ReSAKSS SA Southern Africa
Regional Strategic Analysis and Knowledge Support System

Issues Brief
January 2009
No. 8

Monitoring of Public Spending in Agriculture in Southern Africa

P. Chilonda[1], O. Olubode-Awosola[2] and I. Minde[3]

Heads of State and Government in the Southern African Development Community (SADC) region committed to allocating at least 10 percent of national budgetary resources to agricultural sectors in the 2003 Maputo Declaration on Agriculture and Food Security. This brief examines the region's progress toward meeting these commitments. It also summarizes the results of a case study of public expenditures on agriculture in Malawi in order to build an understanding of the challenges and opportunities facing governments as they strive to meet this target. Implications for policy and research are also drawn.

SLUGGISH AGRICULTURAL GROWTH

Agricultural sectors in SADC have performed poorly in recent years. Agriculture in Mauritius, South Africa, Zambia, and Zimbabwe registered negative growth between 2005 and 2006. Botswana and Lesotho experienced negative growth prior to 2005. Even though they reversed the trend in 2005̃06, it was only to low levels. Agricultural growth in Namibia and Swaziland has been flat since 2003.

Some of SADC countries recorded inconsistent growth rates in value added by agriculture with the exception of Angola, the DRC, Mozambique, Swaziland, Tanzania and Zambia, while Zimbabwe, Mauritius and Lesotho had a consistent decline in agricultural value added. On average, since CAADP was introduced in 2003 up to 2007, Angola, Tanzania and Mozambique have exceeded the target of 6 per cent annual growth in agriculture. However, most of the countries are far below the target rate (Chilonda et al, 2008).

Per capita food production fell by more than 30 percent in Botswana and by almost 50 percent in the Democratic Republic of Congo (DRC) over this same period. In fact, only two countries (Angola and Mozambique) have registered per capita food production increases between 1990 and 2006.

The poor aggregate performance of the region's agricultural sectors is grounded in sluggish growth in underlying agricultural productivity. This is reflected in the slow growth or absolute decline of yields for cereals, roots and tubers̃ the dominant staple food crops in the region. Region-wide, yields of cereals have been flat for decades. Since 2000, cereal yields have averaged between 1.5 and 1.7 t/ha compared to the Africa average of 2 t/ha. The region-wide yield of roots and tubers was rising steadily and reached 10 t/ha in the late 1990s, compared to the Africa average of 8 t/ha. However, this trend changed to being flat since 2000. Flat region-wide yields of cereals, roots and tubers stem from slow growth in yields in most SADC countries. With the exception of Mauritius and South Africa, the region's livestock sectors have also grown slowly or contracted in recent years (FAOSTAT, 2008).

There is a need to identify public investment strategies that might help SADC countries reverse these trends. At issue are the level and composition of public expenditures devoted to the region's agricultural sectors. A case for increased investment is presented first, followed by a regionwide perspective and a focus on Malawĩ the SADC country that has made the most progress in increasing public expenditures on agriculture.

CASE FOR INCREASED INVESTMENT

While there is broad consensus that renewed agricultural growth will spur the necessary economic growth for poverty reduction in Southern Africa, it is also widely accepted that growth alone is insufficient. More direct public action is

[1] Subregional Coordinator 'Regional Strategic Analysis for Knowledge Support Systems in Southern Africa Programme' (IWMI-ICRISAT), Pretoria, South Africa.

[2] Post Doctoral Fellow 'Regional Strategic Analysis for Knowledge Support Systems in Southern Africa Programme', International Water Management Institute, Pretoria, South Africa.

[3] Principal Scientist (Economics), International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Bulawayo, Zimbabwe.

required, especially in the form of increased government spending in order to promote agricultural growth. The "when", "where", and "how" this is done is very critical. Public resources are limited and have competing demands; hence, prioritization will be critical. Policymakers want to know what public spending programs in the agriculture sector will have the greatest impact on the poor and how the resources should be allocated among the different sub-sectors.

Investments in core public goods - science, infrastructure, and human capital - combined with better policies and institutions are major drivers of agricultural productivity growth. However, despite the high returns on these investments, Southern African countries grossly under-invest and mis-invest in these public goods and urgently need to scale up the spending on core public goods for agriculture. Thus, the quality of public spending - the efficiency and equity of resource use - is an even more important issue in addressing increased agricultural spending in the region.

