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# Trends in Public Agricultural Spending in Swaziland

Sibusiso B. Nhlengethwa, Greenwell C. Matchaya, Emmanuel Musaba and Pius Chilonda

## ENABLING ENVIRONMENT FOR INVESTMENT IN THE AGRICULTURAL SECTOR

Swaziland as a developing middle income country has continuously sought to create an enabling environment for the development of the agricultural sector. The country has enacted policies and strategies together with programs to facilitate the attainment of growth targets in the agricultural sector (World Bank, 2011). Consequently, this will lead to the attainment of the Comprehensive Africa Agriculture Development Program (CAADP) targets, Millennium Development Goals (MDGs) and facilitate economic growth. The pertinent policies, strategies and programs that have been put in place include: (1) The National Development Strategy (NDS); (2) Comprehensive Agriculture Sector Policy (CASP); (3) Economic Recovery Strategy (ERS); (4) Poverty Reduction Strategy and Action Program (PRSAP); (5) National Program for Food Security (NPFS); (6) National Land Policy (NLP); (7) Irrigation Policy; (8) Livestock Policy; (9) Forest Policy; and (10) National Export Strategy (Simelane 2010).

Simelane (2010) also affirms the assertions that Government of Swaziland has set in place adequate policies and institutional arrangements to enhance the growth and development of the agricultural sector. The aims and objectives of the various policies, strategies and programs contribute immensely to increase economic growth, enhance employment creation, acquire food security and enable poverty reduction. However, the country's economic development is subject to intense scrutiny from local and international bodies, because of the issues of related to limited democratization and/or lack of pluralism.

## THE CAADP IN SWAZILAND

The Comprehensive Africa Agriculture Development Program (CAADP) process is considered to be crucial for strengthening and consolidating Swaziland's efforts towards enhancing agriculture and rural development. The compact (agreement) was signed on March 4, 2010, the process of which is under the purview of the Ministry of Agriculture and Co-operatives (coordinated by the Agriculture Sector Advisory Committee). The implementation of the CAADP process has gone through its various stages, i.e., the appointment of the 'CAADP Focal Person'; launching the process; instituting a steering and technical committee; conducting stocktaking measures, growth and investment analysis; preparing the compact (agreement); holding round table discussions and signing of the agreement in March 2010 (African Economic Outlook 2011)..

## PUBLIC AGRUCULTURAL SECTOR INSTITUTIONS

The Government of Swaziland through the Ministry of Agriculture and Co-operatives (MOAC) has three public institutions that provide services to the sector: (i) the Directorate of Research and Specialist Services (DRSS); (ii) the Department of Agriculture and Extension (DAE) and; (iii) the Department of Veterinary Services and Livestock Production (DVLS). The DRSS is responsible for agricultural research, technology generation and transfer with the aim of increasing crop productivity, while sustaining the natural resources. The DAE is tasked with improving food security in the country through increased crop and vegetable production, and also expand fruit production with the view of enhancing farm incomes and nutrition. Doing so will consequently promote small-scale cash cropping enterprises as well (Schorosch et al. 2010). The aim of DVLS is to prevent the spread of animal diseases and zoonosis, promote animal health and welfare, impart knowledge and skills to producers and, lastly, to disseminate essential technical know-how on efficient management resources to ensure profitable returns and to establish an efficient livestock industry (MEDP 2009).

Besides the departments within the MOAC, other ministries play crucial roles towards the development of the agricultural sector. For example, the Ministry of Finance facilitates the budget planning process and also control the budget execution process guided by the Parliament Finance Portfolio Committee; the Ministry of Economic Planning and Development coordinates the planning and strategizing processes to lure and increase investment in the sector; the Ministry of Natural Resources and Energy play an important role in the management of water as a scarce natural resource (irrigation and dam construction policy formulation); the Ministry of Trade and Industry facilitates the trading of agricultural products in the world markets; and the Ministry of Public Works is responsible for the infrastructure development, i.e., roads, dams, bridges and houses (MEDP 2009).

## OVERVIEW OF THE BUDGET ALLOCATION AND EXPENDITURE

The trends in the allocation of the budget and expenditure between 2000 and 2011 for the agriculture and the nonagricultural sector in Swaziland are in Table 1. The overall national budget grew by 13.6% per annum between 2000 and 2011 while the allocation to the agriculture sector grew by a surmountable 14.3% per annum over the above mentioned period (Central Bank of Swaziland 2000 – 2012) (see Table 1). With respect to the actual expenditures, the agriculture sector performance was still higher (12.6% per annum) in comparison to the national expenditure (11.1% per annum).

