What is in 2016 Budget for the Agricultural Sector?

Presented by Auckland Kuteya

Budget Breakfast Meeting
Taj Pamodzi Hotel, Lusaka
23rd October, 2015

Farmers lobby for higher maize prices + lower fertilizer prices

Lower consumer prices, usually culminating into consumer subsidies

Treasury
Agricultural Budget Analysis

Why budget analysis?

- Highlight gaps between policy and resources committed
- Public awareness to promote transparency and accountability
- Assess impacts on poverty reduction and agricultural growth
- Make recommendations for use of public funds
- Lessons learnt from previous budgets
Presentation Outline

- Current Economic Environment
- Review of Previous Agricultural Budget
- 2016 Budget Analysis
- Conclusion and Recommendations
Current Economic Environment

- Load shedding
- Kwacha depreciation: >50% loss
- Drop in copper prices: 35% drop since 2010
- Economic growth: 7% → 4.5%
- Increased budget deficit: 4.6% → 6.9%
- High rural poverty rates: approx. 75%
Malabo Declaration, 26-27 June 2014

To uphold Maputo declaration of allocating at least 10% of public expenditure to agriculture

To sustain annual agricultural GDP growth of at least 6%

To end hunger and cut poverty in half by 2025

To accelerate agricultural growth by doubling current agricultural productivity levels by 2025

To halve Post-Harvest Losses by the year 2025

To triple agricultural intra-African trade by 2025

To eliminate child undernutrition by bringing down stunting to 10% and underweight to 5% by 2025

Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods
Positive Developments in Agricultural Sector
E-Voucher Pilot

- Promote agricultural diversification
- Provide small-scale farmers a wider choice of inputs
- Timely supply of agricultural inputs
- Increased private sector participation in input market
- Greater economic multiplier effect

FISP E-VOUCHER PILOT

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Keeping borders open

[Map of Southern Africa showing maize surplus/deficit (MT) for countries such as Angola, Democratic Republic of the Congo, South Africa, and others. The map uses color codes to indicate surplus or deficit ranges, from -900,000 to -301,000, -300,000 to 0, 1 to 100,000, 100,001 to 400,000, and 400,001 to 900,000.]
Review of Previous Agricultural Budget
## Budget Allocations Versus Releases

<table>
<thead>
<tr>
<th>Main Budget Lines</th>
<th>2015 Allocations (K’ million)</th>
<th>Released by Sept 2015 (K’ million)</th>
<th>% Released</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Emoluments</td>
<td>449</td>
<td>270</td>
<td>60%</td>
</tr>
<tr>
<td>Recurrent Departmental Charges</td>
<td>365</td>
<td>128</td>
<td>35%</td>
</tr>
<tr>
<td>Grants and Other Payments</td>
<td>91</td>
<td>68</td>
<td>75%</td>
</tr>
<tr>
<td>Poverty Reduction Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w FRA</td>
<td>2,377</td>
<td>2,902</td>
<td>122%</td>
</tr>
<tr>
<td>o/w FISP</td>
<td>993</td>
<td>1,135</td>
<td>114%</td>
</tr>
<tr>
<td></td>
<td>1,338</td>
<td>1,510</td>
<td>113%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>148</td>
<td>67</td>
<td>45%</td>
</tr>
<tr>
<td>Agricultural show</td>
<td>11</td>
<td>10</td>
<td>91%</td>
</tr>
<tr>
<td>Agricultural Development Programs</td>
<td>646</td>
<td>136</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,108</strong></td>
<td><strong>3,588</strong></td>
<td><strong>87%</strong></td>
</tr>
</tbody>
</table>
2016 Budget Allocations
Budget Speech Highlights

- Plans to increase area under irrigation by 5,000 Ha in 2016
- Implementation of E-voucher pilot to cover 480,000 small-scale farmers
- Establishment of additional livestock breeding centres
- Production of vaccines and rehabilitation of dip tanks and satellite insemination Centres
- Increased funding to social cash transfer - target 250,000 households
- To become self sufficient in fish production by 2018 (hatcheries, aqua parks & fish fund)
Proposed tax measures on agriculture

- Increase in capital allowances for electricity power generating implements/machinery to 50% from 25%
- Removal of 15% and 5% excise duty on greenhouses and rose seedlings
- Extension of the 10 year period for carrying forward losses on electricity power generation
2016 Agriculture Budget

Includes allocations via other Ministries

21.3% Decline
2016 Agriculture Budget

Includes allocations via other Ministries

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation to Agriculture (K’ million)</th>
<th>% of Agriculture to National budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td>5.8%</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>7.2%</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>9.3%</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>6.5%</td>
</tr>
</tbody>
</table>
Allocations to Key Spending Areas (K’million)

Total Allocation to MAL
K3,091
(5.8% of GRZ Budget)

Personnel Emoluments
K462
[15%]

Grants & Other Payments
K92
[3%]

Capital Expenditure
K54
[1.8%]

Ag Show
K12
[0.4%]

