Using a “traffic light” system, the timeline shows the reader our assessment of the impact of policy actions at a specific time and in a specific context. The impact refers to a country's progress (or regression) within and between the phases of agricultural transformation. Green means the policy action had a positive impact, yellow is an ambiguous impact and red is a negative impact. The traffic light approach is not intended to provide a normative judgment of the policy itself, since the impact of a policy depends on where, when and how it is implemented. Policy actions are organized into four categories: public investments, price interventions, macroeconomic policies and institutional reforms. The assessment is based on quantitative data and over 250 sources of literature. "Find out more" links will take you to a reference for the policy event. To learn more about this project, visit https://iisd.org/agricultural-transformation/

**Zambia: Timeline of Agricultural Transformation, 1960 – 2015**

**PRICE INTERVENTIONS**

**Price Policies and Anti-Agricultural Bias**

**1960 - 1989**

From the 1960s onward, food and agricultural subsidies focused heavily on maize, given the political power of mine worker unions that lobbied for these in response to urban consumers' preference for maize meal, which developed under colonial-era policy (Kean & Wood, 1992). From 1960 to 1990, government support for maize included uniform prices for inputs, uniform crop producer prices and a price differential subsidy (Chizuni, 1994). Local marketing stations were set up in smallholder farmer areas to purchase maize (Jayne et al., 2007). From 1967 to 1985, maize subsidies averaged 70 per cent of the retail price (Kean & Wood, 1992). Because not all of Zambia is ecologically suited to growing maize, this policy created inefficiencies by biasing production toward maize rather than crops for which there might be a comparative advantage, which led to greater insecurity in the nation's food supply. This policy also relatively disadvantaged those farmers located in areas poorly suited for maize cultivation. Uniform maize prices discouraged the private sector from establishing commodity exchanges and other commercial services to reduce marketing risks (Kean & Wood, 1992; Republic of Zambia, 2011). Subsidies and price policies were significant government expenditures and contributed to ongoing debt problems in Zambia (Jansen & Rukovo, 1992).
Subsistence Agriculture
1970 - 2015

BIG PICTURE

Structural Context: Abundant and Fertile Land
1970 - 1984

What pathway should a given country take to best chart its course through agricultural transformation? By understanding the structural context of a country, we can answer this question better. The development transition can be achieved through an emphasis on higher agricultural productivity (the push strategy, because it counts on rural areas driving growth), or through higher productivity in non-agricultural sectors (the pull strategy, because it requires growth in the non-farm economy to pull people out of agriculture); and often a mix of both. To understand the structural context of countries, we clustered countries based on three dimensions: a metric of relative land endowment (abundant/scare), a metric of land fertility (fertile/infertile), and a metric of demographic change to reflect population pressure and to differentiate trajectories based on per capital endowments (low/high birth rates).

BIG PICTURE

Background Note on Transformation Phase
1970 - 1994

GDP per capita declined from USD 1,582 in 1970 to USD 903 in 1994 (World Bank, 2019b).
PUBLIC INVESTMENTS

R&D and Extension Services
1970 - 1989

The 1970s and 1980s saw a donor-supported expansion of the research system in Zambia, particularly the Soils and Crops Research Branch of the Ministry of Agriculture, Food and Fisheries. Several varieties of crops that generated improved yields were introduced from the mid-1970s through to the early 1990s (Elliot & Perrault, 2006; Jayne et al., 2007).

MACROECONOMIC POLICIES

Monetary Policy and Exchange Rates
1975 - 1981

Zambia’s economy is heavily dependent on copper mining, a sector that suffered greatly from the copper price collapse in the mid-1970s. The government turned to international borrowing to support expenditures. By 1982, Zambia owed almost USD 4.5 billion (Jansen & Rukovo, 1992). Combined with an artificially high fixed exchange rate, this caused a foreign exchange shortage that affected access to imported products across the economy, meaning large-scale farmers were not able to buy machinery produced abroad (Kean & Wood, 1992).

PRICE INTERVENTIONS

Price Policies and Anti-Agricultural Bias
1980

In 1980, pricing policies aimed at encouraging commercial farm production sharply pivoted toward policies meant to foster smallholder farmer welfare and prevent excessive profits from large-scale commercial farming. In practice, while this particular policy approach may have promoted the welfare of poorer farmers, it also tended to discourage the growth of medium-scale farming. Furthermore, the lack of policy consistency, as was often the case during this time, may have come with adjustment costs and discouraged investment (Kean & Wood, 1992).
MACROECONOMIC POLICIES

Monetary Policy and Exchange Rates
1982 - 1985

Zambia entered into an agreement with the International Monetary Fund (IMF) in 1982 that involved a series of reforms, including a decrease of the current account deficit and external arrears, the liberalization of domestic prices, the relaxation of interest rates, the devaluation of the country’s currency and the gradual adoption of a flexible exchange rate regime. The economic crisis continued, and in 1985 the government announced further reforms, including completion of the move to a flexible exchange rate set by weekly auctions and a move toward greater control of interest rates by auctioning treasury bills. (Jansen & Rukovo, 1992).

