

Outlook for Ghana Beyond Aid

Internal growth and economic independence: those are the ambitious objectives of the Ghana Beyond Aid (GhBA) policy, announced in 2017 by President Nana Addo Dankwa Akufo-Addo. It's a strong initiative that is creating a lot of hope while also raising questions as to its feasibility.

“We want to build a Ghana beyond aid, a Ghana that can harness its own resources.” Those were the words of Ghana’s president, expressing his desire to help his country become independent of international financial aid. So far, the GhBA initiative has helped free the 2019 budget from the IMF programme and has led to the creation of a charter and strategy document, published in April 2019. GhBA encourages internal economic growth based on industrialisation at local level and collaboration between the public and private sectors, and is reawakening the desire for African sovereignty, which used to be incarnated by President Kwame Nkrumah.

Agriculture: one of four priority sectors

The “one department, one factory” programme aims to set up private processing factories throughout the country. The second pillar is directly in line with the first, and aims to develop and modernise agriculture. It includes two major programmes: “one village, one dam”, to develop irrigation by building several dozens of dams in the north; and “planting for food and jobs”, which aims to support agricultural producers and entrepreneurs through subsidies for seeds, fertilizers and agricultural technologies (see p. 15). The

objective of those two complementary pillars is to boost agricultural production and export processed products in order to reduce poverty and malnutrition. The third and fourth pillars aim to strengthen the educational system and clamp down on corruption.

Covering funding needs

Those programmes seek to reduce Ghana’s double dependence on exports of raw materials with no added value and imports of certain food products, such as rice. Some analysts, however, fear that increasing exploitation of the country’s natural resources—non-agricultural (hydrocarbon, gold, bauxite) and agricultural (cocoa, see p. 25)—will make Ghana more vulnerable to variations in global prices and environmental degradation, which, according to World Bank estimates, already costs Ghana 12 GDP points.

For Ghana, doing without external funding seems difficult over the short term. While the budget deficit of 3.9% in early 2019 improved, tax revenue is still relatively low: Ghana’s tax-to-GDP ratio is only 15%, versus 19% on average in West Africa. According to the June 2019 edition of *Macrodev*—published by the French Development Agency (AFD)—, which was dedicated to Ghana, public debt nearly tripled between 2006 and 2016, from 26% to 74% of GDP. The publication noted, however, a change in the structure of that debt. The percentage of concessional loans from bilateral and multilateral funding agencies gradually decreased to 14.3% of public debt in 2018, versus 32% in Ivory Coast. Ghana has therefore turned to external debt denominated in foreign currency (financial markets), exposing itself to high exchange-rate risk at a time when the cedi is weak (p. 10). New external partners, such as China, are also increasingly present.

The need for external funding is all the more evident in the agricultural sector. Official development assistance makes up 17% of the agricultural budget, versus only 3% in Ivory Coast. Many agricultural programmes depend on external donors.

MANY AGRICULTURAL PROGRAMMES DEPEND ON AID FROM EXTERNAL DONORS

Ghana Beyond Aid: hope on the horizon

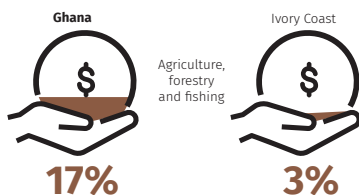
Structurally, the Ghanaian government has very little flexibility in its budget to fund GhBA’s large-scale projects without assistance.

Michael Owusu, a Senior Officer at Ghana’s Ministry of Food and Agriculture, says that GhBA offers hope for Africa, even though for now external funding is still necessary: “We will continue to need help and support, but with the good leadership and policies, we should eventually be able to hold up.” ■

Internal team

Percentage of official development assistance in the agriculture budget

Official development assistance for agriculture



Source: OCDE 2019