In recognition of this urgent need, most countries in the region have been intensifying their efforts to increase and redirect resources to agriculture as reflected in their commitment to the advocacy by the AU/NEPAD Maputo Declaration to increase agricultural spending to 10 percent of national budgets in order to achieve the 6 percent CAADP [4] and 7 percent SADC-RISDP [5] growth rates and halve poverty and hunger in the region by 2015 (MDG 1) [6].

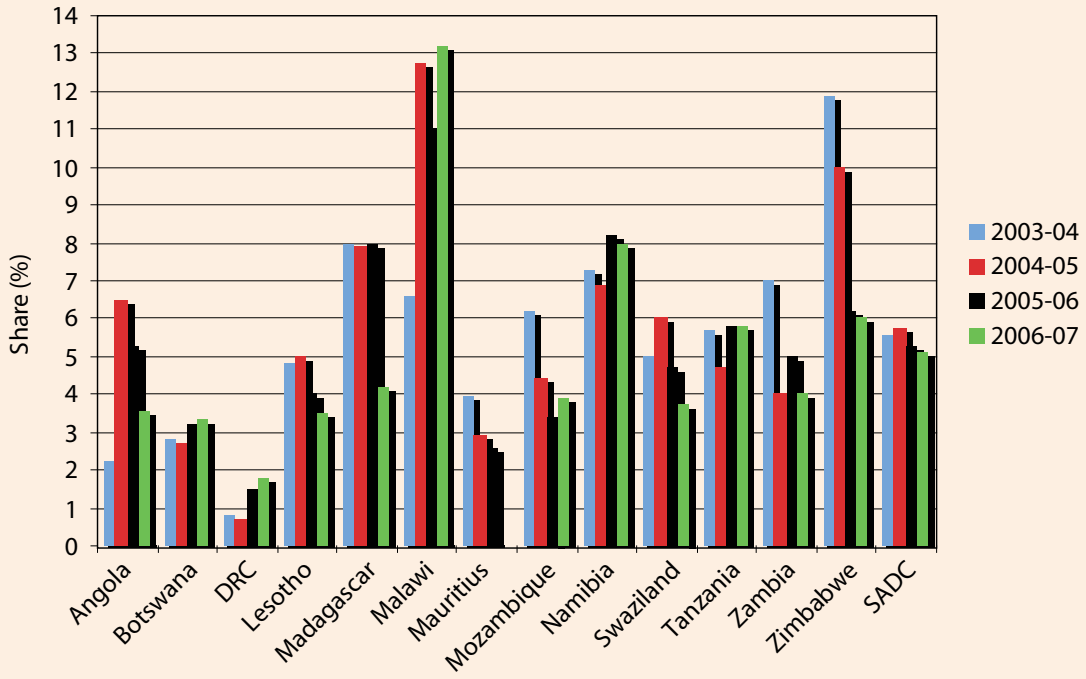
A REGIONWIDE OVERVIEW OF PUBLIC EXPENDITURES ON AGRICULTURE

Most countries in the region have yet to achieve the Maputo target of allocating at least 10 percent of national budgetary resources to the agricultural sector (Figure 1). The average for the region was 5.4 percent in 2007. Only Malawi has exceeded the target consistently in recent years. Prior to 2005, Zimbabwe's share was only slightly below the target, but since then it has fallen sharply. In general, however, the proportion of spending on agriculture has been rising in many countries. The 2007 share stood above the 2003/04 level for the region as a whole, and also in all SADC countries except Lesotho, Mauritius, Mozambique, Swaziland, and Zimbabwe.

Divergences from the Maputo target vary widely across the region (Figure 2). For SADC as a whole, the share of spending on agriculture must increase by almost 5 percent, with eight countries needing larger increases. Botswana, the Democratic Republic of Congo (DRC), Mauritius, and Zambia need to increase their investments significantly. Except for Malawi, countries in which agriculture is most important to the economy, such as DRC, Mozambique, and Tanzania) tend to spend too little on agriculture. If the trends continue as they are at the present, only one country out of the SADC 15 will achieve the CAADP 10% goal by 2015.

