

# Savings, Jobs and Climate Resilience: The Heightened Significance of E-voucher

Jane Zulu | September 2019

# Savings, Jobs and Climate Resilience: The Heightened Significance of E-voucher

PUBLISHED BY  
CUTS International, Lusaka  
Zambia

Email: [lusaka@cuts.org](mailto:lusaka@cuts.org)  
Web: [www.cuts-lusaka.org](http://www.cuts-lusaka.org)

First Published: September 2019

This paper was authored by CUTS Assistant Programmes Officer, Ms Jane Zulu.

The design and layout was done by CUTS Communications & Advocacy Officer, Mr. Njavwa W Simukoko.

Citation: CUTS (2019), 'Savings, Jobs and Climate Resilience: The Heightened Significance of E-voucher', CUTS International, Lusaka.

The material in this publication may be referred to for education or non-profit uses, without special permission from the copyright holders, provided acknowledgment of the source is made.

# Summary

In the 2018/19 farming season, the electronic voucher (e-voucher) was scaled back from 100 per cent rollout to 60 per cent of districts. On 4 August 2019, the Permanent Secretary of the Ministry of Agriculture announced the Government decision to further roll back the e-voucher to just 40 per cent of districts. This was to make sure that there was enough upfront funding available to successfully deliver the e-voucher and ensure that farmers get their inputs on time. While there is a need to ensure that the e-voucher functions effectively, the scale back of the e-voucher coverage this year will have negative consequences.

On the assumption that the identified districts cover 40 per cent of beneficiaries, we have found that this reduction could lead to 4,600 job losses in agro-dealerships and K61.8 million in additional costs from last year. The e-voucher is both a cheaper and more effective means of delivering agricultural subsidies than the alternative traditional Farmer Input Support Program (FISP) also known as Direct Input Supply (DIS). Sufficient planning is needed to ensure that the Government is in a better position to scale up the e-voucher next year, starting with sufficient funds allocated to e-voucher implementation in the 2020 budget.

# Introduction

As Zambia faces high debt levels, slowing economic growth and climate change, we explore the importance of e-voucher as an essential tool for Government to respond to these three key challenges that the country faces and urge Government to commit to the programme for 2019/20 season and beyond. In the 2002-2003 farming season, the Government of Zambia through the Ministry of Agriculture introduced the FISP to enhance the country's food security and address the country's declining crop production.

Its main objectives were to enhance farmers' productivity and end poverty. However, the traditional FISP faced several challenges that limited its effectiveness, with rural poverty remaining at 75 per cent. The e-voucher was introduced as a laudable and ambitious policy reform to address the failure of traditional FISP to lift smallholder farmers out of poverty by providing them with choice over inputs so that they can diversify and grow the produce that works better for them.

In the 2018-19 season, the e-voucher was scaled back from 100 per cent rollout to 60 per cent of districts. As the Government takes the decision on proportion of e-voucher to traditional FISP, this brief argues that the benefits of the programme will go beyond an improved delivery of inputs and is a key tool to address the key challenges the country is facing like high debt levels, economic slowdown and poor rains.

Firstly, committing to the e-voucher will demonstrate commitment to fiscal consolidation, saving scarce resources in the delivery of agricultural subsidies and sending an important signal to the IMF and other investors that the Government is serious about addressing the high debt levels that are already impacting the economy.

Secondly, the e-voucher has created jobs in the private sector: at 100 per cent rollout, the programme had created 23,000 jobs in agro-dealerships, with more created throughout the delivery chain. These jobs are an important contribution in meeting Government's objective to create one million jobs, and are even more significant in a period of economic slowdown, during which businesses have reported laying off workers in five of the six months up to June this year.

## The Benefits of E-voucher on Employment

Unemployment remains a huge challenge in Zambia. According to the Labour Force Survey, youths account for two-thirds of the working population and at present one quarter are unemployed.

The Government has the ambition of providing one million jobs in Zambia and one of the Seventh National Development Plan's strategic focus is based on economic transformation for job creation, therefore, the e-voucher system is positioned to help achieve this target.

Moreover, achieving this objective has become more difficult during a period of economic slowdown (which is inextricable from Zambia's debt position): the IMF has projected growth of 2.3 per cent, a rate too low to achieve meaningful poverty reduction, with businesses already reporting job losses this year.

During the full rollout of the e-voucher in the 2017-18 season, 5,800 agro-dealers took on the procurement, storage and distribution inputs from Government, creating 23,000 jobs. Other than the agro-dealer jobs, the e-voucher creates a number of spillover skilled and unskilled job opportunities in marketing, sales, cashiers, drivers, security and casual labour.

However, scaling back the e-voucher by 40 per cent in the last season created job losses, with one sub-regional agro-dealer association estimating that this came to 2,000 jobs in the province alone. Using the 23,000 figure we have provided a rough estimate of the number of direct agro-dealer jobs participating in e-voucher can create and the number of jobs lost from scaling back from 100 per cent e-voucher in 2017/18.

	E-voucher jobs	Job losses (from 100%)
100% e-voucher	23,000	-
80% e-voucher	18,400	4,600
60% e-voucher	13,800	9,200
40% e-voucher	9,200	13,800
20% e-voucher	4,600	18,400
0% e-voucher	-	23,000

Firstly, with the economic slowdown making Government's ambition to create 1 million jobs more difficult, the e-voucher can play a role in stimulating rural markets with, at its peak, 23,000 direct jobs created in agro-dealers and more along the delivery chain.

On the other hand, scaling down the e-voucher by just 20 per cent could mean 4,600 job losses. Committing to the e-voucher means protecting these jobs and expanding it means returning to the previous high of 23,000 Zambians employed in agro-dealerships across the country.

