

# Objectives and Volume of Public Investments in Zambia's Agriculture

By:

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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

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## **Sources of financial resources for investing in agriculture**

- Private sector investment
- GOZ Fiscal spending (focus)
- GOZ Tax expenditures
- Donor spending (non-basket funding)

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## 2. Why spend on agriculture?

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

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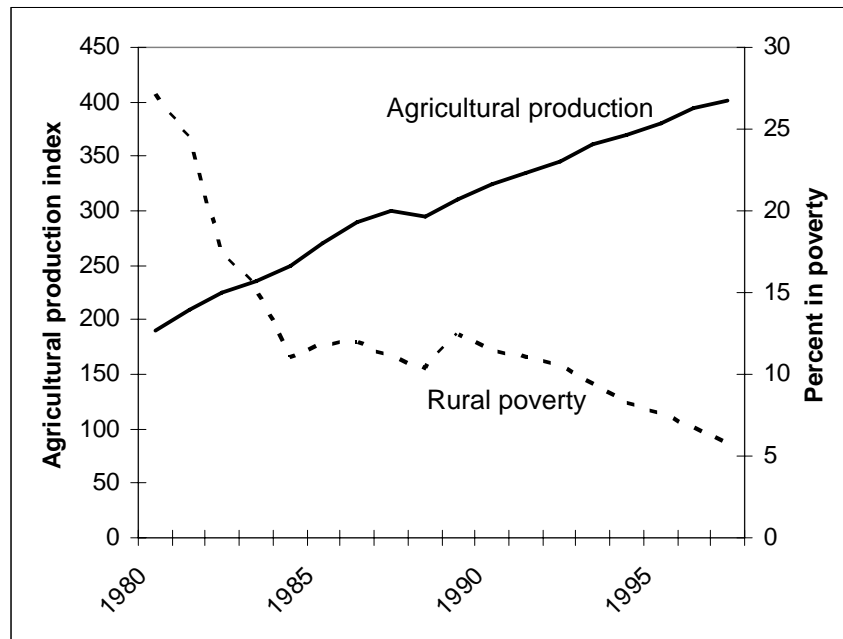
## 2. Why spend on agriculture?

- Achieve economic growth and poverty reduction goals

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

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# Example: Agricultural growth & poverty reduction in China



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## 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)

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## 2. Why spend on agriculture?

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

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## What drives growth in agriculture?

- Technology
- Markets
- Infrastructure

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# 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)

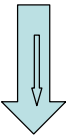
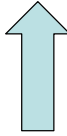
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## 2. Why spend on agriculture?

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

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### 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

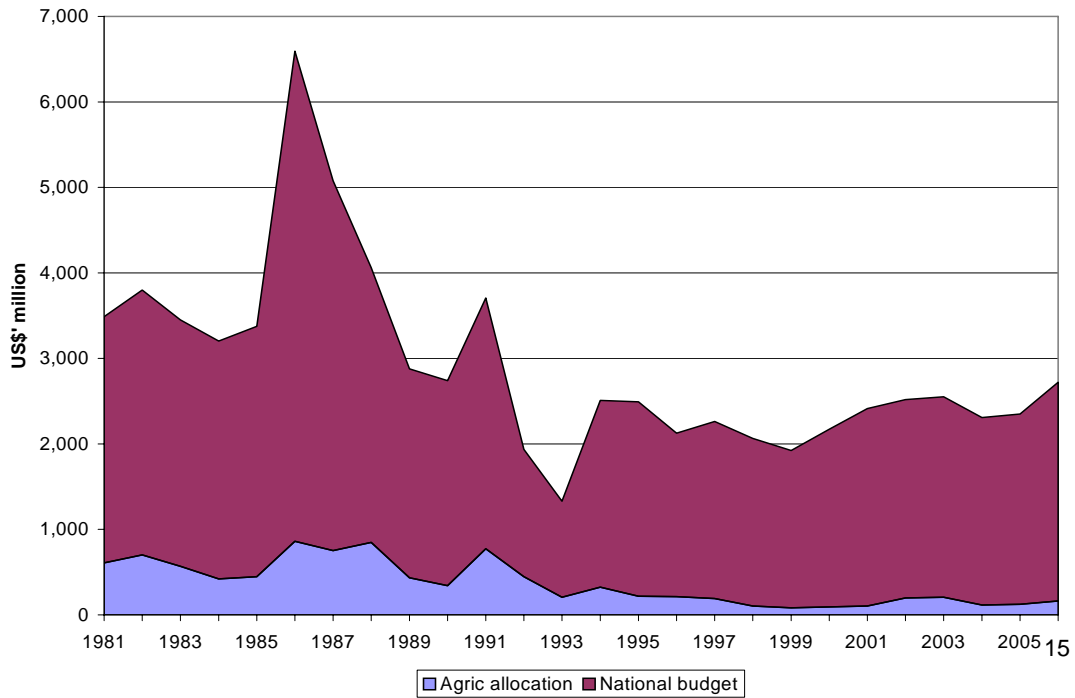
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### Key Challenges in Meeting Goals

