

ACF/FSRP with MACO & CSO

Public Agriculture Spending: Trends & Key Trade-offs

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

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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

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FNDP Strategy & CAADP Framework

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

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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

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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.

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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

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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

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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

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Methods of tracking public agricultural expenditure

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

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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

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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

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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)

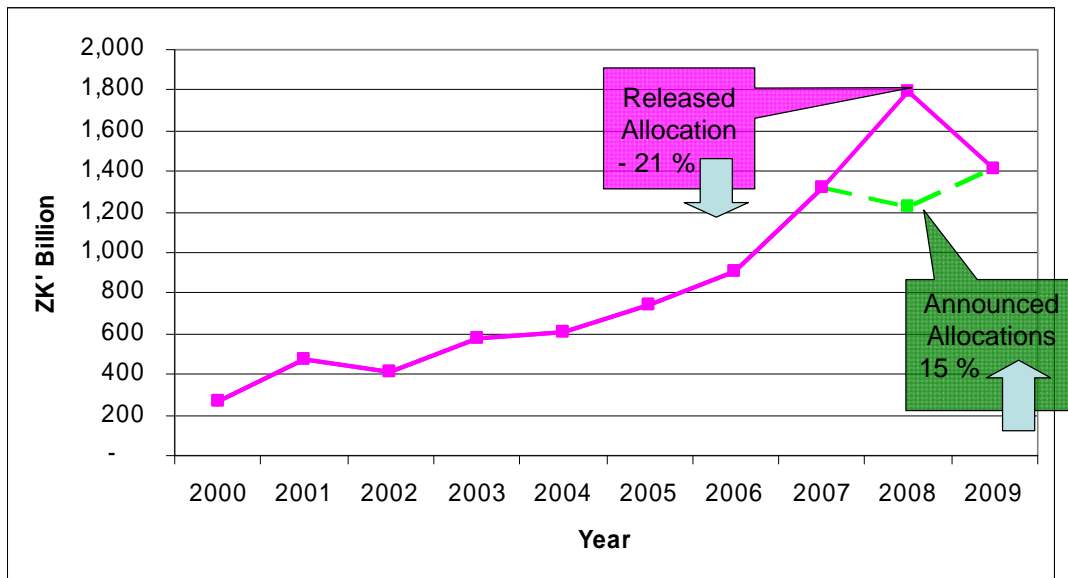
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Public Agricultural Expenditure Trends in Zambia

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

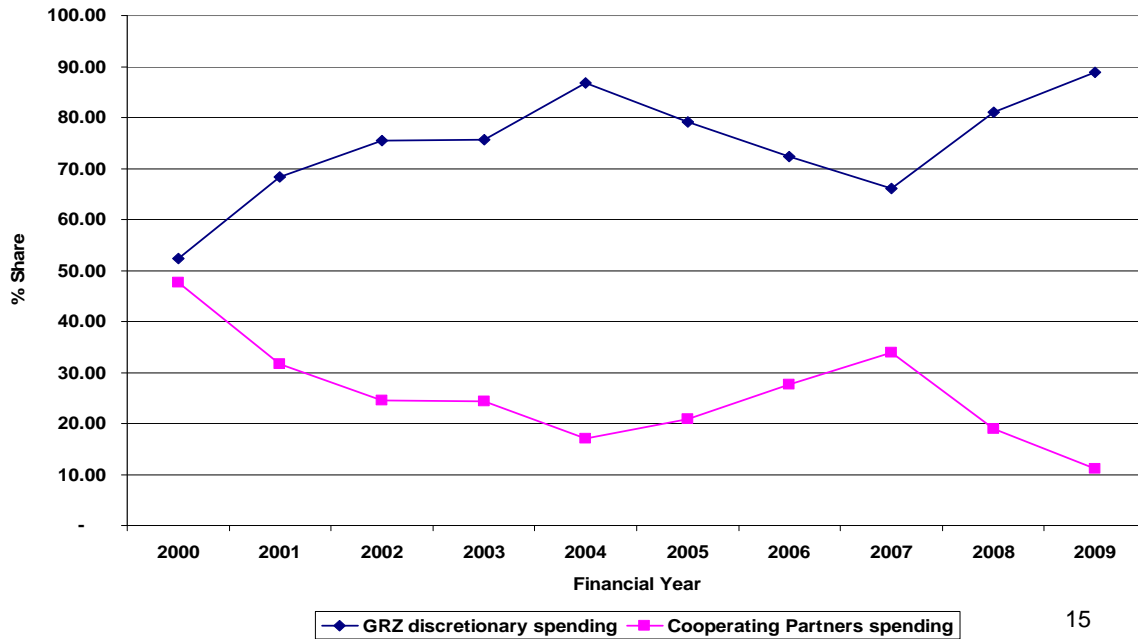
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Real Size of Agricultural Budget 2001 – 2008 (2008 Dec = 100)

