

Trends in Public Agricultural Expenditures in Africa

Samuel Benin and Bingxin Yu¹

In 2003, African heads of state made a commitment to invest 10 percent of their total national expenditures in agriculture, an agreement known as the Maputo Declaration, as one of the Comprehensive Africa Agriculture Development Programme (CAADP) targets. This issue note summarizes the main findings of the ReSAKSS 2012 Annual Trends and Outlook Report (Benin et al. 2013), analyzes patterns and trends in public agricultural expenditure (PAE) in Africa, and examines how countries have measured up in meeting the objectives of the Maputo Declaration.

TRENDS IN TOTAL NATIONAL EXPENDITURES

The public expenditures of African countries increased at an average rate of 8.5 percent per year in 2003–2010, from about \$10.1 billion on average per country in 2003 to \$16.9 billion on average per country in 2010. The percentage of total expenditure in total gross domestic product (GDP) was about one-fourth on average, comparable to the percentages in many other regions of the world. However, the actual amounts spent are less than \$300 per capita in many parts of the continent, reflecting limited government revenue. Low revenues hinder governments' ability to undertake expensive but necessary growth-enhancing public investments, such as research and development and rural infrastructure improvements.

African governments need to be more strategic in using

¹ Samuel Benin (s.benin@cgiar.org) and Bingxin Yu (b.yu@cgiar.org) are Research Fellows at International Food Policy Research Institute. Yifei Liu provided assistance with summary and layout.

² Although the African Union has published a technical note on what to count as PAE, controversy continues over whether investments in rural infrastructure should be counted toward achievement of the CAADP 10 percent agriculture expenditure target (AU-NEPAD 2005).

³ All dollar figures are presented in current 2005 international dollars, based on purchasing power parity exchange rates.

their existing resources to support or stimulate substantial economic growth in the continent. It will also be critical for African governments to leverage investments from the private sector and to explore other funding arrangements, including working closely with development partners to secure large grants and low-interest loans.

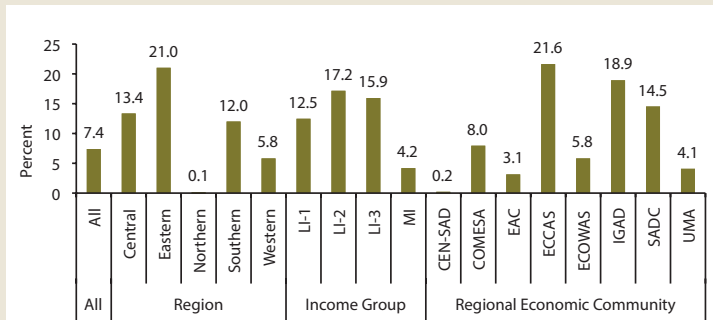
TRENDS IN PUBLIC AGRICULTURAL EXPENDITURES

The amount of PAE for Africa as a whole increased from about \$0.39 billion on average per country in 2003 to \$0.66 billion on average in 2010, representing an average increase of 7.4 percent per year (Figure 1). Despite the impressive growth in PAE, the share of PAE in total expenditures for Africa as a whole declined because total expenditures expanded at a faster pace (Figure 2).

Since 2003, when the declaration was made, 13 countries have surpassed the CAADP 10 percent target in any single year (Figure 3): Burkina Faso, Burundi, Ethiopia, Ghana, Guinea, Madagascar, Malawi, Mali, Niger, Republic of Congo, Senegal, Zambia, and Zimbabwe. However, only seven of them—Burkina Faso, Ethiopia, Guinea, Malawi, Mali, Niger, and Senegal—have surpassed the target in most years. Several countries show a consistent increase in share of PAE over time, including Burundi, Republic of Congo, São Tomé and Príncipe, Rwanda, Sudan, Togo, and Zambia. In the remaining countries, the expenditure shares have generally declined or stagnated.

At the regional level, none of the subregions achieved the CAADP 10 percent target (Figure 2). The top performers were the eastern region (7.7 percent) and western region (7 percent); the low-income and non-mineral-rich groups LI-2 (8.7 percent) and