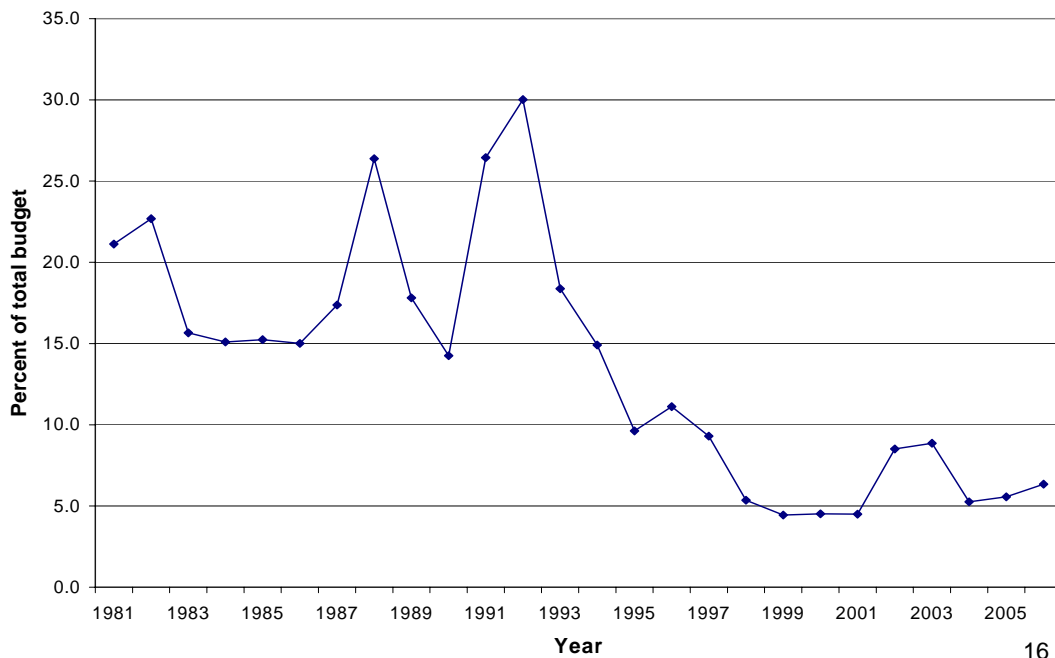
- Is the level of public investment adequate to increase agricultural growth to levels necessary to halve poverty by 2015?
- Has government created conditions for a supportive environment to kick-off and sustain agricultural growth?
- Can GOZ invest more in sustainable growth enhancing and competitiveness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

