Objectives and Volume of Public Investments in Zambia’s Agriculture

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Outline

1. GOZ and CAADP investment goals
2. Why spend on agriculture?
3. What volume & priorities for GOZ?
1. GOZ (CAADP) Agricultural policy

- Objectives
  - To achieve accelerated growth and competitiveness in the agricultural sector
- Goal
  - Poverty reduction and income growth
- Strategy (From MPD)
  - Private sector led development
  - Government focuses on infrastructure and support services

Sources of financial resources for investing in agriculture

- Private sector investment
- GOZ Fiscal spending (focus)
- GOZ Tax expenditures
- Donor spending (non-basket funding)
2. Why spend on agriculture?

• Achieve economic growth & poverty reduction goals
• Complement where private sector fails to invest in necessary public goods

“No country has been able to sustain a rapid transition out of poverty without raising productivity in its agricultural sector.” (Timmer 2005)
2. Why spend on agriculture?

- Achieve economic growth and poverty reduction goals
- 60 per cent of Zambia’s total employment
- 25 per cent of exports
- 40 per cent of GDP (including agro-processing)
2. Why spend on agriculture?

- Economic growth and poverty reduction
- Private sector fails to invest in necessary public goods

What drives growth in agriculture?

- Technology
- Markets
- Infrastructure
What drives growth in agriculture?

- Technology *(research, extension, inputs)*
- Markets *(property rights, standards, contract law, adjudication, market facilities, market information)*
- Infrastructure *(roads, power, ports, communications)*

2. Why spend on agriculture?

- Economic growth and poverty reduction
- Private sector fails to invest in necessary public goods
3. Volume of spending goals

- Maputo commitment: 10% of government spending for agriculture
- CAADP target: 6% growth in agriculture
- Poverty 88% 1991 / 74% 2004
- Crop diversification ongoing, exports
- Yet slow overall ag sector growth

Key Challenges in Meeting Goals

- Is the level of public investment adequate to increase agricultural growth to levels necessary to halve poverty by 2015?
- Has government created conditions for a supportive environment to kick-off and sustain agricultural growth?
- Can GOZ invest more in sustainable growth enhancing and competitiveness programs?
- Can GOZ effectively stimulate private sector to invest more in private goods?
3. Trends in real public spending in agriculture

![Trends in real public spending in agriculture graph]

Has Zambia met the 10% Maputo Commitment?

![Has Zambia met the 10% Maputo Commitment graph]
2006 Resource allocation to agriculture (with donor programs): ZK 650 billion

- Personnel Emoluments: 13%
- RDCs: 6%
- Grants and other: 1%
- Other ministries: 6%
- Agricultural Development Programs: 32%
- Poverty reduction programs: 42%

2006 Resource allocation to agriculture (excl. donor programs): ZK 437 billion

- Personnel Emoluments: 19%
- Recurrent Dept Charges: 9%
- Grants and other: 1%
- Other ministries: 9%
- Poverty reduction programs: 62%
2006 PRP provisions: ZK 269 billion

Poverty reducing investments
(PRPs + agricultural spending through other ministries)
Composition of agricultural spending, 2001 - 2006

- Poverty Reduction Programmes/HIPC: 48%
- Agric spending allocated through other ministries: 9%
- Agricultural Development Programs: 18%
- Capital Expenditure: 4%
- Personnel Emoluments: 12%
- Recurrent Departmental Charges: 7%
- Grants and Other Payments: 2%
- Personnel Emoluments: 12%

Summary - Challenge for Zambia

- Volume: public spending on agriculture is less than Zambia’s 10% target