Figure 1: Growth rate in PAE in Africa (%), 2003–2010 annual average

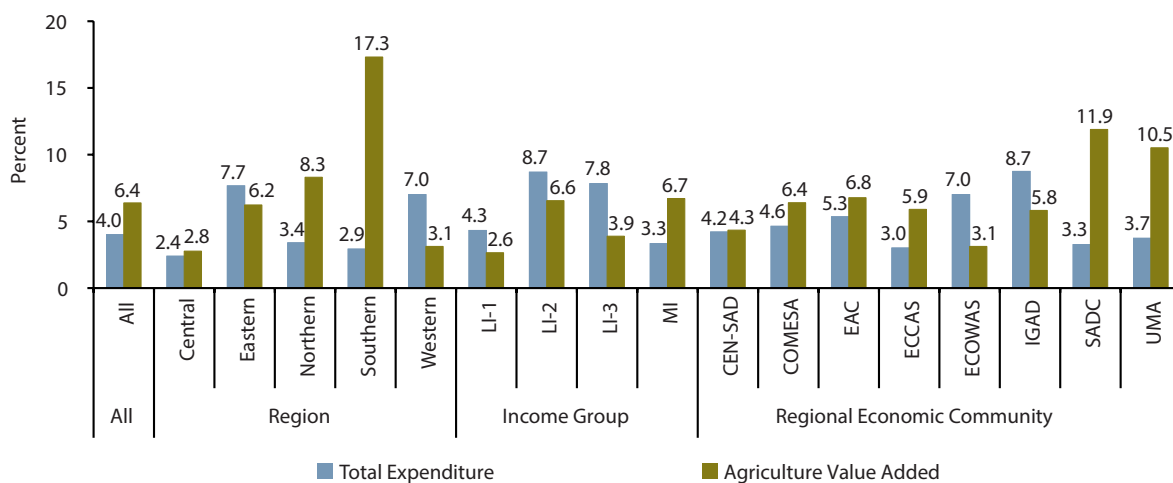


Sources: Authors' calculation, based on Yu (2012), AUC (2008), and national sources. Notes: CEN-SAD is the Community of Sahel-Saharan States; COMESA is the Common Market for Eastern and Southern Africa; EAC is the East African Community; ECCAS is the Economic Community of Central African States; ECOWAS is the Economic Community of West African States; IGAD is the Intergovernmental Authority for Development; SADC is the Southern Africa Development Community; and UMA is the Union du Maghreb Arabe. LI-1 is low income mineral rich countries; LI-2 is low income countries with more favorable agricultural conditions; LI-3 is low income countries with less favorable agricultural conditions; MI is middle income countries. See Benin et al. (2013) for region clarification and methodology.

LI-3 (7.8 percent); and the Economic Community of West African States (ECOWAS) (7 percent) and the Intergovernmental Authority on Development (IGAD) (8.7 percent).

As a relatively good performer in the effort to achieve the CAADP 10 percent target, West Africa also has the most advanced CAADP implementation status. All 15 countries in the region have signed a CAADP compact and have a national agricultural investment plan (NAIP) in place. In southern Africa, Malawi has spent far more than 10 percent of its national budget on agriculture since the start of the agricultural subsidy program in 2005. In most of the other southern African countries, however, the share of PAE in total expenditures has stagnated over time. In Central Africa, half of the countries spent less than 5 percent of their total expenditure on agriculture, with no improvement over the period. In eastern Africa, most countries spent between 5 and 10 percent of total expenditure on agriculture, and that share increased over time.

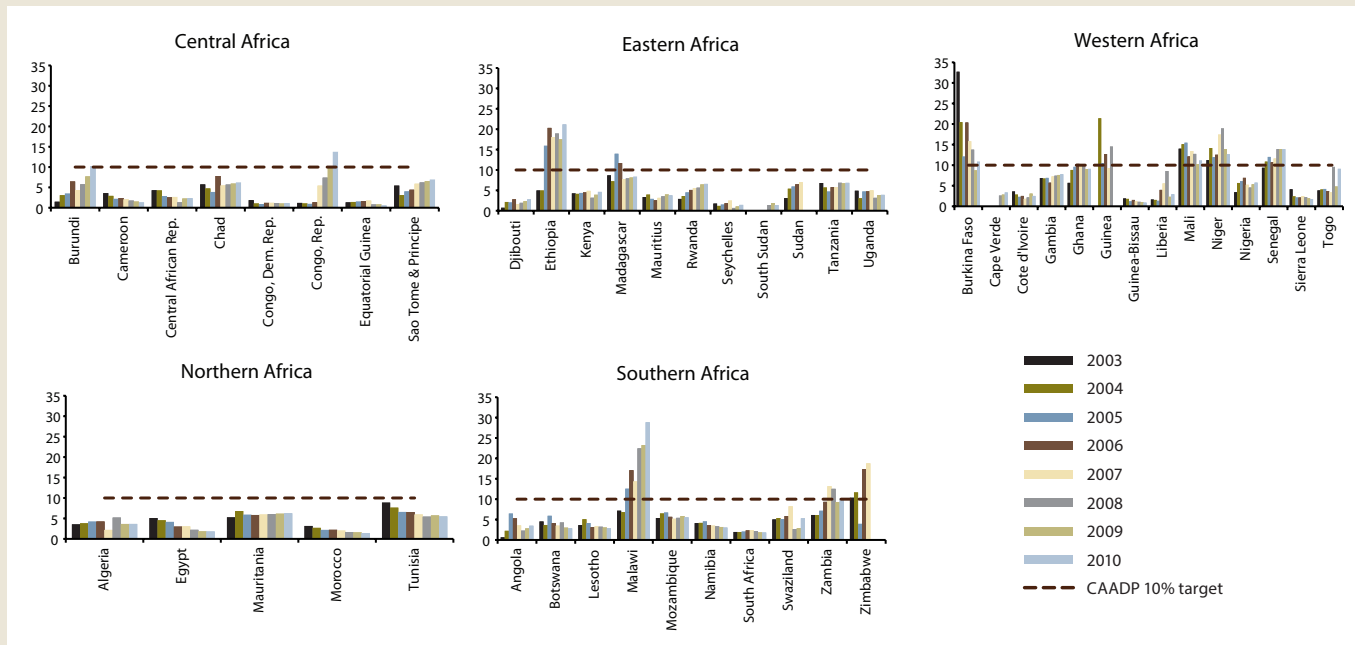
Figure 2: Share of PAE in total expenditures and in agriculture value added in Africa (%), 2003–2010 annual average