The trend lines in Figure 1 illustrate that there is a significant upward trend on the total budget allocation, but the same cannot be said for the allocation to the agriculture sector. It is evident that there are notable fluctuations on both the approved total budget and actual total expenditure. In general, the actual agricultural expenditures tend to be less than the budget allocation. The fluctuations are an implication of the unstable earnings from the Southern African Customs Union (SACU), which makes up the largest proportion of the country's revenue (Central Bank of Swaziland 2012). This often occurs due to many factors such as imperfect projections of government revenues, under reporting of actual spending, and limited capacity to spend the released funds (Zavale et al. 2011).

Swaziland is also a signatory to the 2003 Maputo Declaration, which urges national governments to allocate 10% of their budget to agriculture. However, from 2000 to 2011 the country has clearly failed to meet the target, the highest allocation was 6.5% in 2009 and the lowest was 3% in 2011. On average the allocations have remained below 4% over the period 2000 to 2011 (as shown in Figure 2).

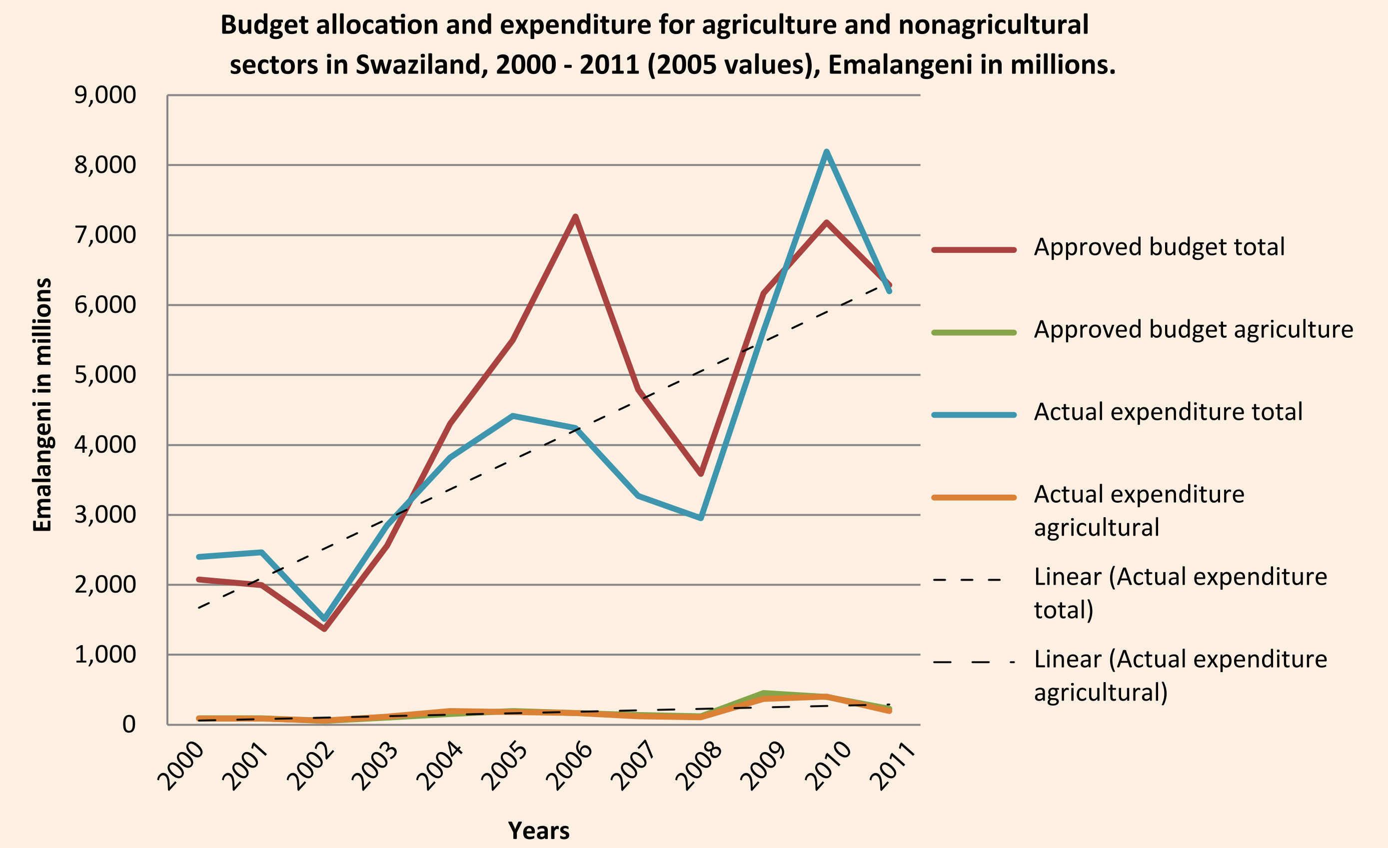
Figure 3 shows that in 2002, 2003, 2004 and 2010 agriculture spending exceeded the budget allocation; this implies that a supplementary budget was used to inject funds into the agricultural sector by the government and/or development partners. The overspending was essentially to mitigate the impacts of droughts or floods.