However, there is another very important question that must also be answered. Do all the SADC countries need

Figure 1: Shares of public expenditures devoted to agriculture

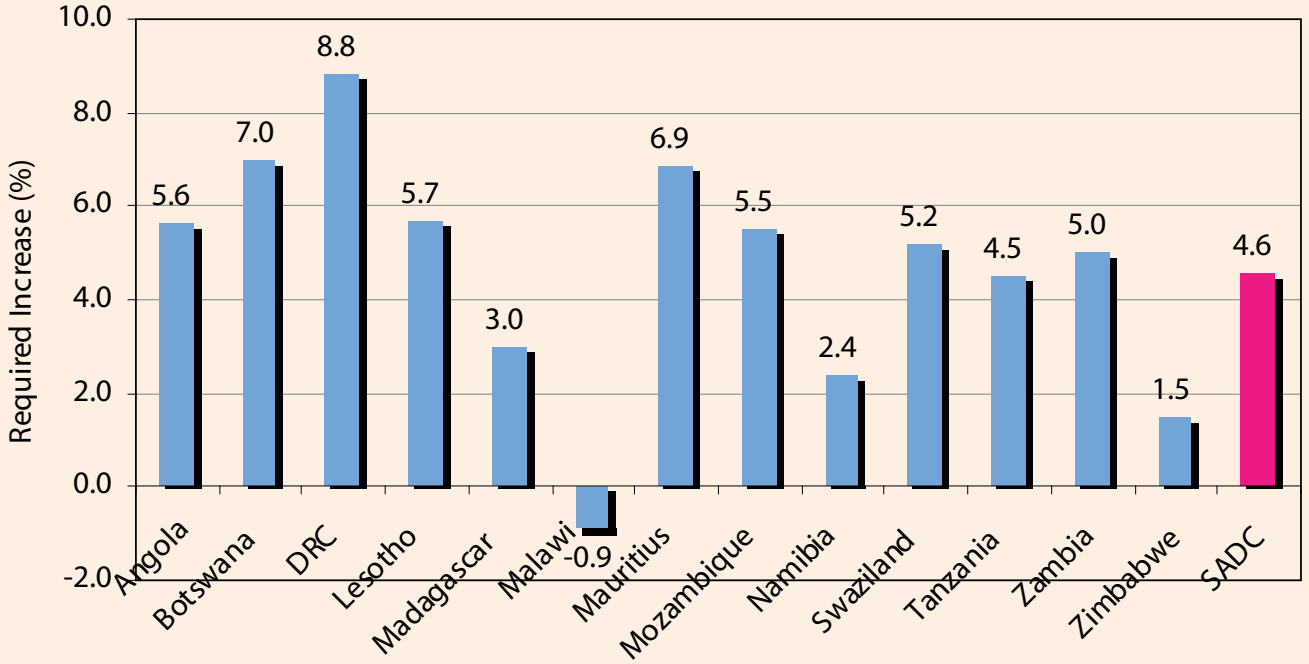


[4] CAADP - New Economic Program for African Development (NEPAD)'s Comprehensive Africa Agricultural Development Programme

[5] SADC-RISDP - Southern Africa Development Community's Regional Indicative Strategic Development Plan

[6] MDG 1 – United Nations' Millennium Development Goal 1 – Halving world hunger and poverty by 2015

Figure 1: Divergences from Maputo target



Source: Authors' computations

Note: Data for South Africa are currently not available.

to reach the CAADP 10% goal given that each country's economy varies in terms of its size and structure and the extent to which it is reliant on agriculture? Middle income countries such as Botswana and South Africa may lack the incentive to increase their spending on agriculture to reach the 10% target because their economies are diversified with a strong industrial base or are dependent on their mineral wealth as the mainstay of their economies. On the other hand, low income countries such as Malawi, Mozambique, and Zambia with large rural populations should aim at reaching the CAADP 10% target as the agricultural sector of these countries must play a significant role in order for these countries to ultimately reach the MDG 1 goal of halving poverty by 2015.

Studies done by IFPRI (2006) on expenditure growth rates show that the same kinds of rates are not needed across the different countries in the region. They also show that increasing spending on agriculture must be complemented with adequate knowledge about how resources can be efficiently allocated among competing development priorities. In other words, it is not only about quantity, but also about quality and placement of resources.. It is about whether the expenditures are likely to contribute to growth. How likely are they to reduce poverty? A closer look at the total agricultural budget allocations will provide some answers to these questions as will an analysis of the case of Malawi.