Sources: Authors' calculation, based on Yu (2012), AUC (2008), and national sources.

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Figure 3: Share of PAE in total expenditures in African countries (%), 2003–2010 annual average



Sources: Authors' calculation, based on Yu (2012), AUC (2008), and national sources.

COMPOSITION OF PAE

PAE is dominated by expenditures on crops and livestock rather than fishery and forestry (Table 1). The distinction between current spending and investment is not consistent across countries; many African governments count all expenditures financed by donors as investment or development spending, no matter what the funds are actually spent on.

For agricultural research and development (R&D), most countries spend far less than the New Partnership for Africa's Development (NEPAD) target of 1 percent of agricultural GDP. The top performers in 2003–2010 with respect to this indicator were Botswana and Mauritius, which spent 4–5 percent, followed by South Africa and Namibia, at 2–3 percent, and Burundi, Uganda, Kenya, Tunisia, Morocco, Mauritania, and Malawi, which spent slightly above the 1 percent target.

Since the mid-2000s, high food and input prices have caused agricultural subsidies to return strongly to the development agenda

in Africa. Many countries spent a large share of PAE on agricultural input and farm support subsidies and programs, which were common in Africa in the 1960s and 1970s prior to the structural adjustment and market reforms era (Figure 4). In fact, many donors that disagreed with these mechanisms in the past are now also providing aid in the form of farm support and agricultural subsidies. These subsidies raise the question: To what extent have these programs, which are still considered controversial with regard to their cost-effectiveness, been adjusted to take account of previous experiences from the 1960s and 1970s, prior to

Table 1: Budget allocation by agricultural subsector (% of total NAIP budget)

Country, plan duration	Crops	Livestock	Fishery	Forestry
Benin, 2010–15	60.6	0.8	3.2	n.a.
Burkina Faso, 2011–15	37.3	28.0	n.a.	28.0
Cote d'Ivoire, 2010–15	n.a.	n.a.	7.5	11.2
Liberia, 2011–15	20.5	1.3	1.3	4.4
Mali, 2011–15	49.9	23.6	20.6	n.a.
Senegal, 2010–15	69.3	10.9	4.7	n.a.
Togo, 2010–15	65.5	6.8	3.1	n.a.

Source: Authors' calculation based on national agricultural investment plans.

Notes: Percentages may not add up to 100 across the subsectors because the total budget was not allocated as such or could not be distributed.

n.a. = not available. Data were not available or the budget could not be distributed.

structural adjustment?

The CAADP agenda emphasizes inclusive stakeholder participation in setting the policy and investment priorities for agricultural development. By examining the different sources of funding, the study shows that most African countries are heavily dependent on external sources for financing the NAIPs (Figure 5). Only the governments of Ethiopia and Kenya are expected to provide more than half of the total budget, at 60 and 65 percent, respectively. In many of the countries, the funding gap is quite large: at 50 percent or more for Benin, Gambia, Ghana, Senegal, and Togo⁴.

LINKAGES BETWEEN PAE AND DEVELOPMENT OUTCOMES

Different types of PAE affect agricultural growth and other development outcomes differently in different parts of the continent, with varying time lags. Based on available data and using scatter plots and univariate regressions, this study finds only weak correlation between the agricultural output growth rate and the aggregate PAE growth rate. However, there is a strong correlation between the agricultural output growth rate and the agricultural R&D expen-

diture growth rate, with larger correlation coefficients and greater statistical significance for longer time frames (from investment to outcome). The estimated correlations are different across different regions of Africa.