**Table 1. Budget allocation and expenditure for agriculture and nonagricultural sectors in Swaziland, 2000-2011 (constant 2005 Emalangeni), Emalangeni in millions.**

| Year | Approved Budget | | | Actual Expenditure | | |
|---|---|---|---|---|---|---|
| | Total | Agriculture | Nonagricultural | Total | Agricultural | Nonagricultural |
| 2000 | 2,076 | 91 | 1,985 | 2,399 | 85 | 2,314 |
| 2001 | 1,995 | 92 | 1,903 | 2,465 | 86 | 2,379 |
| 2002 | 1,366 | 56 | 1,310 | 1,513 | 58 | 1,455 |
| 2003 | 2,560 | 100 | 2,460 | 2,849 | 116 | 2,733 |
| 2004 | 4,304 | 153 | 4,152 | 3,818 | 195 | 3,624 |
| 2005 | 5,499 | 196 | 5,303 | 4,416 | 182 | 4,234 |
| 2006 | 7,264 | 169 | 7,095 | 4,240 | 169 | 4,070 |
| 2007 | 4,791 | 138 | 4,653 | 3,272 | 118 | 3,155 |
| 2008 | 3,585 | 119 | 3,466 | 2,953 | 108 | 2,846 |
| 2009 | 6,171 | 451 | 5,720 | 5,635 | 370 | 5,265 |
| 2010 | 7,181 | 395 | 6,786 | 8,196 | 400 | 7,796 |
| 2011 | 6,287 | 228 | 6,060 | 6,198 | 193 | 6,005 |
| Average 2000-03 | 1,999 | 85 | 1,914 | 2,306 | 86 | 2,220 |
| Average 2003-11 | 5,294 | 216 | 5,077 | 4,620 | 206 | 4,414 |
| Average 2000-11 | 4,423 | 182 | 4,241 | 3,996 | 173 | 3,823 |
| Average growth (2000-11) (%/yr.) | 13.6 | 14.3 | 13.6 | 11.1 | 12.6 | 11.0 |