THE CASE OF MALAWI

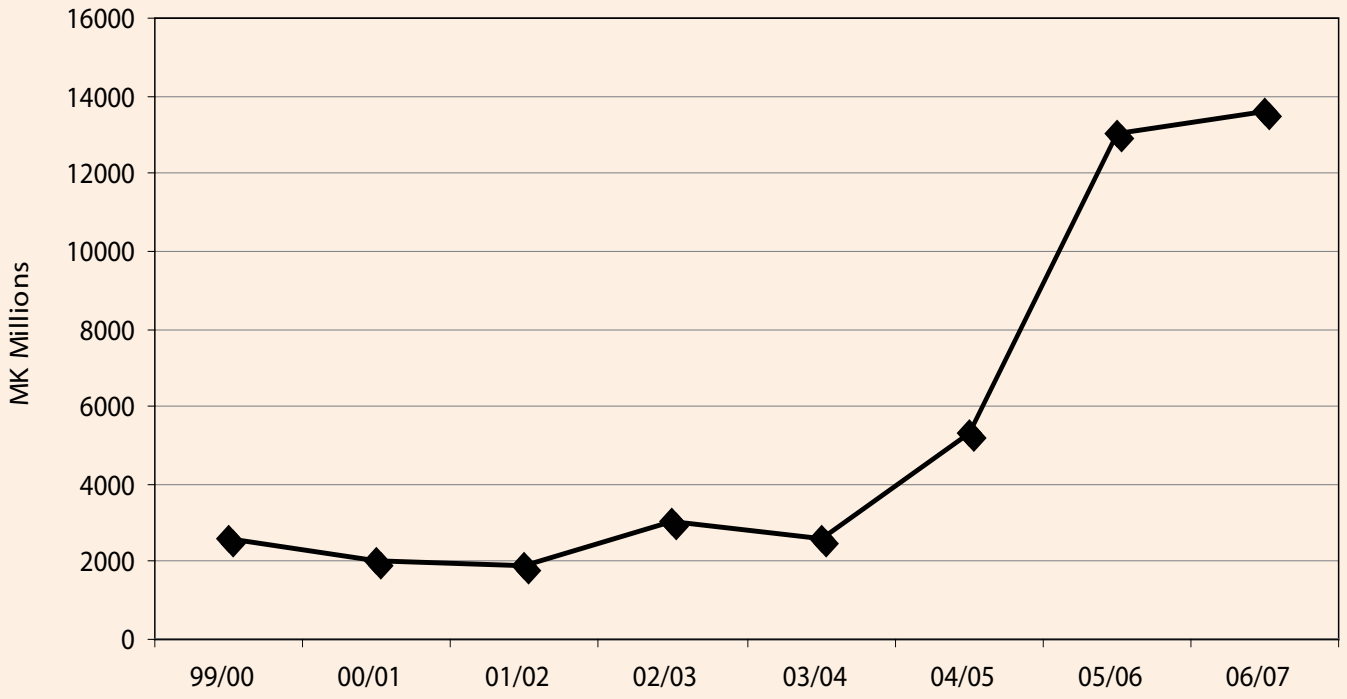
Malawi's apparent success in achieving the Maputo target for expenditures on agriculture presents a unique opportunity to build understanding about the challenges and opportunities facing other SADC countries. Clearly, conditions vary greatly across the region. However, several aspects of the dynamics and internal composition of agriculture's share of Malawi's public expenditures appear to have broader relevance.

Real public expenditures devoted to the agricultural sector have risen almost seven-fold since 2003 (Figure 3). The rise appears to be correlated with the Maputo Declaration. It is also linked to an enhanced commitment to agricultural growth by the government (Njiwa et al., 2008[7]). As will be shown below, the increase is also linked to the inclusion of costs associated with a number of large programs in the agriculture budget.

The composition of expenditures has also changed. Livestock and crops have come to consume almost the entire budget at the expense of forestry and fisheries (Figure 4).