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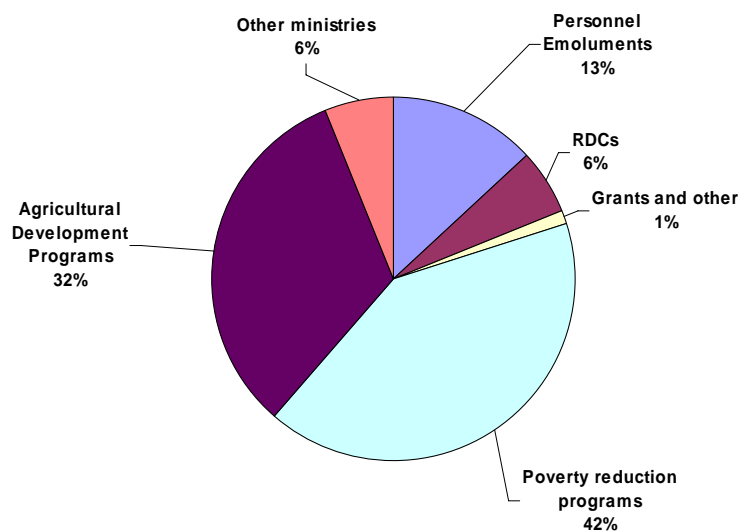
### 3. Trends in real public spending in agriculture



### Has Zambia met the 10% Maputo Commitment?

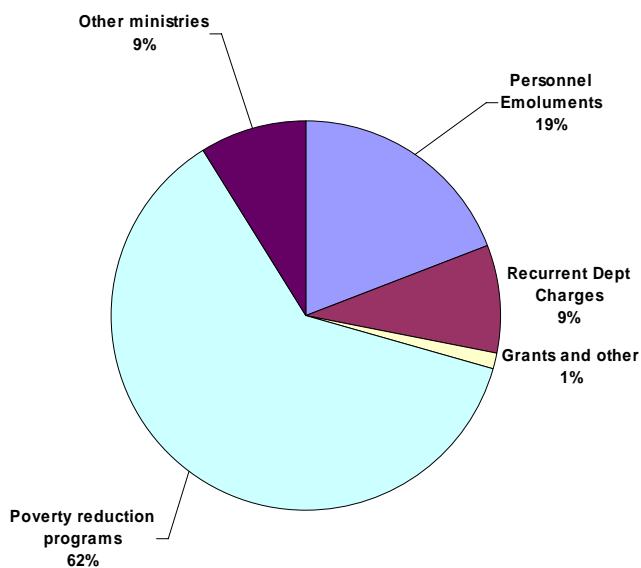


## 2006 Resource allocation to agriculture (with donor programs): ZK 650 billion



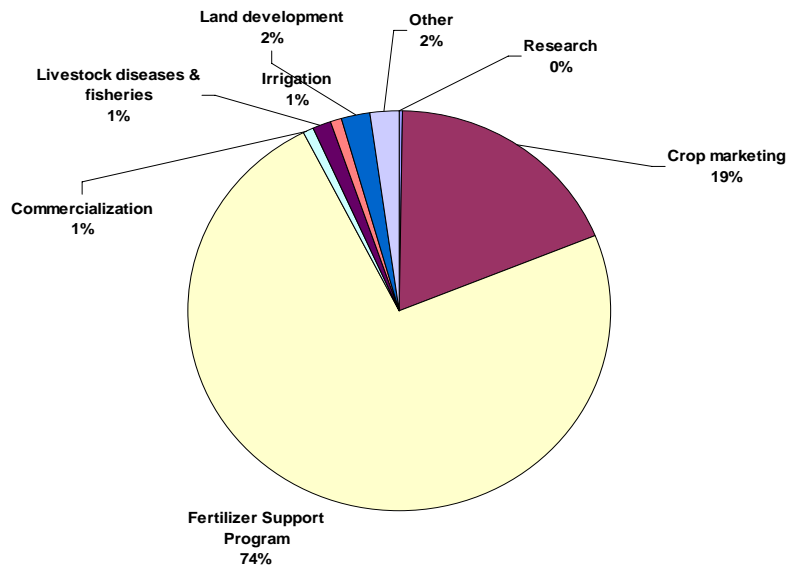
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## 2006 Resource allocation to agriculture (excl. donor programs): ZK 437 billion