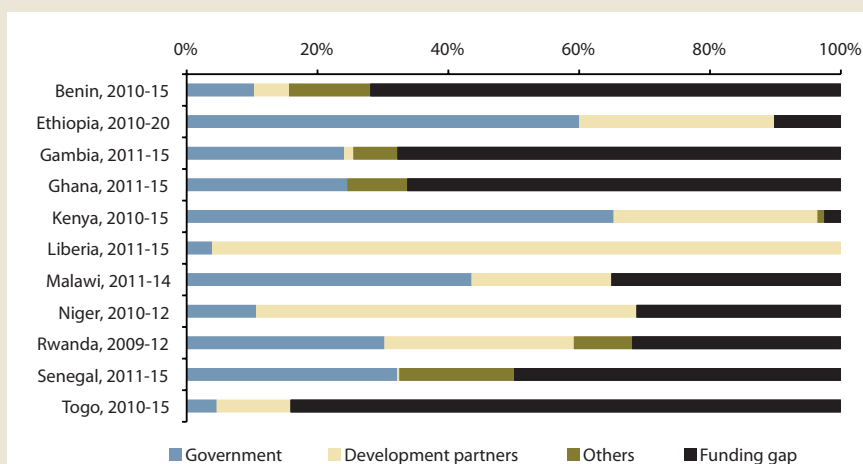
These results suggest the following conclusions: (1) Not all types of PAE are growth inducing. (2) PAEs that are growth inducing, such as agricultural R&D spending, take time to show results. (3) It will be important to identify, prioritize, and promote different types of PAE in different areas and to find the correct balance between PAEs that have immediate but possibly short-lived benefits and those that take time to manifest but that offer large and long-lasting economic benefits. This balance rests on the trade-offs of political and economic benefits generated by different types of PAE. Hence it is important to find innovative ways to increase the political and economic benefits associated with the critical but underfunded agricultural public goods and services.

OVERALL POLICY IMPLICATIONS

African governments need to be more strategic in using existing resources, whether for subsidies or investments—

either to make targeted transfers or to undertake the type of investments that support or stimulate substantial economic growth in the continent. It will also be critical for African governments to leverage investments from the private sector and to explore other funding arrangements, including working closely with development partners to secure large grants and low-interest loans for major investments. Solid monitoring and evaluation (M&E) data are necessary for governments to optimally allocate PAE, including the disaggregation of public expenditure data by function, at different levels, and across space and time. These data could be acquired by investing in public accounts systems. Publicly available data on M&E will enhance the political accountability of governments to their citizens and promote mutual account-

Figure 5: Funding sources & gaps for financing CAADP country investment plans



Source: Authors' calculation, based on national agricultural investment plans.
Note: CAADP = Comprehensive Africa Agriculture Development Programme.

¹ There can be controversy over the transfer of donor funding, arising from discrepancies between the amount a government reports having received from donors and the amount donors report having provided to the government—a problem that often arises in estimating the value of technical assistance. Although the private sector is a signatory to most of the CAADP compacts that have been signed so far, commitments by the private sector were scarcely reflected in the NAIPs. In general, data on private-sector investments in the agriculture sector are difficult to obtain.

ability of state and nonstate actors in agricultural development. More broadly, more transparent data will contribute to improved policymaking, dialogue, implementation, and mutual learning processes throughout the CAADP implementation agenda.

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NOTE: In 2013, the ReSAKSS Issue Brief series was renamed as ReSAKSS Issue Note series, while the numbering sequence was maintained.

Established in 2006, the Regional Strategic Analysis and Knowledge Support System (ReSAKSS) supports evidence and outcome-based planning and implementation of agricultural-sector policies and strategies in Africa. In particular, ReSAKSS offers high-quality analyses and knowledge products to improve policymaking, track progress, and facilitate policy dialogue, benchmarking, review and mutual learning processes of the Comprehensive Africa Agriculture Development Programme (CAADP) implementation agenda. The International Food Policy Research Institute (IFPRI) facilitates the overall work of ReSAKSS working in partnership with the African Union Commission (AUC), the NEPAD Planning and Coordinating Agency (NPCA), and leading regional economic communities (RECs). At the regional level, ReSAKSS is supported by Africa-based CGIAR centers: the International Livestock Research Institute (ILRI) in Kenya, International Water Management Institute (IWMI) in South Africa, and International Institute of Tropical Agriculture (IITA) in Nigeria. www.resakss.org.

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Send comments and feedback to:

Coordinator
Regional Strategic Analysis and Knowledge Support System
 c/o International Food Policy Research Institute
 2033 K Street, NW
 Washington, DC 20006
 Telephone: +1 202 862 5667
 Facsimile: +1 202 467 4439
 E-mail: resakss-africa@cgiar.org
www.resakss.org