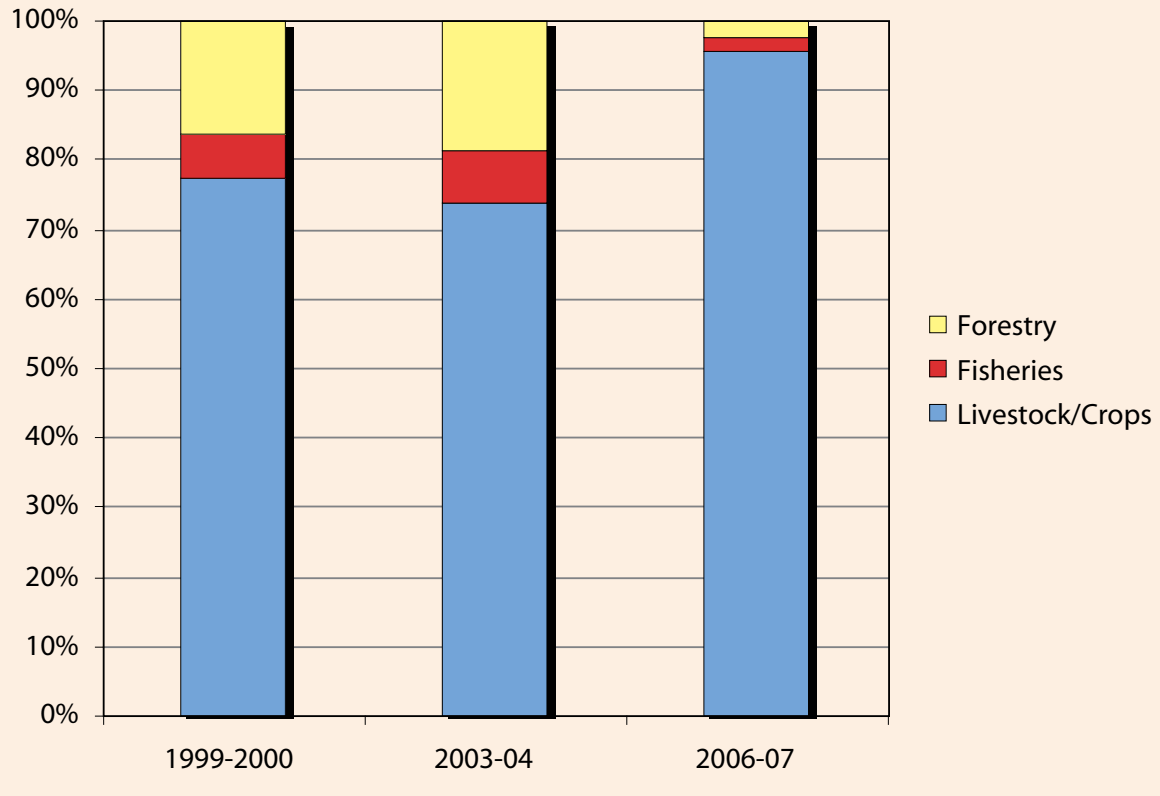
[7] A bulk of the data and analysis on the agricultural expenditures in Malawi has been taken from the recent work of Njiwa et al. (2008). Please refer to this paper for more details.

Figure 3: Public expenditures on agriculture in Malawi



Source: Government of Malawi (1999-2007)

Figure 4: Sub-Sectoral distribution of agricultural expenditures in Malawi

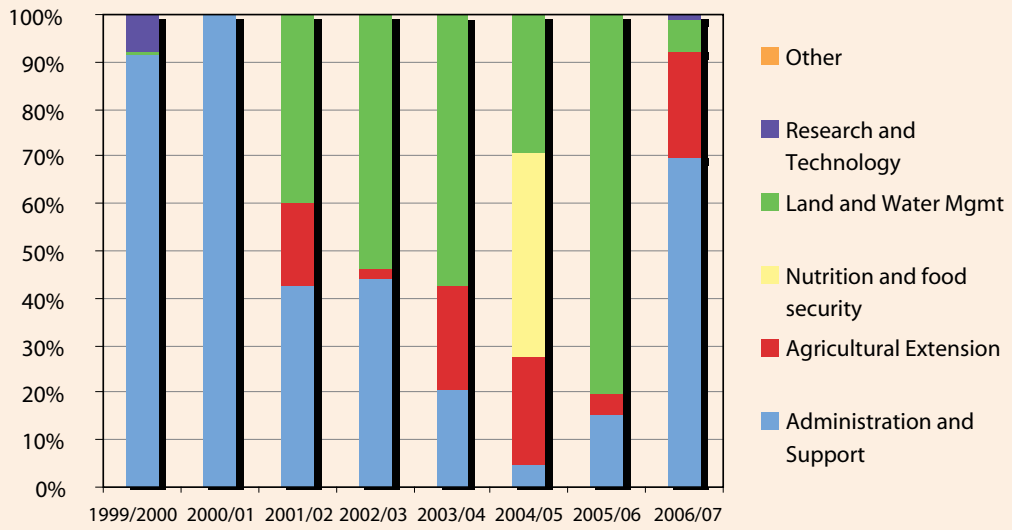


Source: Government of Malawi (1999-2007)

Frequent changes in the allocation of major projects and initiatives across programs complicate a program-based analysis of the agriculture budget (Njiwa et al., 2008). The "Administration and Support" category, which grew ten-fold between 2004/05 and 2006/07 (Figure 5), is especially problematic. Major "development" expenditures - like those related to irrigation and other fixed capital - are included in this category. Also included in the category, under a large safety net-oriented "Nutrition and Food Security Program," are major subsidy initiatives such as the Targeted Input Program and Starter Pack Program, and support to parastatal agencies such as the Agricultural Development and Marketing Corporation (ADMARC) and the National Food Reserve Agency.

