What is in 2016 Budget for the Agricultural Sector?

Presented by Auckland Kuteya

Budget Breakfast Meeting
Taj Pamodzi Hotel, Lusaka
23rd October, 2015
Why budget analysis?

- Highlight gaps between policy and resources committed
- Public awareness to promote transparency and accountability
- Assess impacts on poverty reduction and agricultural growth
- Lessons learnt from previous budgets
- Make recommendations for use of public funds
Presentation Outline

- Current Economic Environment
- Review of Previous Agricultural Budget
- 2016 Budget Analysis
- Conclusion and Recommendations
Current Economic Environment

- Load shedding
- Kwacha depreciation: >50% loss
- Drop in copper prices: 35% drop since 2010
- Economic growth: 7% → 4.5%
- Increased budget deficit: 4.6% → 6.9%
- High rural poverty rates: approx. 75%
Malabo Declaration, 26-27 June 2014

- To uphold Maputo declaration of allocating at least 10% of public expenditure to agriculture
- To sustain annual agricultural GDP growth of at least 6%
- To end hunger and cut poverty in half by 2025
- To accelerate agricultural growth by doubling current agricultural productivity levels by 2025
- To halve Post-Harvest Losses by the year 2025
- To triple agricultural intra-African trade by 2025
- To eliminate child under-nutrition by bringing down stunting to 10% and underweight to 5% by 2025

Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods
Positive Developments in Agricultural Sector
E-Voucher Pilot

- Promote agricultural diversification
- Provide small-scale farmers a wider choice of inputs
- Timely supply of agricultural inputs
- Increased private sector participation in input market
- Greater economic multiplier effect

FISP E-VOUCHER PILOT
Keeping borders open
Review of Previous Agricultural Budget
<table>
<thead>
<tr>
<th>Main Budget Lines</th>
<th>2015 Allocations (K’ million)</th>
<th>Released by Sept 2015 (K’ million)</th>
<th>% Released</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Emoluments</td>
<td>449</td>
<td>270</td>
<td>60%</td>
</tr>
<tr>
<td>Recurrent Departmental Charges</td>
<td>365</td>
<td>128</td>
<td>35%</td>
</tr>
<tr>
<td>Grants and Other Payments</td>
<td>91</td>
<td>68</td>
<td>75%</td>
</tr>
<tr>
<td>Poverty Reduction Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w FRA</td>
<td>2,377</td>
<td>2,902</td>
<td>122%</td>
</tr>
<tr>
<td>o/w FISP</td>
<td>993</td>
<td>1,135</td>
<td>114%</td>
</tr>
<tr>
<td></td>
<td>1,338</td>
<td>1,510</td>
<td>113%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>148</td>
<td>67</td>
<td>45%</td>
</tr>
<tr>
<td>Agricultural show</td>
<td>11</td>
<td>10</td>
<td>91%</td>
</tr>
<tr>
<td>Agricultural Development Programs</td>
<td>646</td>
<td>136</td>
<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>4,108</td>
<td>3,588</td>
<td>87%</td>
</tr>
</tbody>
</table>
2016 Budget Allocations
Budget Speech Highlights

- Plans to increase area under irrigation by 5,000 Ha in 2016
- Implementation of E-voucher pilot to cover 480,000 small-scale farmers
- Establishment of additional livestock breeding centres
- Production of vaccines and rehabilitation of dip tanks and satellite insemination Centres
- Increased funding to social cash transfer - target 250,000 households
- To become self-sufficient in fish production by 2018 (hatcheries, aqua parks & fish fund)
Proposed tax measures on agriculture

1. Increase in capital allowances for electricity power generating implements/machinery to 50% from 25%
2. Removal of 15% and 5% excise duty on greenhouses and rose seedlings
3. Extension of the 10 year period for carrying forward losses on electricity power generation
4. Increase in capital allowances for electricity power generating implements/machinery to 50% from 25%
2016 Agriculture Budget

Includes allocations via other Ministries

21.3% Decline
2016 Agriculture Budget

Includes allocations via other Ministries

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation to Agriculture (K’ million)</th>
<th>% of Agriculture to National budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,500</td>
<td>5.8%</td>
</tr>
<tr>
<td>2014</td>
<td>2,500</td>
<td>7.2%</td>
</tr>
<tr>
<td>2015</td>
<td>4,000</td>
<td>9.3%</td>
</tr>
<tr>
<td>2016</td>
<td>3,000</td>
<td>6.5%</td>
</tr>
</tbody>
</table>
Allocations to Key Spending Areas (K’million)

- **Personnel Emoluments**
  - K462 [15%]
- **Grants & Other Payments**
  - K92 [3%]
- **Capital Expenditure**
  - K54 [1.8%]
- **Ag Show**
  - K12 [0.4%]
- **Recurrent Departmental Charges**
  - K232 [7.5%]
- **Agricultural Development Programmes**
  - K439 [14.2%]
- **Poverty Reduction Programmes**
  - K1,793 [58%]