INSTITUTIONAL REFORMS

Land Reform
1985 - 1994

Before 1985, land was traditionally allocated through tribal hierarchies, which is now referred to as “customary” tenure. The Administrative Circular No. 1 of 1985 laid the regulations for a process to obtain government-recognized long-term leases for individuals on customary tenure land. Theoretically, this system would allow smallholder farmers to obtain individual legal recognition of their land capital, which could increase the security of their landholding and unlock their ability to use this asset as collateral for credit. However, the titling process may have been biased toward those with greater financial and social capital, thus adversely affecting the poor and vulnerable while enabling “land-grabbing” by officials and local elites (Adams, 2003).

BIG PICTURE

Structural Context: High Birth Rates and Scarce but Fertile Land
1985 - 2015

What pathway should a given country take to best chart its course through agricultural transformation? By understanding the structural context of a country, we can answer this question better. The development transition can be achieved through an emphasis on higher agricultural productivity (the push strategy, because it counts on rural areas driving growth), or through higher productivity in non-agricultural sectors (the pull strategy, because it requires growth in the non-farm economy to pull people out of agriculture); and often a mix of both. To understand the structural context of countries, we clustered countries based on three dimensions: a metric of relative land endowment (abundant/scarce), a metric of land fertility (fertile/infertile), and a metric of demographic change to reflect population pressure and to differentiate trajectories based on per capital endowments (low/high birth rates).
Price Policies and Anti-Agricultural Bias
1985 - 1989

Problems with the maize marketing and support system emerged in the mid-1980s. Marketing board costs were increasing, while the large costs associated with fertilizer support subsidies were contributing to macroeconomic problems, particularly hyperinflation (Jayne et al., 2007).

Monetary Policy and Exchange Rates
1987 - 1991

Zambia withdrew from its agreement with the IMF in 1987 and implemented its own economic recovery program, including limited debt servicing, fixed interest rates, revaluation of the exchange rate and replacement of exchange auctions with an exchange allocation system, along with a reduction of the money supply (Jansen & Rukovo, 1992). The World Bank suspended lending to Zambia from 1987 to 1991 as its arrears to the Bank accumulated, and amid limited progress in advancing structural adjustment reforms (Elliot & Perrault, 2006).
PUBLIC INVESTMENTS

R&D and Extension Services
1990 - 2007

Bilateral donor support for public research declined in the 1990s, as donors moved to a project-by-project basis or shifted away from support for public institutions. This reduction was not compensated for by an increase in public spending. As a result, research capacity in Zambia fell (Elliot & Perrault, 2006). Since then, government support for research in Zambia has remained low, and principally covers the cost of salaries and daily operations (Jayne et al., 2007).

PRICE INTERVENTIONS

Price Policies and Anti-Agricultural Bias
1990 - 1995

To lower government deficits, reforms began in 1990 aimed at reducing maize input subsidies and government involvement in marketing. These reforms were not politically supported in Zambia, as they conflicted with the government’s goal of supporting smallholder farmers through crop production support. While maize input subsidies were reduced, they were not removed (Jayne et al., 2007).

MACROECONOMIC POLICIES

Monetary Policy and Exchange Rates
1991 - 1993

The government’s move to resume structural adjustment reform efforts in 1991, due partly to domestic leadership changes, had a positive impact on inflation. The structural adjustment package was supervised by the IMF, and focused on reducing government expenditures by ending subsidies, reducing the public workforce, diversifying the economy, and supporting the private sector (Jansen & Rukovo, 1992). Bilateral donors helped address the arrears problem, and the World Bank resumed its lending to Zambia in early 1992. However, the country remained reliant on external funding (Elliot & Perrault, 2006).

BIG PICTURE

Background Note on Transformation Phase
1993 - 2003

Both overall rural poverty and extreme rural poverty declined substantially, but overall rural poverty remained high at 92 per cent in 1993 and 74 per cent in 2003, with a slight uptick from 1996 to 1998. GDP per capita remained low through the 1990s before beginning to grow in the early 2000s, reaching USD 1,018 in 2003 (Jayne et al., 2007; World Bank, 2019b).
MACROECONOMIC POLICIES

Monetary Policy and Exchange Rates
1994 - 2000

Fiscal deficits caused by parastatal losses covered by the government resulted in high inflation, which had a disproportionate impact on the poor. Parastatals have a long history in the Zambian economy, covering manufacturing, services, transport, energy, and other sectors, and were set up through the government. Legislation was then passed in 1992 to begin privatizing commercial parastatals, while efforts also began in the 1990s to reform other parastatals. Budget pressures brought about by the structural adjustment program resulted in cuts to several ministries, including agriculture, transport, energy, and water, and had a negative impact on agricultural spending (Elliot & Perrault, 2006).