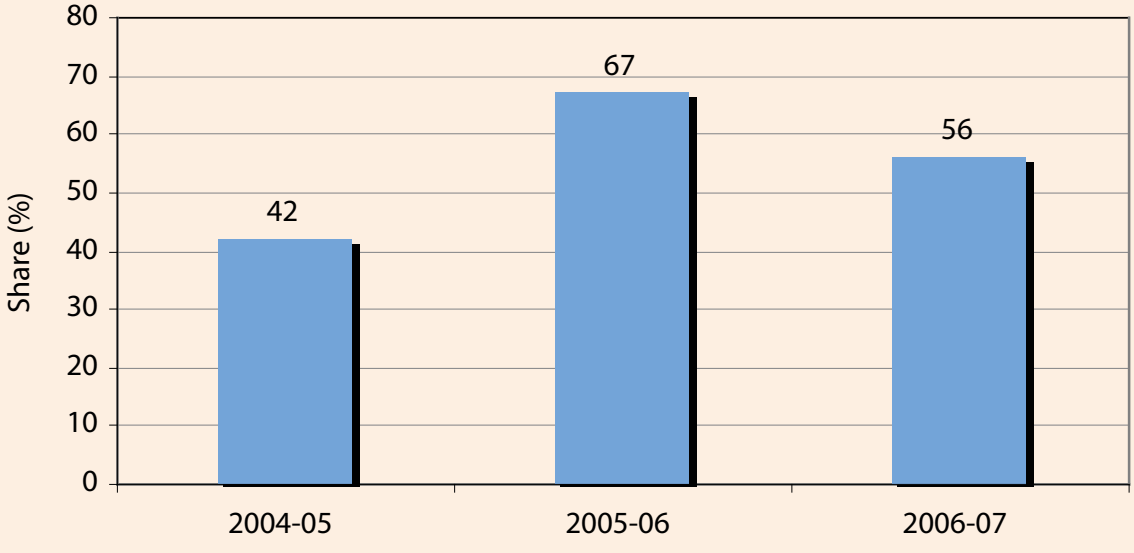
This Nutrition and Food Security Program was first carved out as a distinct budget item in the 2004/05 fiscal year when it accounted for 42 percent of the agriculture budget. That share rose to 67 percent in 2005/06 and stood at 56 percent in 2006/07 (Figure 6). Without this program, agriculture's share of Malawi's budget between 2004 and 2007 would have ranged between 3.6 and 8.1 percent, rather than between 11 and 13.2 percent (Figure 7). Clearly, some initiatives in the Nutrition and Food Security Program are capable of enhancing productivity and growth, for example, the Targeted Input Program and Starter Pack Program. However, others would appear to be less so - for example, support to the National Food Reserve Agency. The latter category might therefore be imparting an upward bias to Malawi's reported share of public expenditures devoted to agriculture, clouding assessments of the country's success in achieving the 10 percent Maputo target.

Figure 5: Distribution of agricultural expenditures in Malawi across program areas



Source: Government of Malawi (1999-2007)

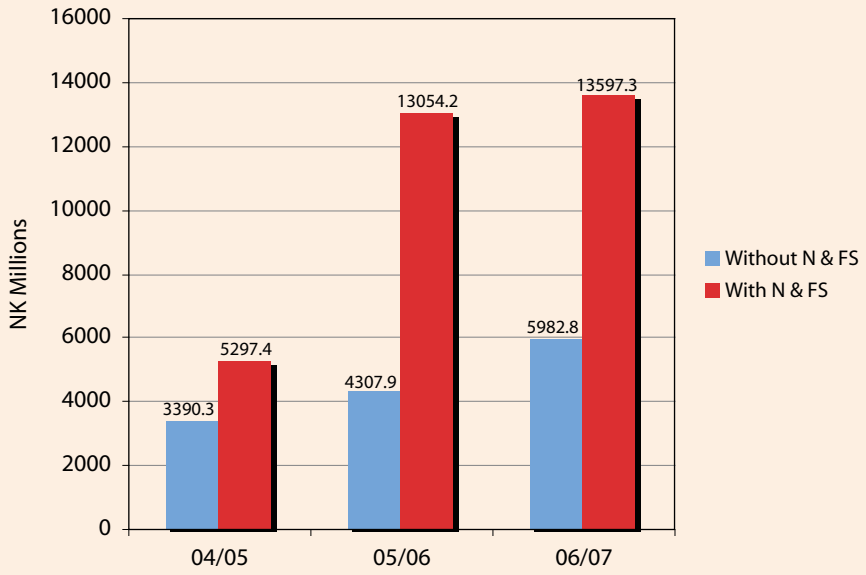
Figure 6: Nutrition and food security program share of agriculture budget