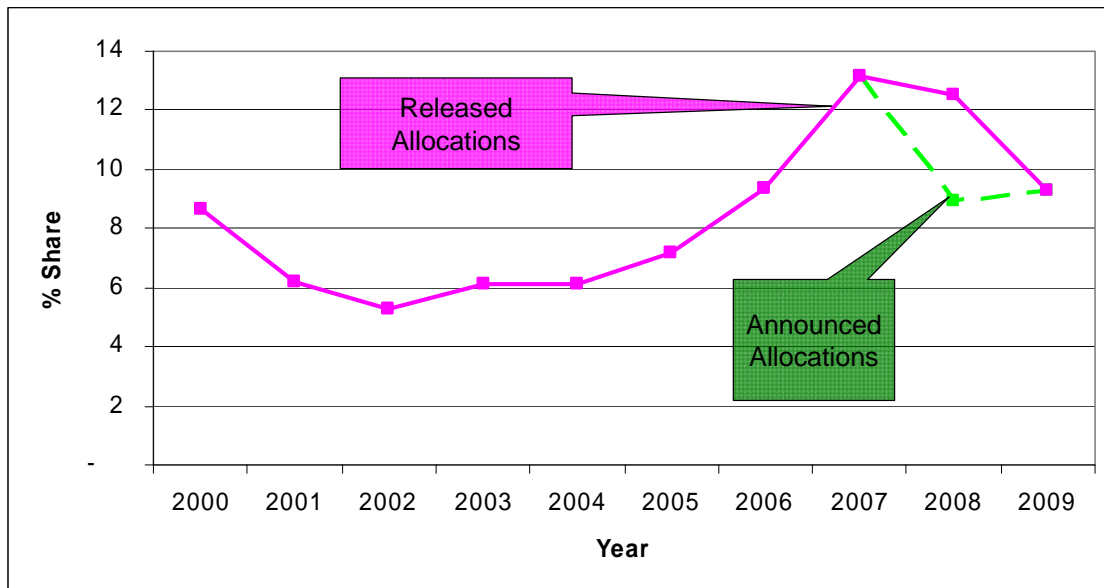


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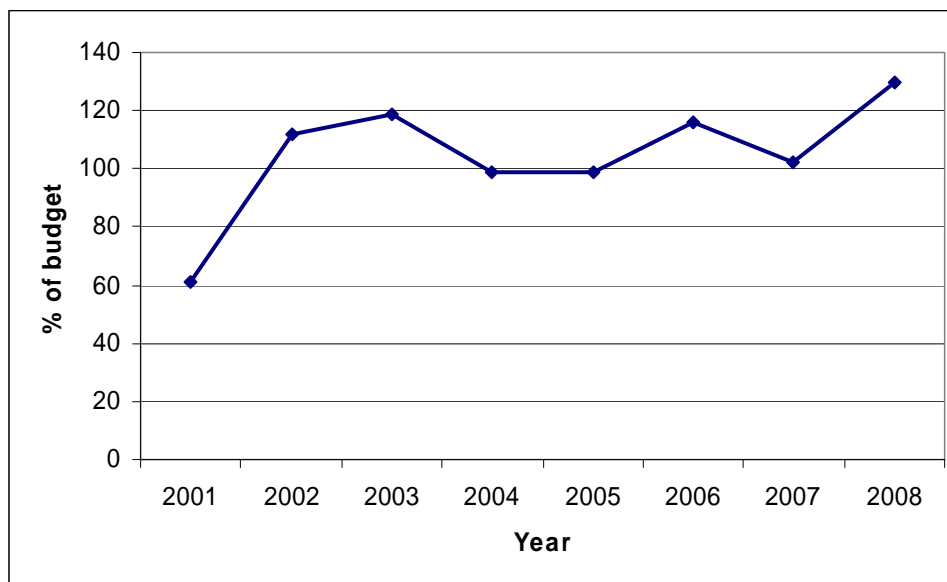
Share of Spending by Government Versus Cooperating Partners