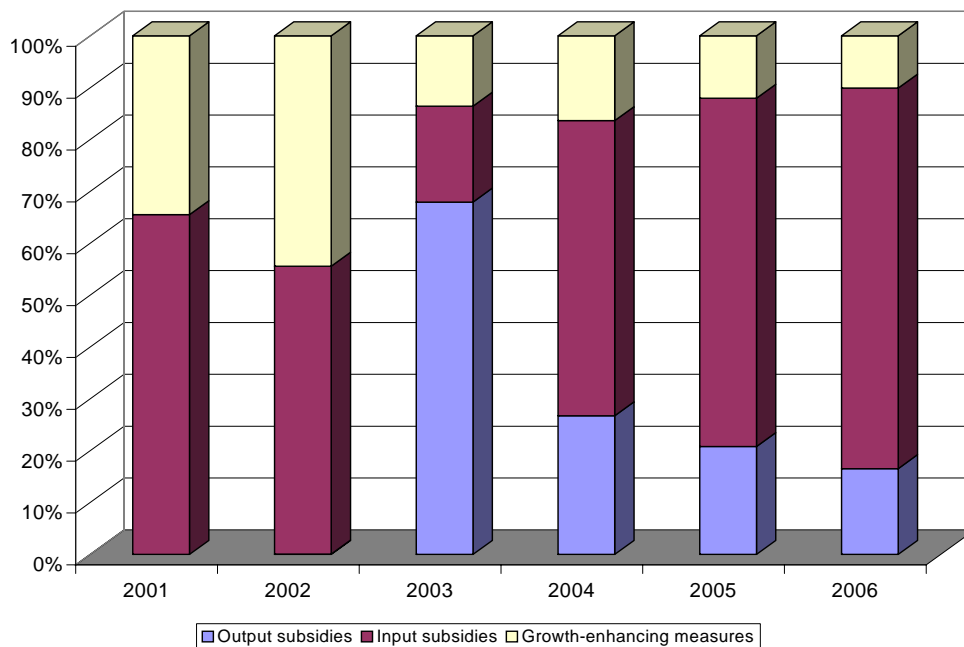
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# 2006 PRP provisions: ZK 269 billion



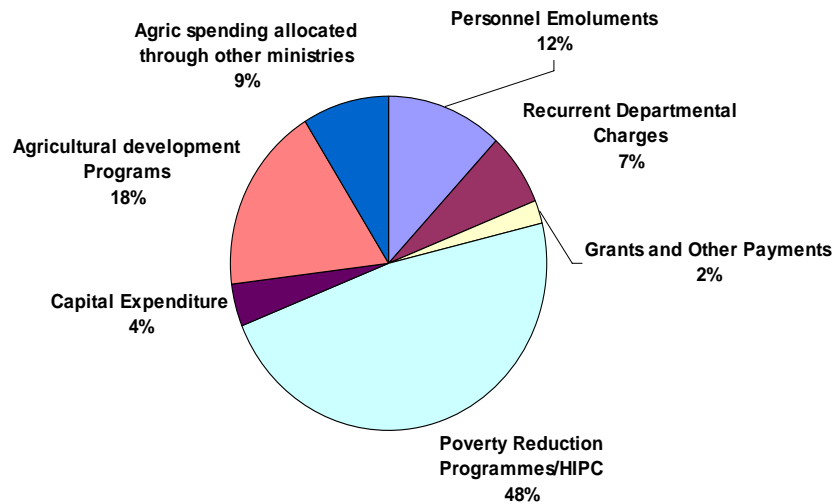
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## Poverty reducing investments (PRPs + agricultural spending through other ministries)



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# Composition of agricultural spending, 2001 - 2006



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## Summary- Challenge for Zambia

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

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