Source: Government of Malawi (1999-2007)

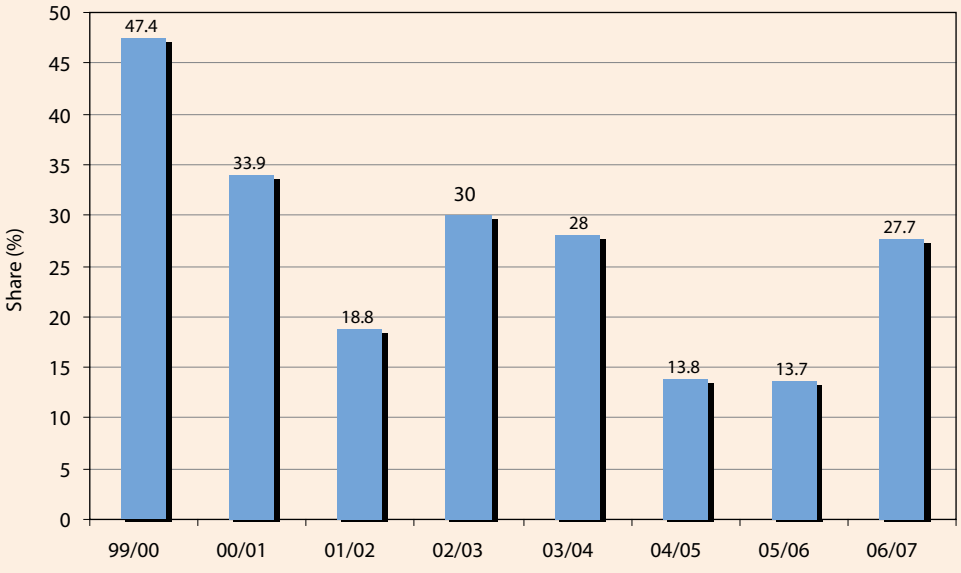
The "recurrent" segment of the budget supports normal operating costs, along with those associated with agricultural subsidy initiatives, ADMARC, and the National Food Reserve Agency. The "development" component of the budget supports investment in long-term assets such as irrigation infrastructure. The recurrent share of Malawi's agriculture budget stood at almost 70 percent in 2007, compared to 50 percent in 1999; the 2007 development share was therefore well below its 1999 level, but it grew steadily between 2005 and 2007 (Figure 8). While the Malawi government assumed responsibility for almost three-quarters of the agriculture budget between 1999 and 2007, its development partners covered almost 90 percent of the crucial development component (Figure 9).

Figure 7: Impacts of nutrition and food security programs on agriculture's share of public expenditures



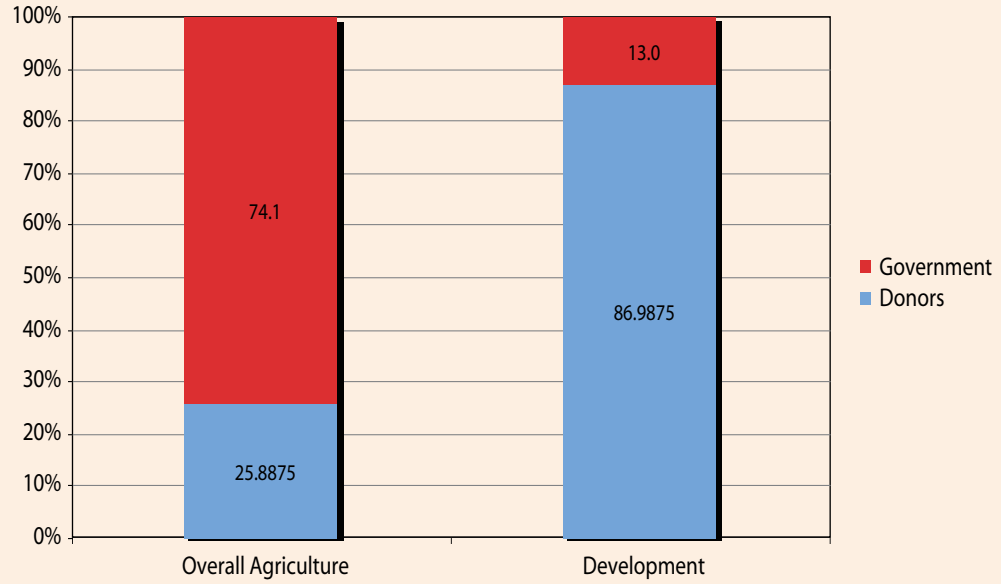
Source: Government of Malawi (1999-2007); Note: N&FS = Nutrition and Food Security

