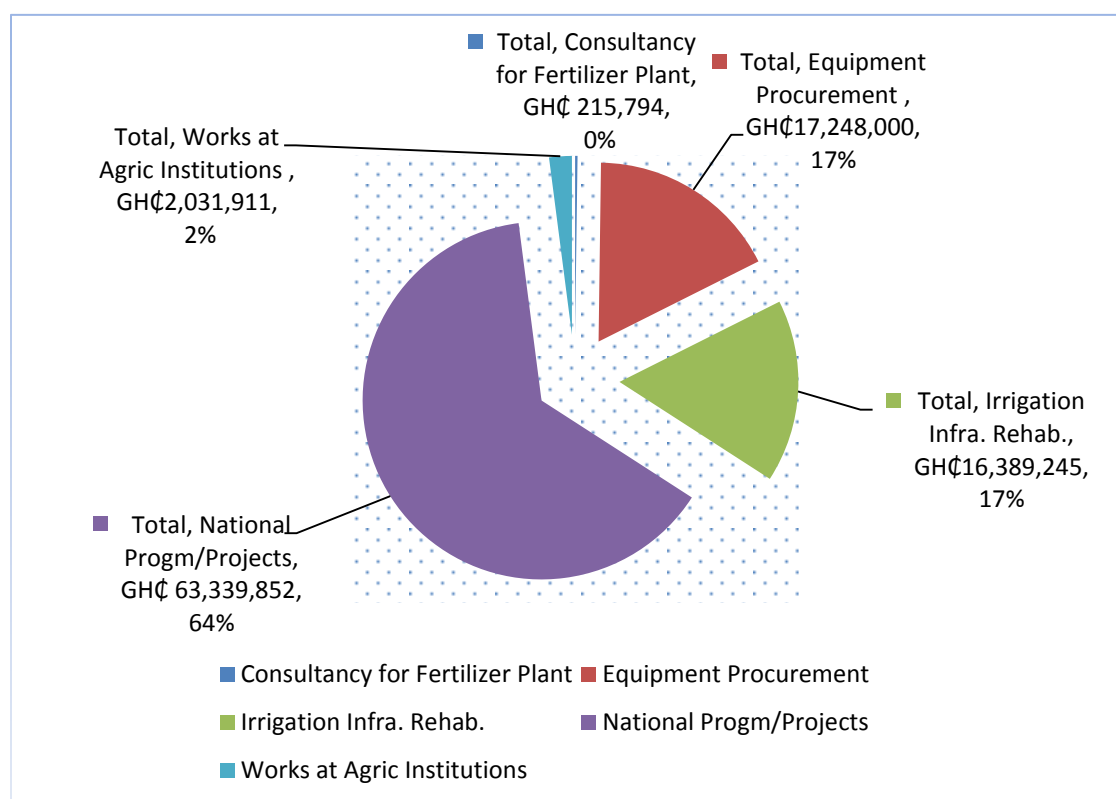


Figure 2 Source: PIAC's, 2014 (Based on Data Received from MoF, 2011-2014)

The above chart indicates that 64% of the ABFA fund allocated for agricultural modernization has gone to partly support national programmes and projects such as the National Fertilizer Subsidy Programme, the Youth in Agriculture Programme, the Tsetse Project, Inland Rice Development Programme, Root and Tuber Improvement Programme, and the National Forestry Development Programme. It is significant to state that most of these programmes had been in existence long before the oil find in Ghana. This implied that no new national programme in the agriculture sector has been funded from the ABFA allocations to the Ministry of Agric. Just about 17.38% and 16.52% of the ABFA support to the agriculture sector was used to construct and/or furnish facilities in agric-related institutions as well as for the construction and rehabilitation of irrigation systems respectively.

A cursory look at the Agric sector budget by revenue source for 2014, showed that the ABFA constituted 17 percent of the Total revenue of Gh¢306,891,987 that went to the Ministry for the year according to Oxfam report on the 2014 Budget and Petroleum Revenues. 58.3 percent was from Development Partners, 24 percent from Government of Ghana and 0.7 percent from Internally Generated Funds.