Agriculture's Share of Zambian National Budget



Budget Releases as % of Allocation: MACO 2001 - 2008



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Intensity & Average Product of Public Agricultural Spending

Financial Year	Spending intensity (Spending (Ngwe)/Kwacha of output)	Average Product (Output(ZK)/Kwacha of Spending)
2000	3	31
2001	6	17
2002	5	21
2003	7	15
2004	7	15
2005	8	13
2006	9	11
2007	13	8
2008	18	6

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Composition of Public Agricultural Spending

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

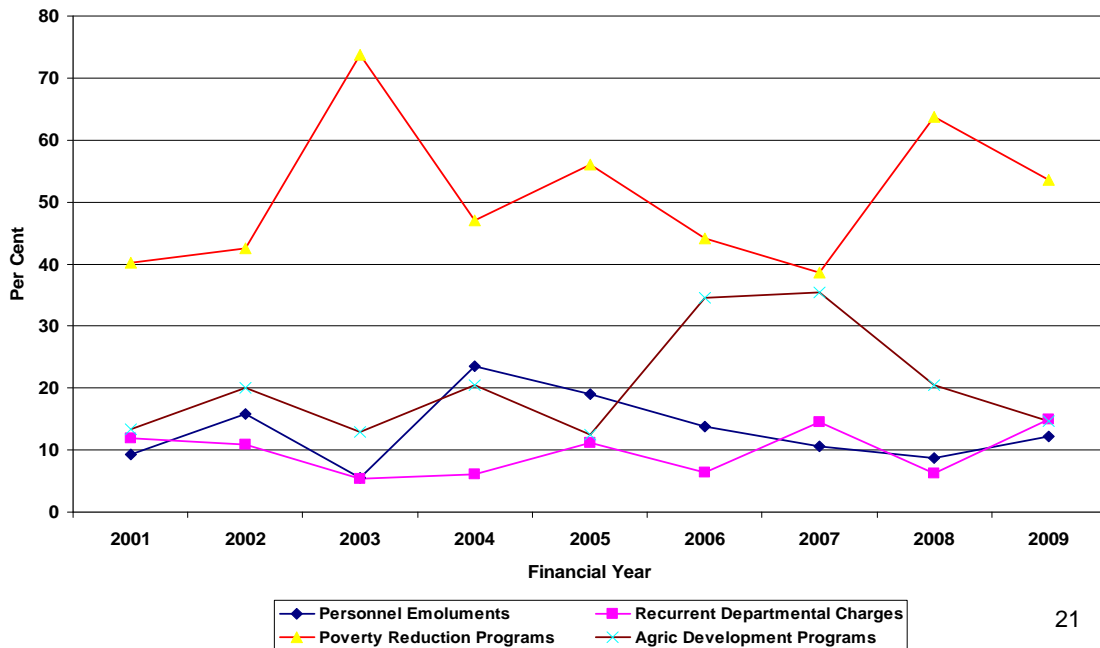
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Economic Expenditure Classes

