Persistent rural poverty amidst significant agricultural growth: Where are we going wrong?

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and
IAPRI Team

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Persistent rural poverty amidst significant agricultural growth: Where are we going wrong?
Zambia’s Economic Achievements

- Zambia achieved positive macro-economic indicators
- Classified low-middle income by World Bank and GDP growing at 6% per annum
- Agricultural growth rate of 7% - CAADP Goal
- Three consecutive maize bumper harvest years
BUT Persistently high rural poverty rate: ≈80% in the last 15 years!

Source: LCMS, various years
So where are we going wrong?
Real Size of Overall Agricultural Budget
2007 – 2012

Actual (As at end of July for 2012)

Years
2007 2008 2009 2010 2011 2012 2013

Million
K3,000 K2,500 K2,000 K1,500 K1,000 K500 K0

Actual (As at end of July for 2012)
Share of Agriculture to GRZ Budget 2007-2013

Includes additional funding of K1.2 trillion to FRA

- Maputo Declaration Target

Years

<table>
<thead>
<tr>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>10.0</td>
<td>11.0</td>
<td>12.0</td>
<td>13.0</td>
<td>14.0</td>
<td>12.0</td>
<td>11.0</td>
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Share of Agriculture (%)
Government spends >80% of the agriculture budget on FISP/FRA

Leaves little funding for:
- Seed improvement
- Extension / training programs
- Irrigation systems
- Policy analysis
- Rural electrification
- Road-rail-port infrastructure

Source: Min. Finance Yellow book. Agriculture Budget 2011
% of agricultural sector spending on FISP and FRA

% of total agric. sector spending

- FRA
- FISP
Who is Benefiting from FRA and FISP?

Evidence from nation wide random surveys
Crop Forecast surveys
Post Harvest Surveys
Supplemental Surveys
Rural Livelihoods Surveys
73% of smallholders cultivate <2 ha
Poverty rate about 80% among smallholders that cultivate <2 ha

Poverty is concentrated here

<table>
<thead>
<tr>
<th>Hectares cultivated</th>
<th>% of smallholder HHs</th>
<th>Poverty rate (%)</th>
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</thead>
<tbody>
<tr>
<td>0-0.49</td>
<td>17</td>
<td>78</td>
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<tr>
<td>0.5-0.99</td>
<td>24</td>
<td>83</td>
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<tr>
<td>1-1.99</td>
<td>32</td>
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<td>2-4.99</td>
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<td>5-9.99</td>
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<td>38</td>
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<td>10-20</td>
<td>0.6</td>
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Majority (55%) of FISP fertilizer goes to better off HHs that cultivate 2+ ha.

% of total FISP fertilizer

Hectares cultivated

0-0.49 0.5-0.99 1-1.99 2-4.99 5-9.99 10-20

3 13 30 41 11 3
Better off HHs that cultivate 2+ ha account for majority (78%) of maize sold to FRA

78% of maize sold to FRA
Maize market position: 2011/12 marketing years

Net buyers 28%
Net sellers 42%
Neither buys nor sells 30%

Negatively affected by high maize prices
Benefit from high Prices

Source: 2012 CSO/MAL/IAPRI Rural Agricultural Livelihoods Survey
Maize yields in Zambia vs. other regions

Source: FAOSTAT
Negatively affecting Crop Diversification

Source: CFS, various years
What to do?

Effectively reform FISP and FRA

- Streamline the FRA activities
  - Focus on strategic reserves
- Target FISP to hhs cultivating 0.5 to 2 ha for bigger poverty reduction impact
- Flexible FISP program covering other farm inputs (crops and livestock)
  - Promote crop diversification and livestock production
- Use of E-voucher with private sector procuring and distributing the inputs
  - Promote private sector participation
How the e-voucher works

Source: Conservation Farming Unit
Any political implications of FISP and FRA?

“But there is no doubt that this Farmer Input Support Programme, which is supposed to be an economic activity, has sadly been abused or mismanaged by politicians and those seeking patronage and turned into a political tool for their election campaigns... And in this election year things will be worse – it will be nothing but a campaign tool; fertiliser bought with taxpayers’ money will be exchanged for votes.”

Ranking with respect to *poverty reduction*: Evidence from Asia

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<th>IFPRI</th>
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<td>Policies</td>
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<td>Road investment</td>
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<td>Fertilizer subsidies</td>
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<td>4</td>
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<tr>
<td>Irrigation</td>
<td>6</td>
<td>5</td>
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THANKYOU

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