**Total Allocation to MAL**
- K3,091 (5.8% of GRZ Budget)
## Allocations to specific activities

<table>
<thead>
<tr>
<th>Activities</th>
<th>2015 (ZMW)</th>
<th>2016 (ZMW)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FISP o/w E-voucher</strong></td>
<td>1.1 billion 254.9 million</td>
<td>1 billion 248.3 million</td>
<td>(9.1%)</td>
</tr>
<tr>
<td>(for 241,000 farmers)</td>
<td>(for 480,000 farmers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FRA</strong></td>
<td>992 million</td>
<td>750 million</td>
<td>(24.4%)</td>
</tr>
<tr>
<td><strong>Roads Infrastructure</strong></td>
<td>K5.6 billion</td>
<td>K6.6 billion</td>
<td>17.9%</td>
</tr>
<tr>
<td><strong>Rural Electrification</strong></td>
<td>70.7 million</td>
<td>118.3 million</td>
<td>67.3%</td>
</tr>
<tr>
<td><strong>Fisheries Fund</strong></td>
<td>-</td>
<td>5 million</td>
<td></td>
</tr>
<tr>
<td><strong>10 Hatcheries</strong></td>
<td></td>
<td>?? ??</td>
<td></td>
</tr>
<tr>
<td><strong>4 Aqua-parks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Irrigation</strong></td>
<td>164.5 million</td>
<td>56.7 million</td>
<td>(65.5%)</td>
</tr>
<tr>
<td><strong>Social cash transfer</strong></td>
<td>181 million</td>
<td>302 million</td>
<td>40.1%</td>
</tr>
</tbody>
</table>
Allocations to Poverty Reduction Programmes

- Quality of expenditure?
- Too little to key drivers of agricultural growth
  - agricultural R&D
  - extension services
  - livestock production and disease control
  - rural infrastructure i.e. feeder roads
  - Irrigation

Allocation to PRPs K1,793m
FISP & FRA Vs. Livestock & Fisheries, 2016

- FRA & FISP: 57%
- Fisheries & Livestock: 23%
- All Other Programmes: 20%
FISP & FRA Vs. Health Ministry Budget

59% of health budget

40% of health budget

K' million

2015

2016

Year

FRA & FISP

HEALTH
Questions for discussion

- What will be the value of the E-voucher in 2016?
  - Budget K248.3 million versus 480,000 households target
  - 2015 E-voucher value = K1400
  - At this value only 177,357 households will be reached
  - Need more clarity on this allocation and target
Questions for discussion

- K5 million allocated fisheries fund
- Development of hatcheries and aqua-parks.
- Who will lead the development of these aqua-parks and hatcheries?
## How do we grow the Ag. Sector?

<table>
<thead>
<tr>
<th>Research station</th>
<th>2015 (ZMW)</th>
<th>2016 (ZMW)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Research Stations</td>
<td>29.7</td>
<td>15.6</td>
<td>(47.5%)</td>
</tr>
<tr>
<td>Fisheries Research Stations</td>
<td>19.1</td>
<td>10.9</td>
<td>(42.9%)</td>
</tr>
<tr>
<td>Livestock Development</td>
<td>35.5</td>
<td>7.7</td>
<td>(78.3%)</td>
</tr>
<tr>
<td>Veterinary &amp; livestock research stations</td>
<td>19.1</td>
<td>13.4</td>
<td>(29.8%)</td>
</tr>
</tbody>
</table>
Conclusion
Political economy of public resource allocation

Agricultural budget

- Long-term productive investments: R&D, infrastructure, education, etc.
  - High social payoffs
  - But payoffs come 5-20 years later
  - Critical for sustained poverty reduction

- Input subsidy programs
- Food Reserve Agency
  - Immediate political payoffs;
  - Visible support to constituencies
  - Contribution to sustained growth and rural poverty reduction is unclear
Under Appreciated Fact # 1

- Many smallholder households are land constrained
  - 25% have less than 0.5 ha of land
  - 58% indicate there is no unallocated land in village
Under Appreciated Fact # 2

- Nearly 30% of rural farm HHs are net buyers of maize

Net buyers are negatively affected by high FRA maize prices

Source: RALS 2012
Under Appreciated Fact # 3

- Highly concentrated patterns of maize surplus generation
  - 2-5% of smallholder farm households account for 50% of marketed maize
  - Maize surplus generation is highly associated with area cropped and household assets
Recommendations
Recommendations

1. Redirect funding to key drivers of agricultural growth from FRA & FISP
2. Limit FRA participation in maize market
3. Increase funding to fisheries and livestock
4. Improve timing of budget releases