- 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

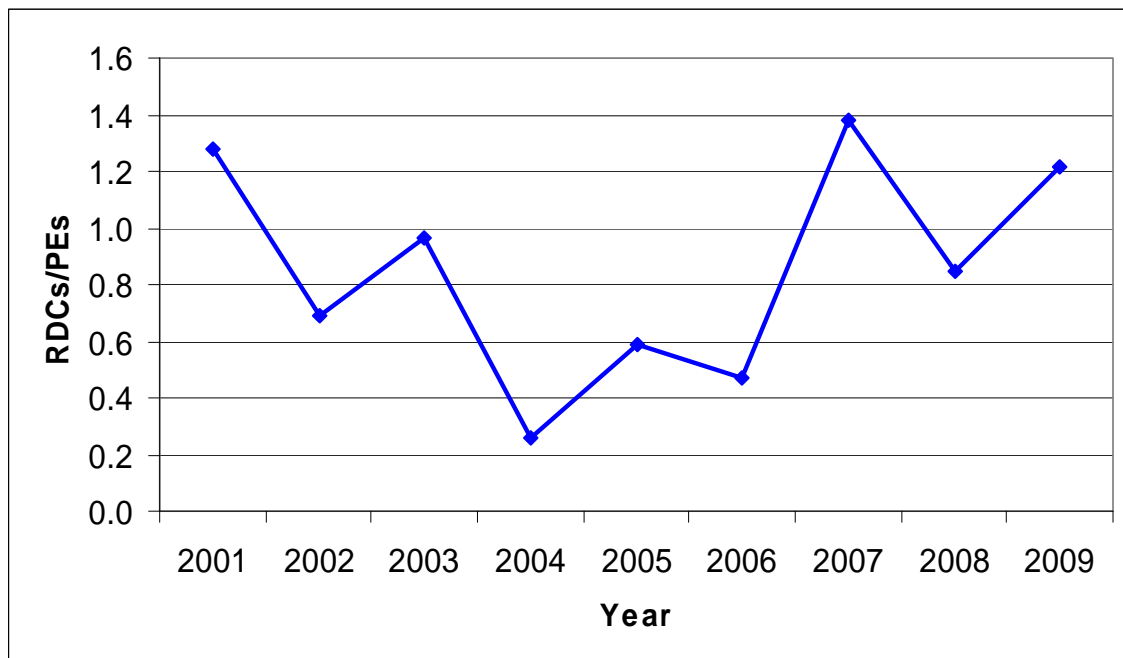
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Share of Spending by Economic Expenditure Class

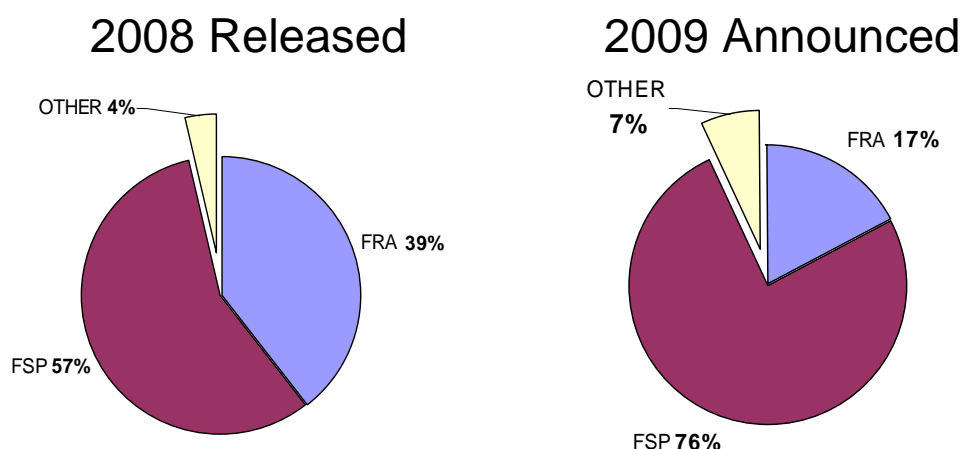


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Ratio of RDCs to Personnel Emoluments



Composition of Poverty Reduction Programmes 2008 & 2009



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Agricultural Donor Development Programs – 2008 (2009 in progress)

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

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Average Discretionary Expenditure by Government Function

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

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Planned Priorities & Actual Spending