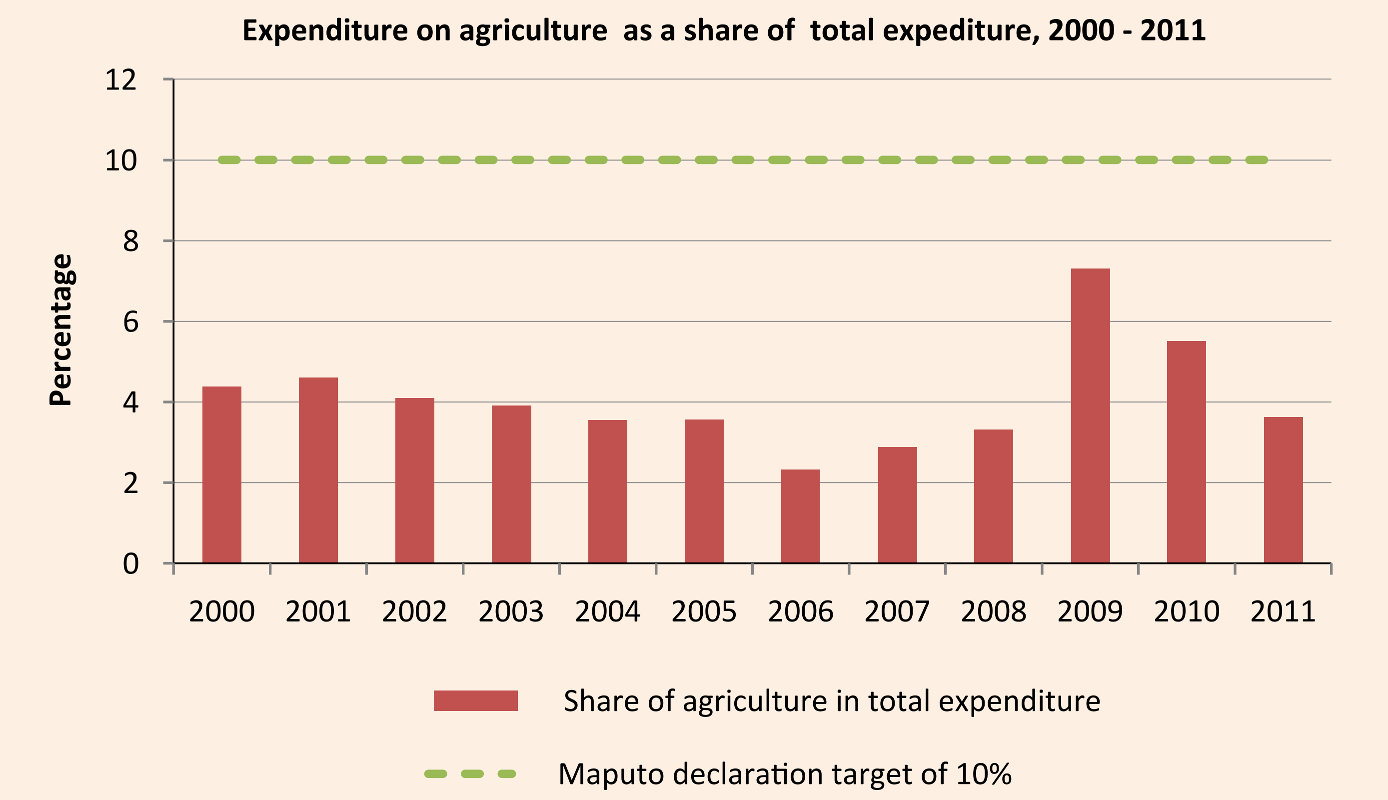
*Source:* Authors' calculation based on Central Bank of Swaziland (2000 - 2011)

**Figure 1. Budget allocation and expenditure for the agriculture sector in Swaziland, 2000-2011 (Constant 2005 Emalangeni), Emalangeni in millions.**