The share of the ABFA to the productive sectors of the economy like Agriculture and industry as compared to the infrastructural sector is very small as noted by PIAC.

The Minister of Finance, Seth Terkpe in his statement to Parliament on the implication of the fall in crude oil prices on the 2015 budget indicated revision of projected revenues from petroleum revenue

for the year and this will invariably have effect on the ABFA allocation and the Agric sector will not be spared in the implementation of the austerity measures.

In an interview with the Media Deputy General Secretary of General Agricultural Workers Union (GAWU) Edward Kareweh reportedly explained that “so long as the budget continues to pay less attention to agriculture, the overall national development would continue to be undermined. He observed that what is even more worrying was that the few good policies in various budgets have also not been implemented. For example, he said, last year provision was made in the budget for irrigation facilities, including irrigation of the Accra Plains, but they were never implemented.”

The Northern Regional Director of the Ministry of food and Agriculture, William Boakye Acheampong in an interview said “it is a very laudable idea for the framers of the PRMA to include Agriculture among the number of priority areas for the investment of oil revenues. He observed that in Ghana if we talk about Agric, we say Ghana is an Agricultural Country, Agric is the backbone of the Country, it contributes XYZ; it employs the greater number of people in the sector, etc. How can you improve upon all these without putting in money?” He questioned.

Mr. Acheampong stated that it is the expectation of all stakeholders in Agric that more funds will be invested in the sector so that agriculture will be raised to a higher level.

Speaking on the plights of women and smallholder farmers as contained in SEND-GHANA’s Policy Brief, a Programme Officer at SEND-GHANA, Daniel Adotey Akai said farmers in general and women farmers in particular are faced with limited access to land and credit facilities, unavailability of ready market for their produce, inadequate extension officers and the continues use of hoe and cutlass in the cultivation of their crops. These he pointed out do not promote effective farming. “Adequate investment in the sector is needed to help the farmers increase their output.” He urged.

The Youth in Agriculture Programme is a beneficiary of the Agriculture Modernization component of the ABFA. The National Coordinator of the Youth in Agriculture programme Emmanuel Adam Mahama in an interview said most Ghanaian youth are interested in farming because they persistently visit the offices of the Youth in Agric Programme to ask for inputs to enable them to go into farming.

He said the programme has been successful and must be supported to continue to assist the youth to go into agriculture. He explained that success stories are measured based on how enthusiastic the youth are towards the programme, how they embrace the use of technology and increase in productivity.

The National Coordinator of the Youth in Agriculture programme said with the help of the programme a lot of the youth now agree to use technology and production levels have gone up. “When I say productivity, in the past, if you take one hectare, how many bags of maize can you get from it? I compare that to the present system say how many tons of maize can you get from one hectare? It has improved. It used to be around 1.5 tons, now it is around 2.5 tons per hectare which is a tremendous increase as compared to the old time when you could get one ton or 1.5 tons per hectare.”

Also the youth are staying back in the rural areas to take part in the Youth in Agric Programme instead of going to the South for menial jobs.”

Mr. Adam Mahama noted that Ghana could easily be carried away by finding oil and neglecting agriculture saying that will be at a price because the money the country makes from oil will be used in

importing food at three times the price that locally Ghanaians would have bought it. He emphasized that supporting agriculture with oil revenue is a good idea.

According to Mr. Mahama the UN, AU, FAO and other institutions have stressed that agriculture is the immediate area, Africa can develop because the continent has the land, the water, the resources and human capital. To this end, if there is any vehicle through which Ghana can experience accelerated development that must be agriculture. “The better we invest in agriculture the better for us.” he explained.

Mr. Mahama pointed out that “Whether you like it or not wealth from agriculture is the cleanest and neatest money. It is clean, you go and till the land, God helps you with rain, you harvest and you sell. So we must invest our oil money in agriculture and we can harvest clean money and use it for further investment for the development of the country.”



In its recommendations captured in the 2014 report, PIAC urged government to set priorities in the Agriculture sector for which petroleum revenue should be applied. This is to ensure that the impact of such programmes are felt and acknowledged by stakeholders in the sector.

Oil money to the agriculture sector must not dwindle. Let oil oxygenate agriculture for accelerated national growth.