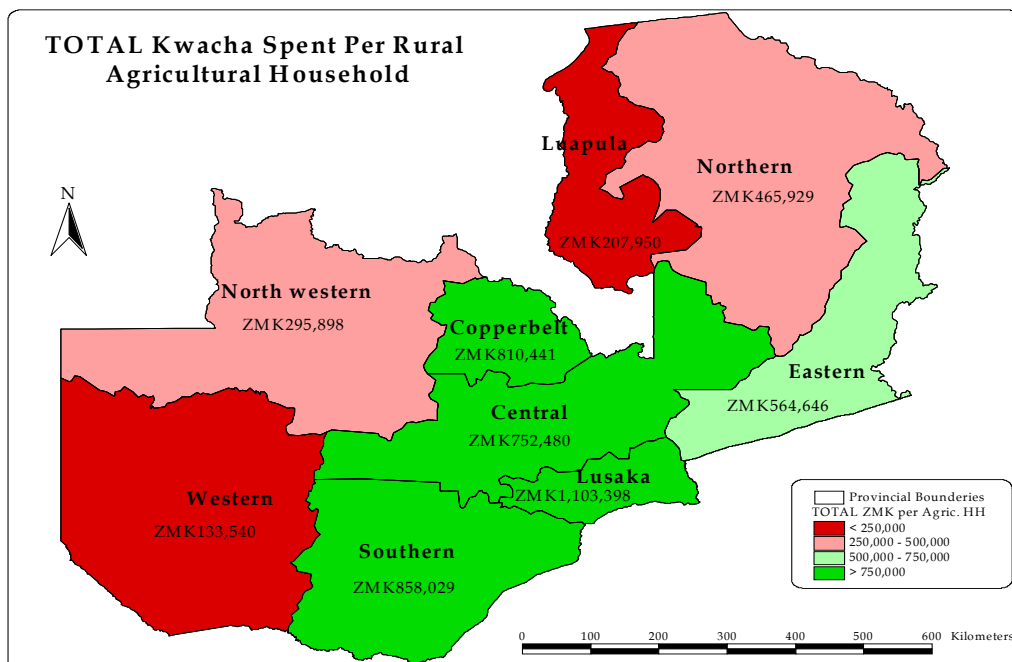
Programs	Average spending		Growth	FNDP
	(%)	(ZMK' billion)	(%/yr)	Ranking
Long-term investments	2	10	8.3	1
Subsidies	59	307	6.5	4
Research & Development	15	82	8.6	2
Administration	5	25	-2.5	3
Personnel Emoluments	19	97	2.9	5
Total	100.0	521	5.6	

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Spatial distribution of public agricultural spending