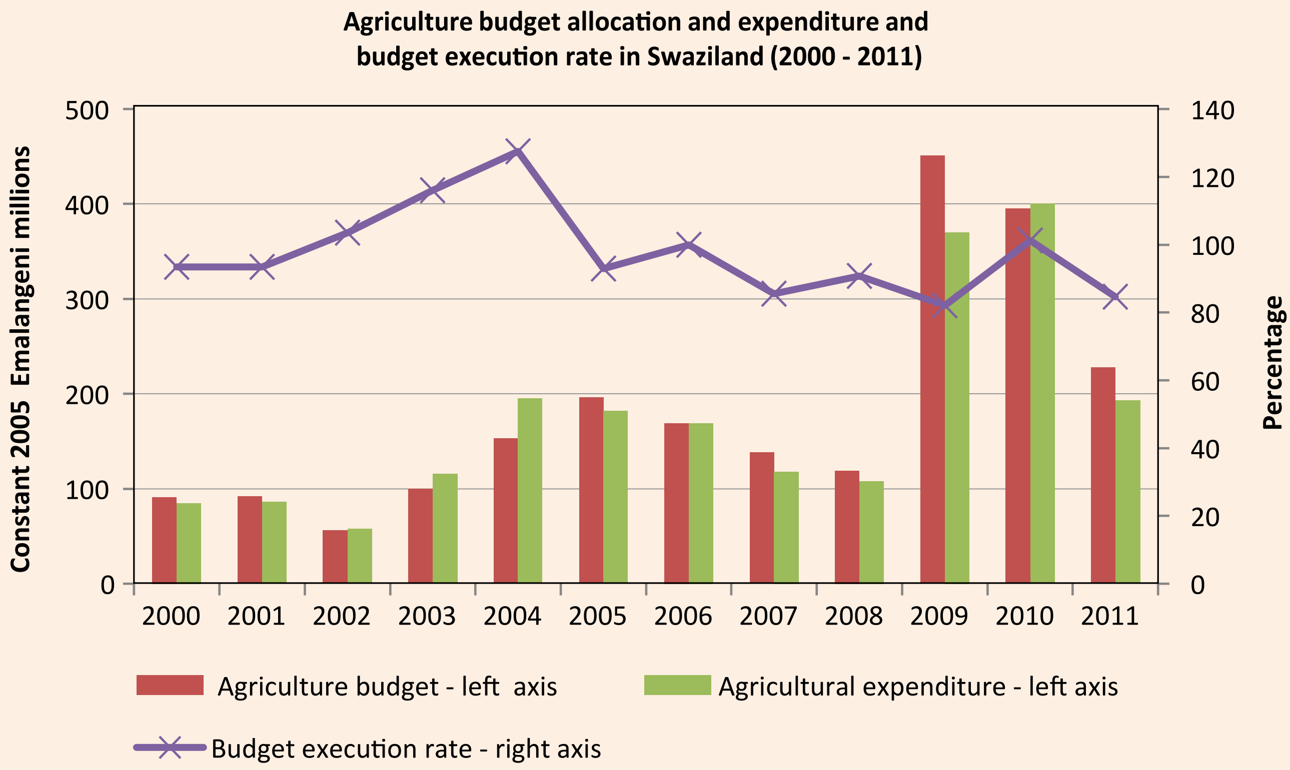

*Source*: Authors' calculation based on Central Bank of Swaziland (2000 - 2011)

**Figure 2. Expenditure on agriculture as a percentage of total government spending, 2000-2011.**




*Source*:Authors' calculation based on Central Bank of Swaziland (2000 - 2011)

**Figure 3. Agriculture budget allocation and expenditure (in 2005 values), Emalangeni in millions and budget execution rates, Swaziland (2000-2011).**




*Source*: Authors' calculation based on Central Bank of Swaziland (2000 – 2011)

## AN ANALYSIS OF THE SOURCES OF FUNDING

The bulk of the Government of Swaziland's revenue is generated from the Southern African Customs Union (SACU), which on average, amounts to 60% of the total revenue of the country. The manufacturing sector is the leading internal contributor to the country's revenue, followed by agriculture, mining and construction sectors. Other internal contributors include the revenue generated by the Swaziland Revenue Authority through taxes. Besides the SACU (which is the leading external contributor to the national budget) there is also funding from the Government of Taiwan, European Union (EU) and the United Nations (UN). The EU funding mainly supports sector intervention, i.e., agriculture, water, governance, health and education, while the Taiwanese Government supports infrastructure projects. The UN funds are for health and gender programs, statistics and poverty reduction activities and HIV/AIDS through the Global Fund (Ministry of Finance 2011).

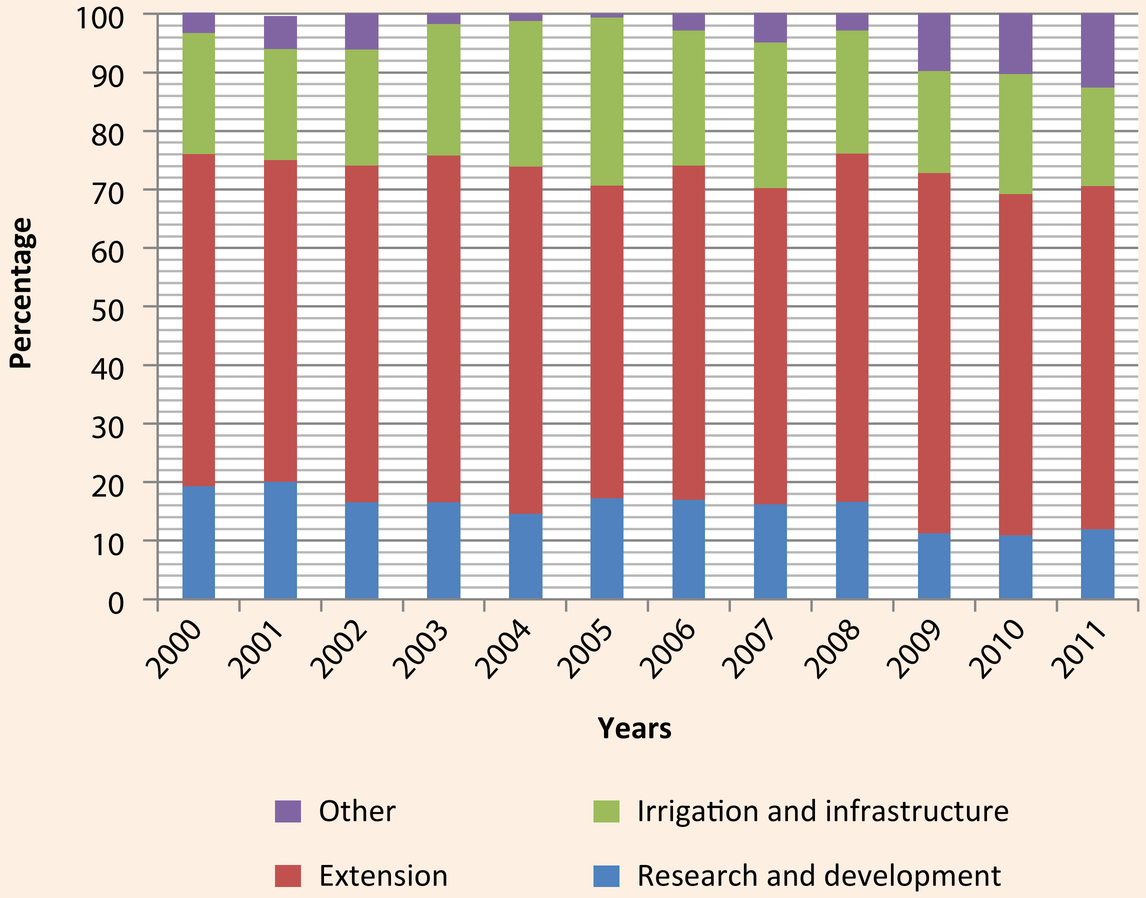
The analysis of the sources of funding depicts that more than 65% of the country's revenue comes from external sources, with the rest being sourced internally. However, in 2010 the SACU receipts fell by 60%, which severely affected the budget allocation. The dip in sugar prices and forest fires in 2008 also dented the contribution of the agriculture sector to the country's revenue.

