Persistent rural poverty amidst significant agricultural growth: Where are we going wrong?

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Zambia’s Economic Achievements

- Zambia achieved positive macro-economic indicators
- Classified low-middle income by World Bank and GDP growing at 6% per annum
- Agricultural growth rate of 7% - CAADP Goal
- Three consecutive maize bumper harvest years
BUT Persistently high rural poverty rate: ≈80% in the last 15 years!

Source: LCMS, various years
So where are we going wrong?
2012 Ag Budget Analysis

- Poverty Reduction Programmes: 50.4%
- Ag Dev Programs: 22%
- Personal Emoluments: 12.6%
- RDC: 8.5%
- Grants: 0.7%
- Arrears: 0.3%
- Capital Expenditure: 5.6%
- Ag Show: 0.4%
>80% of Agricultural PRP on two programs, 2011

Leaves little funding for:
- Seed improvement
- Extension / training programs
- Irrigation systems
- Policy analysis
- Rural electrification
- Road-rail-port infrastructure

Government spends >80% of the agriculture budget on FISP/FRA

Source: Min. Finance Yellow book. Agriculture Budget 2011
Real Size of Overall Agricultural Budget 2000 – 2012

A decline of 41.9% if we consider supplemental funding of K1,449 Billion mostly to FRA and FISP

An Increase of 31% if we ignore supplemental funding to FRA and FISP

Year

MAL - Allocation

MAL - Actual (2011-interim)
Share of Agriculture to GRZ Budget 2007-2013

Includes additional funding of K1.2 trillion to FRA

Maputo Declaration Target

Actual (As at end of July for 2012)
% of agricultural sector spending on FISP and FRA

Indaba Agricultural Policy Research Institute
Who is Benefiting from FRA and FISP?

Evidence from nation wide random surveys
Crop Forecast surveys
Post Harvest Surveys
Supplemental Surveys
Rural Livelihoods Surveys
73% of FISP recipients are smallholders who cultivate <2 ha.

Bar chart showing the distribution of hectares cultivated by households: 0-0.49, 0.5-0.99, 1-1.99, 2-4.99, 5-9.99, 10-20. The 1-1.99 category is the most populous with 73% of the households.
Poverty rate about 80% among FISP smallholders that cultivate <2 ha

Poverty is concentrated here

Source: RALS, 2012
Majority (55%) of FISP fertilizer goes to better off HHs that cultivate 2+ ha

Source: RALS, 2012
Better off HHs that cultivate 2+ ha account for majority (78%) of maize sold to FRA.
Maize market position: 2011/12 marketing years

- Negatively affected by high maize prices: 28%
- Net buyers: 28%
- Net sellers: 42%
- Neither buys nor sells: 30%
- Benefit from high Prices

Source: 2012 CSO/MAL/IAPRI Rural Agricultural Livelihoods Survey
Maize yields in Zambia vs. other regions

Source: FAOSTAT
Negatively affecting Crop Diversification

Source: CFS, various years
**What to do?**

**Effectively reform FISP and FRA**

- Streamline the FRA activities
- Focus on strategic reserves
- Target FISP to hhs cultivating 0.5 to 2 ha for bigger poverty reduction impact
- Flexible FISP program covering other farm inputs (crops and livestock)
  - Promote crop diversification and livestock production
- Use of E-voucher with private sector procuring and distributing the inputs
  - Promote private sector participation
How the e-voucher works

Source: Conservation Farming Unit
FISP/FRA & voting behavior in Zambia

- Fertilizer subsidies and FRA purchases do not influence voting outcomes.
  - had no substantive effect on the share of votes won by the MMD in the 2006 & 2011 elections

What could win elections:

- Shifting some funds from FRA/fertilizer subsidies to investments in roads, irrigation, electrification, R&D, improved extension, health, education, etc.)
## Ranking with respect to poverty reduction: Evidence from Asia

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