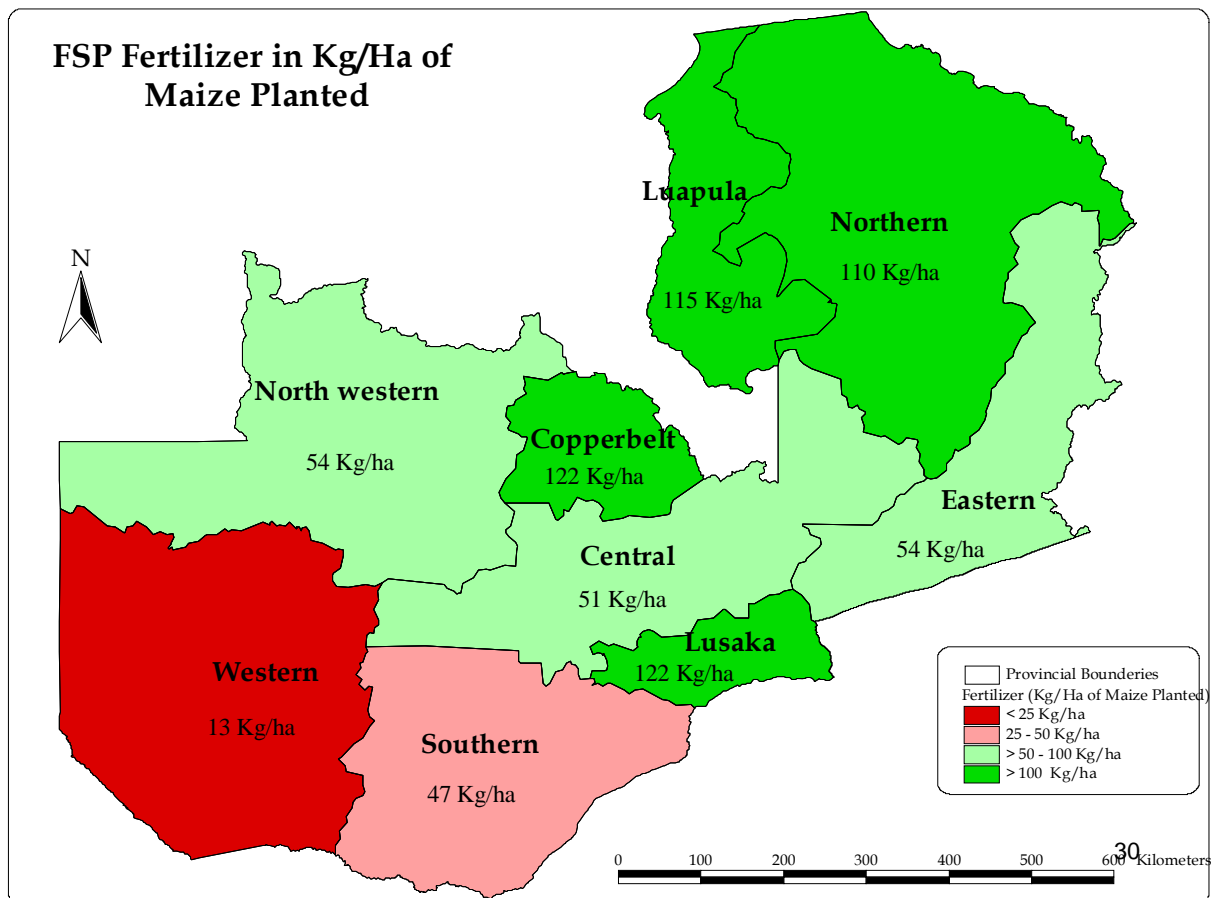
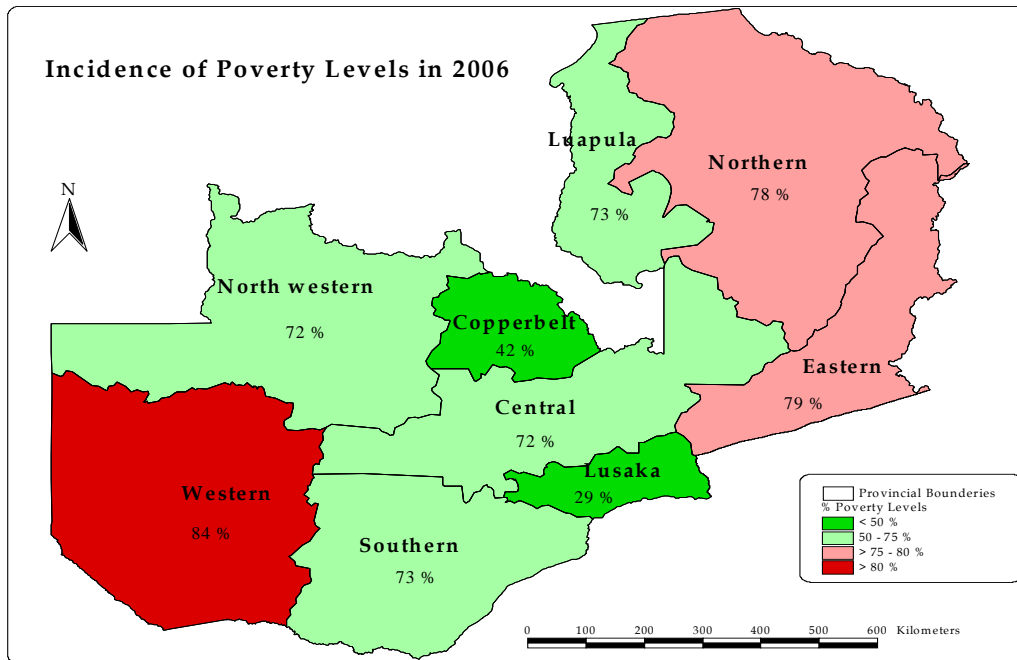
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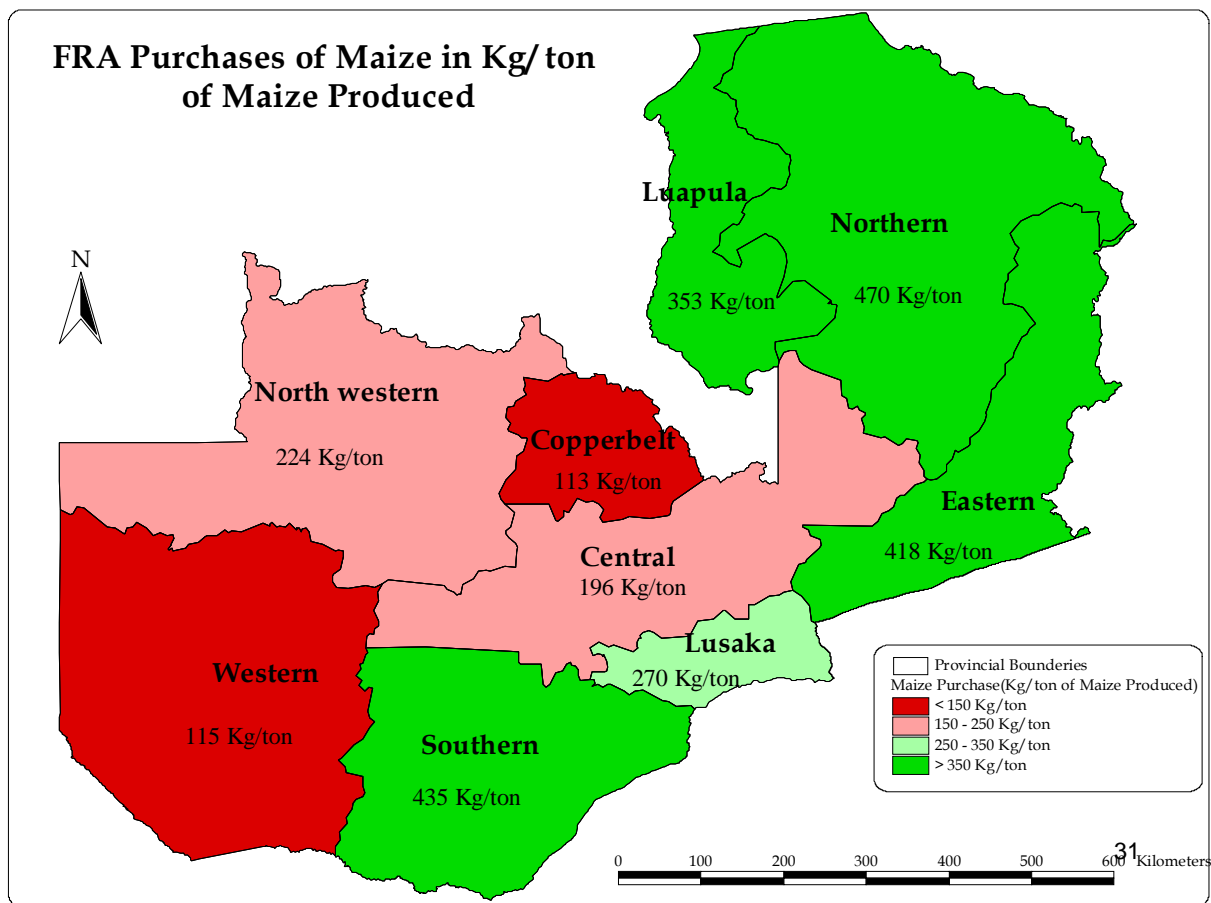
Agricultural Spending per Rural Household



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Incidence of poverty in Zambia





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