Figure 8: Development spending in Malawi's agriculture budget



Source: Government of Malawi (1999-2007)

Figure 9: Government and donor shares of development component of agriculture budget



Source: Government of Malawi (1999-2007)

POLICY IMPLICATIONS

The picture that emerges for the SADC region is of one making slow but steady progress toward meeting the Maputo target for agriculture expenditures. However, underinvestment in agriculture is the norm across the region. For low income countries in the region that are largely agricultural-based, in particular Malawi, Mozambique, Tanzania and Zambia, there is need to increase agricultural investments.

A number of potential lessons for other SADC countries emerge from the Malawi case. The balance between the "productive" and "safety net" components of the agriculture budget is not clear, but the steadily expanding development element suggests grounds for optimism that the productive elements are receiving attention. Given Malawi's exposure to weather-related supply shocks (as is the case for many countries in the SADC), the need for vulnerability-reducing elements in the national budget is beyond dispute. While their potential for spurring growth in the agricultural sector has yet to be established, their potential for protecting hard-won development gains should not be underestimated. The large share of recurrent expenditures in the agricultural budget is not ideal. In addition, it would be desirable to see an increasing share from government in the agricultural development budget. As it stands now, the division of labor between the government and its development partners appears sensible in the near term. However, an increasing share from government in the development budget in the future is important in showing commitment to the Maputo Declaration.

Many governments in southern Africa are faced with limited public resources and competing demands for those resources. Therefore, it is important to set the right priorities and use public resources efficiently and equitably. It is clear that governments must increase investment especially in agricultural research, rural infrastructure, and education to promote agricultural growth. This type of spending not only yields high returns in agricultural production, but also has a large impact on poverty reduction because most of the poor still reside in rural areas and their main source of livelihood is agriculture. In addition to increasing investments in these areas, governments should also improve the targeting and efficiency of social safety nets to the poorest of the poor.

REFERENCES

FAOSTAT. 2008. United National Food and Agriculture Organization. Statistical Database. www.faostat.fao.org

IFPRI (2006). Investing in African Agriculture to halve Poverty by 2015: What do country level differences tell us? International Food Policy Research Institute, Washington DC. www.ifpri.org

Malawi. 2008. National Statistical Office of Malawi, http://www.nso.malawi.net.

UNECA. 2007. Africa Review Report on Agriculture and Rural Development. Addis Ababa: UN Economic Commission for Africa.

World Bank. 2008a. World Bank Development Indicators. www.worldbank.org

Njiwa, D., I. Kumwenda, I. Thindwa, P. Chilonda, F. Olubode, and A. Davids. 2008. "Monitoring Trends in Public Expenditures in Agriculture: Case of Malawi." Unpublished ReSAKSS Manuscript.

The Regional Strategic Analysis and Knowledge Support System (ReSAKSS) is an Africa-wide network that provides analysis, data, and tools to promote evidence-based decision making, improve awareness of the role of agriculture for development in Africa, fill knowledge gaps, promote dialogue and facilitate the benchmarking and review processes associated with the AU/NEPAD's Comprehensive Africa Agriculture Development Program (CAADP) and other regional agricultural development initiatives in Africa.

The goal of the ReSAKSS Issue Briefs is to provide timely access to preliminary research and data analysis results that relate directly to strengthening ongoing discussions and critical commentaries on the future direction of African agriculture and rural development. The Issue Briefs undergoe a standard peer review process involving at least one reviewer from within the ReSAKSS network of partners and at least one external reviewer.

Send comments and feedback to:

Sub-Regional Coordinator
Regional Strategic Analysis and Knowledge Support System for Southern Africa (ReSAKSS-SA)
Private Bag X813
Silverton 0127
Pretoria, South Africa
Telephone: +27 (0)12 845 9100
Facsimile: +27 (0)12 845 9110
E-mail: resakss-sa@cgiar.org
www.sa.resakss.org