Public Agriculture Expenditure

Presented by
Jones Govereh

FSRP/ACF Agriculture Policy Dialogue
with High Level Government Officials
Protea Lodge, 14-15 August 2009

Outline

• FNDP strategic goals
  – National consensus of development priorities
• Public agricultural expenditure (PAE)
  – Definitions, sources and spending agents
• Trends in size and share of PAE
• Composition of PAE
  – Economic and functional spending classes
• Summary
FNDP’s Goals For Agricultural Sector Development

• Attain 90% HH food security by 2015
• Increase agriculture’s contribution to FOREX earnings from 3-5% to 10-20%
• Increase agricultural export output at an annual rate of 20%,
• Grow agriculture from 1% to 7-10% per annum from 2006 onwards
• Increase agriculture’s contribution to GDP from 18-20% to 25%
• Facilitate the role of private sector
• Increase incomes for those in agriculture

Ag Development Priorities:
Four Pillars/Drivers of Growth

• Land and Water Management
  – Farm blocs, Irrigation, conservation farming
• Rural infrastructure and trade-related capacities for markets
  – Roads, power, communication, reliable & competitive markets
• Increasing food supply and reducing hunger
  – Food security, safety nets & emergency services
• Agricultural research technology dissemination and adoption
  – ZARI, NISIR, UNZA & Agricultural research & development trusts
Definition of Agricultural Expenditure

- Agriculture includes crops, livestock, fisheries and forestry
- Spending for activities whose primary purpose is to restore, improve and maintain agriculture
- Range of activities
  - administration of commodity affairs & services
  - operation or support programs or schemes
  - production and dissemination of information
  - compensation, grants, loans or subsidies
  - administration and operation of government agencies engaged in research activities

Where are Agriculture Growth Funds Sourced?

- Government
  - Direct expenditures
  - Indirect through tax incentives
- Development partners
  - Budget and project support
  - Non-budget support
- Private sector including farm households
  - Commercial loans
  - Equity investment funds
  - Outgrower inputs in-kind
Ministries and Spending Agencies

- “Take-all” ministries & agencies
  - MACO, FRA, NCZ
- “Partial budget” ministries
  - Home affairs (prison farms)
  - Community Development & Social Services (food security pack)
  - Defense (Zambia National Service – farm production)
  - Works & Supply (building of agricultural infrastructure)
  - Lands (survey and demarcation of agric lands)
  - Natural resources (forestry) tourism, and environment
  - Energy and water (construction of dams for irrigation)
  - Finance & national planning (loans and investments)
  - Office of President (crop, livestock & forestry projects)
  - Office of Vice President (resettlement & disaster management)

Real Size of Agricultural Budget
2001 – 2009 (2008 Dec = 100)

[Graph showing the real size of agricultural budget from 2001 to 2009 with key milestones and allocations.]
Agriculture’s Share of Zambian National Budget

Economic Expenditure Classes

- Personnel Emoluments (PEs)
  - Salaries and Wages
- Recurrent Departmental Charges (RDCs)
  - Supplies and other requisites
- Grants and other payments
  - CDT, IFAD, International Red Locust
- Poverty Reduction Programs (PRPs)
  - Fertilizer Support Program, Strategic Food Reserves/FRA
- Agricultural Development Programs
  - ASIP/ADB, ADSP
2009 Resource Allocation Within Agriculture: ZMK1,263 billion