MACROECONOMIC POLICIES

Monetary Policy and Exchange Rates
1994 - 2015

In 1994, Zambia removed exchange rate controls and moved back to a floating exchange rate. Because it is a small, undiversified economy with copper accounting for about 70 per cent of exports, Zambia’s transition to a floating exchange rate dictated primarily by market forces has made the country more vulnerable to the volatility of copper prices and other factors. Except for a sharp depreciation of the exchange rate and steep increase in consumer prices in 2015, the central bank has been largely successful in managing exchange rate volatility and keeping prices stable (Roger, Smith, & Morrissey, 2017).

INSTITUTIONAL REFORMS

Land Reform
1995 - 2015

The Lands Act of 1995 was created in response to donor requests to further privatize and deregulate the market for land, with the intention of stimulating investment and agricultural productivity. In practice, the legislation has furthered elites’ advantage and benefits, giving investors, local authorities and government officials leverage but excluding local land users (Nolte, 2014; Brown, 2005). As of 2011, the National Agricultural Policy 2012–2030 reported that only 3 per cent of the country’s 1.5 million smallholder farmers had title deeds, noting that this discourages sustainable, long-term land management approaches and prevents access to loans, for which land can be used as collateral (Republic of Zambia, 2011). The transition to title deeds seems to be used largely by urban income-earners looking for investment, and it has not been accessible to smallholder farmers looking to gain legal security for their land (Sitko & Jayne, 2014).
PRICE INTERVENTIONS

Price Policies and Anti-Agricultural Bias
1996 - 1999

In 1996, the government moved back into marketing boards with the creation of the Food Reserve Agency (FRA), which was initially designed to hold a strategic reserve of grain to limit price volatility (Tembo et al., 2009).

PRICE INTERVENTIONS

Price Policies and Anti-Agricultural Bias
2000 - 2004

By the early 2000s, the FRA’s mandate had expanded and the agency began to distribute fertilizers and set price floors in the maize market by acting as a buyer of last resort. The FRA has not always been successful at maintaining stable prices, in part due to the difficult logistics associated with storing large amounts of grain and a lack of analysis of the agricultural market (Tembo et al., 2009). The Fertilizer Support Program launched in 2002 took over the role of providing subsidized fertilizer to smallholder farmers (World Bank, 2010).

PUBLIC INVESTMENTS

Rural Infrastructure
2001 - 2006

Funding for rural infrastructure has been limited, as the majority of government spending on agriculture was allocated to fertilizer subsidies and the Food Reserve Agency (Govere et al., 2006).

BIG PICTURE

Background Note on Transformation Phase
2004 - 2015

GDP per capita increased substantially from the lows seen in the 1990s to USD 1,618 in 2015. The rural poverty rate remained high, sitting at 76.6 per cent in 2015 (World Bank, 2019b).
PRICE INTERVENTIONS

Price Policies and Anti-Agricultural Bias
2005 - 2009

By 2005, the government had again become one of the largest actors in the maize market. The high level of government spending on purchasing grain and providing subsidized fertilizer meant that a lower portion of the public budget was spent on rural infrastructure and agricultural research. Government expenditures on inputs and marketing have not always benefited farmers and consumers. Most inputs were received late by farmers, with costly implications for yields, and the marketing boards have not always been able to keep foods attainable for consumers (World Bank, 2010; Tembo et al., 2009).

PUBLIC INVESTMENTS

R&D and Extension Services
2008 - 2014

Research spending grew again from 2008 to 2014 due to a large World Bank loan under the Agricultural Productivity Program for Southern Africa, a program aimed at technological dissemination in the Southern African Development Community (SADC), a regional economic community that includes 15 countries, among them Zambia (ASTI, 2017; World Bank, 2019a).

PRICE INTERVENTIONS

Price Policies and Anti-Agricultural Bias
2009 - 2013

The Farmer Input Subsidy Program (FISP) was established in 2009/10 to replace the Fertilizer Support Program (FSP). By 2013, the FISP was providing 51 per cent of fertilizer in the country, up from 19.2 per cent supplied by the FSP in 2002 (Zinnbauer, Mockshell, & Zeller, 2018).
INSTITUTIONAL REFORMS

Credit
2010 - 2011

Historically, smallholder farmers in Zambia have had very little access to finance. Private credit institutions and smallholder farmers faced barriers, such as the high cost of reaching remote farmers, the high risk of agricultural loans, and low borrower knowledge about credit, that curbed any attempts at resolving these access issues. In 2010, the Zambia National Commercial Bank and the Zambia National Farmers Union began implementing a collaboratively designed scheme to enable groups of smallholder farmers to receive a seasonal credit for maize (World Bank, 2012). In 2011, the Ministry of Finance and National Planning was developing a plan for a sustainable rural credit institution (Republic of Zambia, 2011). The government released the Rural Finance Policy and Strategy in 2012 in order to facilitate and coordinate rural financial services. The policy takes a market-based approach to providing rural finance (Republic of Zambia, 2012).
References