## TRENDS IN INVESTMENT EXPENDITURE BY THE CORE FUNCTIONS

In Swaziland, the Ministry of Agriculture and Co-operatives (MOAC) has core several functions such as research and development (R&D); extension; irrigation and infrastructure; and others (grants and subsidy payments). Figure 4 shows the levels of agricultural spending by the core government functions over the period 2000 to 2011. The total average annual expenditure from 2000 to 2011 stood at Swazi Emalangeni (SZL) 65.3 million. The extension function had the highest annual average of spending taking 57.9% of the total annual expenditure, followed by irrigation and infrastructure function with 21.8% and R&D function with 14.5%. Other payments had the lowest average annual expenditure with 5.8% (Central Bank of Swaziland 2000 – 2012).

There were notable fluctuations during the period 2000 – 2011. Using the coefficient of variation (CV), the other grants and subsidiary payments (expenditure) had the highest variation (120%), followed by extension, irrigation and infrastructure with 52% collectively and, lastly, research and development (R&D) with 37%. These CVs are a cause for concern, because they imply that Swaziland is inconsistently and scantily accumulating capital overtime, which displays the high volatility of the agriculture sector. The volatility of the sector has a major bearing on the invariability in agricultural productivity and

**Figure 4. Investment expenditure by core functions of the government (2000-2011).**




*Source*: Authors' calculation based on Central Bank of Swaziland (2000/01 – 2012/13)

production. Hence, it may compromise the agriculture sector's ability to abate poverty and hunger.

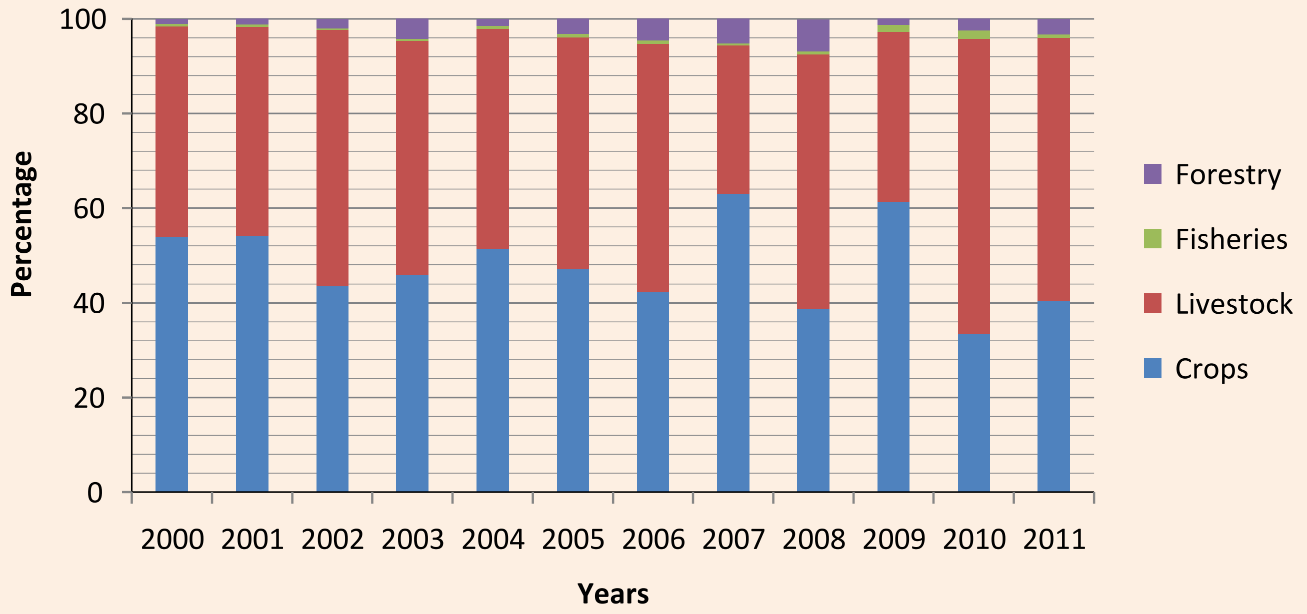
There was a positive expenditure growth on the core functions between 2000 and 2011; where extension expenditure experienced an annual average growth of 11.7%, irrigation and infrastructure grew by 10% and R&D grew by 6.2%. In as much as the government invested more in extension, there is a significant gap (less investment) between extension and R&D. This, however, does not auger well with the development of productivity enhancing technologies required for the forthcoming years. Agriculture research has been found to have the highest returns of any form of agricultural spending in sub-Saharan Africa, when it is combined with goods and extension services (World Bank 2007; Alene and Coulibaly 2009). This, therefore, spells out that the Government of Swaziland needs to increase its expenditure/investment on R&D.