Recurrent Departmental Charges
K232
[7.5%]

Agricultural Development Programmes
K439
[14.2%]

Poverty Reduction Programmes
K1,793
[58%]
## Allocations to specific activities

<table>
<thead>
<tr>
<th>Activities</th>
<th>2015 (ZMW)</th>
<th>2016 (ZMW)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FISP</strong></td>
<td>1.1 billion</td>
<td>1 billion</td>
<td>(9.1%)</td>
</tr>
<tr>
<td>o/w E-voucher</td>
<td>254.9 million (for 241,000 farmers)</td>
<td>248.3 million (for 480,000 farmers)</td>
<td>(2.6%)</td>
</tr>
<tr>
<td>FRA</td>
<td>992 million</td>
<td>750 million</td>
<td>(24.4%)</td>
</tr>
<tr>
<td>Roads Infrastructure</td>
<td>K5.6 billion</td>
<td>K6.6 billion</td>
<td>17.9%</td>
</tr>
<tr>
<td>Rural Electrification</td>
<td>70.7 million</td>
<td>118.3 million</td>
<td>67.3%</td>
</tr>
<tr>
<td>Fisheries Fund</td>
<td>-</td>
<td>5 million</td>
<td>??</td>
</tr>
<tr>
<td>10 Hatcheries</td>
<td></td>
<td></td>
<td>??</td>
</tr>
<tr>
<td>4 Aqua-parks</td>
<td></td>
<td></td>
<td>??</td>
</tr>
<tr>
<td>Irrigation</td>
<td>164.5 million</td>
<td>56.7 million</td>
<td>(65.5%)</td>
</tr>
<tr>
<td>Social cash transfer</td>
<td>181 million</td>
<td>302 million</td>
<td>40.1%</td>
</tr>
</tbody>
</table>

*Note: % Change is calculated based on the 2015 allocation.*
Allocations to Poverty Reduction Programmes

- Quality of expenditure?
- Too little to key drivers of agricultural growth
  - agricultural R&D
  - extension services
  - livestock production and disease control
  - rural infrastructure i.e. feeder roads
  - Irrigation

 Allocation to PRPs K1,793m
FISP & FRA Vs. Livestock & Fisheries, 2016

- FRA & FISP: 57%
- Fisheries & Livestock: 23%
- All Programmes: 57%

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FISP & FRA Vs. Health Ministry Budget

- **2015**: 59% of health budget
- **2016**: 40% of health budget

- **2015**
  - FRA & FISP: 2500 K' million
  - Health: 4500 K' million

- **2016**
  - FRA & FISP: 2000 K' million
  - Health: 4000 K' million
Questions for discussion

- What will be the value of the E-voucher in 2016?
  - Budget K248.3 million versus 480,000 households target
  - 2015 E-voucher value = K1400
  - At this value only 177,357 households will be reached
  - Need more clarity on this allocation and target
Questions for discussion

- K5 million allocated fisheries fund
- Development of hatcheries and aqua-parks.
- Who will lead the development of these aqua-parks and hatcheries?
## How do we grow the Ag. Sector?

<table>
<thead>
<tr>
<th>Research station</th>
<th>2015 (ZMW)</th>
<th>2016 (ZMW)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Research Stations</td>
<td>29.7</td>
<td>15.6</td>
<td>(47.5%)</td>
</tr>
<tr>
<td>Fisheries Research Stations</td>
<td>19.1</td>
<td>10.9</td>
<td>(42.9%)</td>
</tr>
<tr>
<td>Livestock Development</td>
<td>35.5</td>
<td>7.7</td>
<td>(78.3%)</td>
</tr>
<tr>
<td>Veterinary &amp; livestock research stations</td>
<td>19.1</td>
<td>13.4</td>
<td>(29.8%)</td>
</tr>
</tbody>
</table>
Conclusion
Political economy of public resource allocation

Agricultural budget

- Long-term productive investments: R&D, infrastructure, education, etc.
- High social payoffs
  - But payoffs come 5-20 years later
  - Critical for sustained poverty reduction

- Input subsidy programs
- Food Reserve Agency

- Immediate political payoffs;
- Visible support to constituencies
- Contribution to sustained growth and rural poverty reduction is unclear
Under Appreciated Fact # 1

- Many smallholder households are land constrained
  - 25% have less than 0.5 ha of land
  - 58% indicate there is no unallocated land in village
Under Appreciated Fact # 2

- Nearly 30% of rural farm HHs are net buyers of maize

Net buyers are negatively affected by high FRA maize prices

Source: RALS 2012
Under Appreciated Fact # 3

- Highly concentrated patterns of maize surplus generation
  - 2-5% of smallholder farm households account for 50% of marketed maize
  - Maize surplus generation is highly associated with area cropped and household assets
Recommendations
Recommendations

- Redirect funding to key drivers of agricultural growth from FRA & FISP
- Limit FRA participation in maize market
- Increase funding to fisheries and livestock
- Improve timing of budget releases
Thank You