ACF/FSRP with MACO & CSO

Public Agriculture Spending: Trends & Key Trade-offs

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Ibis Gardens, Chisamba - 21 Feb, 2009

Sharing Evidence-Based Research Results with the Parliamentary Committee on Agriculture and Lands

Outline

• FNDP strategic goals & CAADP framework
• Methods of tracking public agricultural spending
• Public agricultural expenditure trends
• Composition of public agricultural spending
• Spatial distribution of agricultural spending
• Summary
FNDP Strategy & CAADP Framework

- National consensus of development priorities
- Regional framework to integrate and harmonize national development plans

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
Comprehensive Africa Agriculture Development Program (CAADP)

• Continental in origin and scope, but an integral part of national development plans
• A common framework to
  – guide country strategies and investment programs,
  – allow regional peer learning and review, and
  – facilitate greater alignment and harmonization of development plans
  – An opportunity to access increased resources for public agricultural investments.

CAADP Principles & Targets

• Agriculture-led growth as a main strategy to reduce poverty;
• Pursuit of 6% average annual sector growth rate;
• Allocation of 10% of national budgets to the agriculture sector;
• Exploitation of regional complementarities and cooperation to boost growth;
• Policy efficiency, dialogue, review, and accountability;
• Roles and responsibility
  – program implementation to individual countries
  – coordination to designated Regional Economic Communities
  – facilitation to the Continental NEPAD Secretariat
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

Domesticating CAADP – the Challenges

• Executing ministries to
  – complete formulation of Zambia’s Bankable Agricultural Investment Projects i.e., The Compact
  – allocate resources rationally across all four pillars

• Parliament to
  – turn President’s decision into a national obligation
  – set mechanisms to ensure compliance

• Donors to
  – align with country-led compacts not donor-led interests
Methods of tracking public agricultural expenditure

• Definition of agricultural expenditure
• Sources of funds
• Spending agencies

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)
Public Agricultural Expenditure Trends in Zambia

- Real size of budget,
- Sources
- Agriculture’s share of national budget
- Appropriations versus releases
- Spending intensity & average product

Real Size of Agricultural Budget 2001 – 2008 (2008 Dec = 100)
Share of Spending by Government Versus Cooperating Partners

Agriculture’s Share of Zambian National Budget
Budget Releases as % of Allocation: MACO 2001 - 2008

Intensity & Average Product of Public Agricultural Spending

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Spending intensity (Spending (Ngwe)/Kwacha of output)</th>
<th>Average Product (Output(ZK)/Kwacha of Spending)</th>
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<tbody>
<tr>
<td>2000</td>
<td>3</td>
<td>31</td>
</tr>
<tr>
<td>2001</td>
<td>6</td>
<td>17</td>
</tr>
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<td>2002</td>
<td>5</td>
<td>21</td>
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<td>2003</td>
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<td>2004</td>
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<td>2006</td>
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<td>11</td>
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<tr>
<td>2007</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>2008</td>
<td>18</td>
<td>6</td>
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</table>
Composition of Public Agricultural Spending

- Economic expenditure classes
  - RDCs, PEs, PRP & ADP
- Functional classes of expenditure
- Aligning spending priorities with planned priorities

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
Share of Spending by Economic Expenditure Class

Ratio of RDCs to Personnel Emoluments
Composition of Poverty Reduction Programmes 2008 & 2009

2008 Released

OTHER 4%
FRA 39%
FSP 57%

2009 Announced

OTHER 7%
FRA 17%
FSP 76%

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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</thead>
<tbody>
<tr>
<td>Smallholder Enterprise and Marketing Programs - mkting</td>
<td>1.6</td>
<td>1</td>
</tr>
<tr>
<td>ASIP/ADB Eastern Province – livestock &amp; infrastructure</td>
<td>19.0</td>
<td>7</td>
</tr>
<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>
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<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>
</tr>
<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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### Average Discretionary Expenditure by Government Function

<table>
<thead>
<tr>
<th>Functions</th>
<th>Per cent (%)</th>
<th>Annual Average (ZMK’ millions)</th>
<th>Growth (%/yr)</th>
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<tbody>
<tr>
<td>Agric administration</td>
<td>7.6</td>
<td>40,309</td>
<td>-3.1</td>
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<td>Crops research</td>
<td>5.0</td>
<td>26,170</td>
<td>1.4</td>
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<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>
</tr>
<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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</table>

### Planned Priorities & Actual Spending

<table>
<thead>
<tr>
<th>Programs</th>
<th>Average spending (%)</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</td>
<td>10</td>
<td>8.3</td>
<td>1</td>
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<tr>
<td>Subsidies</td>
<td>59</td>
<td>307</td>
<td>6.5</td>
<td>4</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>15</td>
<td>82</td>
<td>8.6</td>
<td>2</td>
</tr>
<tr>
<td>Administration</td>
<td>5</td>
<td>25</td>
<td>-2.5</td>
<td>3</td>
</tr>
<tr>
<td>Personnel Emoluments</td>
<td>19</td>
<td>97</td>
<td>2.9</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>521</td>
<td>5.6</td>
<td></td>
</tr>
</tbody>
</table>
Spatial distribution of public agricultural spending

Agricultural Spending per Rural Household

TOTAL Kwacha Spent Per Rural Agricultural Household
Summary

- Volume of spending not in proportion to the role of agriculture
- Composition
  - Misaligned relative to economic contribution of primary sectors
  - Dominated by social programs with less economic investments
  - Unhealthy balance between emoluments and recurrent departmental charges
- Spending concentrated in maize belt