ECONOMIC DIVERSIFICATION THROUGH ZAMBIA’S AGRICULTURE

Jacob Mwale
CEO
ZAMACE Limited
Submission: Embrace Agribusiness

Long term view of agriculture, supported by medium & short term serious investments

Be aggressive in implementing drivers of growth in agriculture

Our vision as private sector agribusiness is to have a predictable policy environment
What is Required for Economic Diversification Through Agriculture?

The Zambian government spends up to 98% of its Poverty Reduction Program Budget on maize and fertilizer subsidies (Source MAL, IAPRI)

• This stifles agricultural diversification
What is Required for Economic Diversification Through Agriculture?

- Stable economic environment
  - Predictable policies
  - Low and stable inflation
  - Stable exchange rates
Predictable Policies

Medium to long term commitments

Actual commitments not just plans: Unbundle plans such as NAIP (Livestock, Legumes, Horticulture, Fisheries)

Agriculture policy in practice is reviewed annually discouraging investment

SMART management of maize – value chain

Maize is an economic commodity that should be resolved by the market

Welfare strategies should be used to help the vulnerable because subsidies do not work
What is Required for Economic Diversification Through Agriculture?

• In public expenditure government must begin to invest in the things that help productivity and business thrive (IFPRI)

<table>
<thead>
<tr>
<th>Investments</th>
<th>Rate of return</th>
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<tbody>
<tr>
<td>Subsidies</td>
<td>Negative to 12%</td>
</tr>
<tr>
<td>- research &amp; extension</td>
<td>35% to 70%</td>
</tr>
<tr>
<td>- roads</td>
<td>20% to 30%</td>
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<tr>
<td>- education</td>
<td>15% to 25%</td>
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<tr>
<td>- irrigation</td>
<td>10% to 15%</td>
</tr>
</tbody>
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The Challenge of Economic Diversification

Agriculture employs 52.2% (2,872,331) of the total labour force compared to 1.6% (88,251) employed by the mines (CSO 2012 labor force survey)
The Challenge of Economic Diversification

- GRZ reports that mines earn from 60 to 95% of foreign exchange
- Import heavy economy like Zambia the mines will be important
- Mines are visible and easier to tax
- Yet, if productivity gains do not occur in agriculture, the biggest employer, poverty will not go down (evidence from Asia, China and Europe)
Conclusion

Agribusiness can provide the employment, the tax and the foreign exchange that can be the much needed economic diversification route

For that to happen we (the country) need

• to invest in the drivers of agricultural growth
• to have a long term view of agribusiness
• To have a stable macro environment
Thank you!!!!