There are four subsectors in the Ministry of Agriculture and Co-operatives (MOAC), and they are also allocated budgets from the ministry. These subsectors are: crops, livestock, fisheries and forestry. In each subsector, the expenditure is broken into four parts; (a) personnel emoluments; (b) goods and services; (c) capital expenditure and; (d) subsidies, grants and social benefits (MOAC 2007). Over the past decade, personnel emoluments had the largest annual average share of 40% of the total agricultural sector expenditure, followed by capital expenditure at 33%, goods and services at 25%, and grants and subsidy payments at 2%. A comparison of the two periods 2000-2003 and 2004-2010, reveals that the annual average share for personnel emoluments and goods and services increased from 36% to 40% and from 21% to 27%, respectively. Over the same periods, the share for capital expenditure decreased from 42% to 30%, while that of grants and subsidy payments increased marginally by 1%. These expenditures reveal that a higher priority is increasingly paid to personnel emoluments and goods and services, while capital expenditure is on the decline in terms of agricultural sector expenditure priorities.

The crops subsector has been dominant with regards to the expenditure/investment apportioned over the period 2000 – 2011 (with an average of 53.9% of the total agriculture expenditure). Livestock is the second leading subsector with 44.5%, while forestry and fisheries are allocated minimal budgets of 1% and 0.6%, respectively. (Central Bank of Swaziland, 2000 – 2012). The rationale behind crops and livestock subsectors predominance is mainly to attain the national goals on food security and poverty reduction, especially among smallholder farmers in the rural settings. Figure 5 depicts the allocations of the expenses among the subsectors.