<table>
<thead>
<tr>
<th>Functions</th>
<th>Per cent (%)</th>
<th>Annual Average (ZMK' millions)</th>
<th>Growth (%/yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agric administration</td>
<td>7.6</td>
<td>40,309</td>
<td>-3.1</td>
</tr>
<tr>
<td>Crops research</td>
<td>5.0</td>
<td>26,170</td>
<td>1.4</td>
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<tr>
<td>Support to extension</td>
<td>16.7</td>
<td>88,071</td>
<td>8.9</td>
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<tr>
<td>Support to subsistence farmers</td>
<td>38.1</td>
<td>201,239</td>
<td>16.0</td>
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<tr>
<td>Maize price and income support</td>
<td>20.2</td>
<td>106,765</td>
<td>12.7</td>
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<tr>
<td>Forestry</td>
<td>4.1</td>
<td>21,518</td>
<td>2.6</td>
</tr>
<tr>
<td>Livestock research &amp; development</td>
<td>3.3</td>
<td>17,387</td>
<td>5.3</td>
</tr>
<tr>
<td>Fisheries, land, data &amp; investment</td>
<td>4.9</td>
<td>26,125</td>
<td>?</td>
</tr>
<tr>
<td>Total Agric Sector</td>
<td>100</td>
<td>527,480</td>
<td>7.7</td>
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</tbody>
</table>
Composition of Poverty Reduction Programmes 2008 & 2009

2008 Released

- FSP 57%
- FRA 39%
- OTHER 4%

2009 Announced

- FSP 76%
- FRA 17%
- OTHER 7%

Agricultural Donor Development Programs – 2008 (2009 in progress)

<table>
<thead>
<tr>
<th>Category</th>
<th>Allocation ('ZK billion)</th>
<th>(%)</th>
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<tbody>
<tr>
<td>Smallholder Enterprise and Marketing Programs - mkting</td>
<td>1.6</td>
<td>1</td>
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<tr>
<td>ASIP/ADB Eastern Province – livestock &amp; infrastructure</td>
<td>19.0</td>
<td>7</td>
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<tr>
<td>Small-scale Irrigation Project – irrigation</td>
<td>23.1</td>
<td>8</td>
</tr>
<tr>
<td>Program for Luapula Province Agric Rural Dev (PLARD)</td>
<td>16.1</td>
<td>6</td>
</tr>
<tr>
<td>Smallholder Livestock Improvement Programme</td>
<td>15.8</td>
<td>6</td>
</tr>
<tr>
<td>Agricultural Diversification and Food Security Project – Ext</td>
<td>41.7</td>
<td>15</td>
</tr>
<tr>
<td>Agricultural Support Program – crops, livestock &amp; infra</td>
<td>22.0</td>
<td>8</td>
</tr>
<tr>
<td>Kwando Zambezi Tsetse and Tryps Eradication Project</td>
<td>21.7</td>
<td>8</td>
</tr>
<tr>
<td>Regional Irrigation and Water Management Project</td>
<td>53.1</td>
<td>19</td>
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<tr>
<td>Agricultural Development Support Program (ADSP) – Com</td>
<td>51.6</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>11.7</td>
<td>4</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>360.6</strong></td>
<td><strong>100.0</strong></td>
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Planned Priorities & Actual Spending

<table>
<thead>
<tr>
<th>Programs</th>
<th>Average spending (ZMK' billion)</th>
<th>Growth (%/yr)</th>
<th>FNDP Ranking</th>
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</thead>
<tbody>
<tr>
<td>Long-term investments</td>
<td>2 10</td>
<td>8.3</td>
<td>1</td>
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<tr>
<td>Subsidies</td>
<td>59 307</td>
<td>6.5</td>
<td>4</td>
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<tr>
<td>Research &amp; Development</td>
<td>15 82</td>
<td>8.6</td>
<td>2</td>
</tr>
<tr>
<td>Administration</td>
<td>5 25</td>
<td>-2.5</td>
<td>3</td>
</tr>
<tr>
<td>Personnel Emoluments</td>
<td>19 97</td>
<td>2.9</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0 521</td>
<td>5.6</td>
<td></td>
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Summary

- Volume of spending not in proportion to the role of agriculture
  - Need more to stimulate growth – COMPACT
  - Size matters but direction equally matters
- Composition/Direction
  - Dominated by short-term/emergency social survival programs
  - Less human, physical and financial capital investments
  - Need to spend limited kwacha wisely & show desire to grow the sector