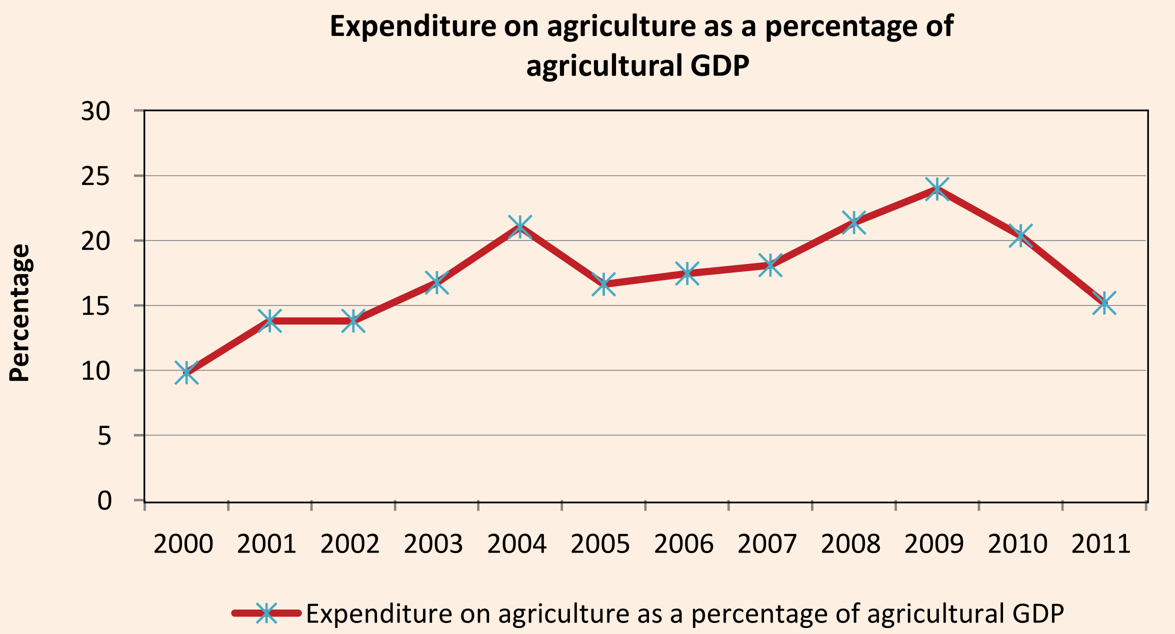
Expenditure on the agriculture sector as a percentage of the agricultural GDP (AgGDP) measures the intensity of government spending on agriculture relative to the size of the sector. Over the period 2000 – 2011 the share of agriculture expenditure in AgGDP ranged between 10% and 36%, with an average of 18%. This performance is illustrated in Figure 6; it is worth noting that Swaziland, over the period of 2000 – 2011, has had a low share of agriculture expenditure averaging only 4.2% from the total expenditure. However, it has had a relatively high average share of 18% when the size of the economy is taken into consideration. This can be explained by the fact that the agriculture sector in the country is very small and, as such, translates into a relatively high share (18%) of agricultural spending in total AgGDP.

**Figure 5. Investment expenditure by subsector of the Ministry of Agriculture and Co-operatives (2000-2011).**




*Source*: Authors' calculation based on Central Bank of Swaziland (2000/01 – 2012/13)

**Figure 6. Expenditure on agriculture as a percentage of AgGDP, 2000-2011**




*Source*: Authors' calculation based on Central Bank of Swaziland (2000/01 – 2012/13)

## CONCLUSION AND POLICY IMPLICATIONS

Swaziland, over the period 2000 – 2011, has not managed to attain the Comprehensive Africa Agriculture Development Program (CAADP) Maputo Declaration target of allocating 10% of the total national expenditure to the agriculture sector. The annual average allocation of the aforesaid period stood around 4%, which is a far cry from the 10% target. This indicates that the country has an uphill challenge in working towards meeting the Maputo Declaration target. Other crucial challenges embattling the Ministry of Agriculture and Co-operatives (MOAC) are the low investments allocated to capital investments and R&D. The repercussion of these challenges is that growth and sustainability of the sector is greatly undermined. As a result, the contribution of the sector to the national GDP is hampered and national targets on food security and poverty are not been met. This situation, therefore, makes it imperative that a resolute call be made for more funds to be disbursed for capital investments and R&D in order to avert the negative effects of these challenges.

However, it is also important to acknowledge that there are some positives in the sector; the MOAC's execution of the budget expenditure was on average above 90% over the 2000 – 2011 period. In some isolated instances the execution rate was above 100%, which was due to the supplementary budget or foreign aid provided on humanitarian grounds (to mitigate the adversities related to droughts and/ or floods).

The agricultural sector had an annual average contribution of 7% to the national GDP from 2000 – 2011. The crops subsector was the largest contributor with over 90%, followed by livestock (6%) and forestry (4%). Conversely, the average annual growth rate of the AgGDP was found to be 4.4% instead of the 6% targeted by the CAADP.

Swaziland has put in place policies and institutions that are meant to stimulate the development of the agricultural sector. Besides the country's own national policies, strategies and programs, Swaziland has fully endorsed the CAADP process and, in fact, has an agreement already in place (since 2010). In addition, Swaziland is also a signatory of the Southern African Development Community's (SADC's) Regional Indicative Strategic Development Plan (RISDP). Despite this fervent enabling environment for the development of the agriculture sector, the country is lagging far behind in meeting the MDG1 by 2015. For example, poverty is estimated to be around 60% in 2015 against the expected target of 30%. It is, therefore, imperative for the country to increase the agriculture share of the budget from the current 4% to 10%, so that all the targets can be attained. It is, however, pivotal to note that this enabling environment for the agricultural sector is compromised by issues linked to governance in the country, which in turn is detrimental to the country's economic growth.

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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**