# Crop Diversification and Climate Change

By providing farmers with choice over their inputs, the e-voucher supports the Government's ambition of crop diversification as an important component of achieving food and nutrition security, reducing poverty and agricultural transformation among smallholder farmers. Poor rains this year have created new urgency to move Zambia's smallholder farmers away from maize.

Zambia is vulnerable to climate change irregularity. In the last few years the country has recorded an increase in temperature and reduced rainfall. Last year's poor rains resulted in low maize yields, with small and medium scale yields falling from 1.68 to 1.24 metric tonnes per hectare, reducing the amount of maize farmers can take to market, particularly with a devastating impact in the south, which experienced a drought. Further to this, the frequency of occurrences of drought, extreme temperatures, dry spells, seasonal floods and flush flood is likely to intensify, and their magnitude increase. This is particularly bad for Zambia as rainfed agriculture remains the dominant source of water for food production and most of the rural population in Zambia.

The Disaster Management and Mitigation Unit says that the country will experience droughts this season, therefore, there is need to ensure that farmers have access to climate resilient crops. The e-voucher offers the benefit of crop variety, including resilient seeds or moving into fisheries or livestock, which lessens the risk of crop failure and helps farmers deal with the sporadic climate change.

It is imperative that the e-voucher should be implemented in areas where we are likely to see drought. The e-voucher can be seen as mitigating strategy that ensures that the climate change does not affect the food security of the country at national and household level.

Finally, poor rainfall of 2019/20 and its impact on economic growth and food security has demonstrated the significance of climate change on rural communities and the country as a whole, with small and medium farmers experiencing a 25 per cent drop in yields. This threat makes it even more important for farmers to pursue climate-smart agriculture and diversify their produce through the e-voucher.

Therefore, it is imperative that the Government commit to maintaining the e-voucher for 60 per cent of districts at the very least during the upcoming agricultural season and scale back to 100 per cent the following season in order to continue progress in addressing rural poverty and food security, as well as address the three key challenges of debt, growth and climate change.

# E-voucher Impacts on Government Finances

In recent years, the country's high capital investment, high debt servicing cost, and large wage bill have contributed to Zambia's growing fiscal deficit and unsustainable debt levels. At present, Zambia's external debt stands at over US\$10 billion and domestic debt at over K60 billion. As such, the current total debt is above the recommended 70 per cent of GDP threshold as provided by the IMF, meaning the country is considered at high risk of debt distress. Zambia is already experiencing the negative effects of high debt levels, particularly with the crowding out of social spending by debt servicing, which is budgeted to take up one in four kwacha of public expenditure this year.

In an effort to restore macroeconomic stability, the Government introduced austerity measures, which the new finance minister has reiterated in his Budget 2020. These measures are not only important for achieving the fiscal fitness necessary to invigorate economic growth but agreeing an IMF deal that can accelerate the country's path to debt sustainability by demonstrating the necessary commitment to engage with the IMF.

Considering that the FISP is one of the agriculture sector's biggest programmes accounting for over a fifth of total agriculture spending (about K1.4 billion of K5 billion) the programme's delivery must be undertaken in the most efficient way possible, through the e-voucher.

According to a research by the Indaba Agricultural Policy Research Institute (IAPRI), it costs the Government K1 748 to support a farmer under the e-voucher programme, compared to K2 057 to support a farmer under the traditional FISP as the private sector takes on the costs of delivering the subsidy. This means that the cost per farmer for the e-voucher is about 15 per cent less than the traditional subsidy. If the Government supports 1 million farmers 100 per cent through the e-voucher programme, it can save in excess of K300 million.

As we draw towards the next farming season, it is not clear yet how the Ministry of Agriculture will distribute the FISP programme between the e-voucher and the DIS. Using figures as provided by IAPRI, below is a table of what the cost of supporting FISP farmers under each programme may look like depending on the breakdown.

## Cost of Supporting FISP Farmers Under Each Programme

	E-voucher cost	DIS cost	Total Cost
100% e-voucher	K1 748 000 000	-	K1 748 000 000
80% e-voucher	K1 398 400 000	K411 400 000	K1 809 800 000
60% e-voucher	K1 048 800 000	K822 800 000	K1 871 600 000
40% e-voucher	K699 200 000	K1 234 200 000	K1 933 400 000
20% e-voucher	K349 600 000	K1 645 600 000	K1 995 200 000
0% e-voucher	-	K2 057 000 000	K 2 057 000 000

Based on the table above it is, therefore, clear that the e-voucher is more cost-effective than the DIS and that any move to scale back the e-voucher further will incur fiscal costs. For example, reducing the e-voucher by just 20 per cent would cost the Treasury K61.8 million, equivalent to nearly 10 per cent social cash transfer programme and over half of the food security pack budgets for 2019. In a world of difficult decisions, it is clear that the e-voucher provides a rare opportunity to improve service delivery and reduce public expenditure under the Government's austerity programme.

## Conclusion

While indeed the e-voucher programme faced a number of implementation challenges during the 2018-2019 farming season, namely delays in Government funding resulting in late distribution of e-cards; poor internet connectivity and poor flow of beneficiary information, the e-voucher system remains the better policy option for the country in light of its positive impact on Government finances, employment, combatting climate change and contributing to the country's diversification agenda.

Against these benefits is imperative that rather than scale back the e-voucher programme, the Government should focus on addressing the e-voucher's implementation challenges rather than scale back to the DIS. Progress has already been made in improving ZIAMIS and connectivity issues. To ease liquidity and ensure timely payment of agro-dealers, Government can ringfence farmers' contribution to the scheme, which amounts to K300,000,000, for the initial payments to agro-dealers.


It is important for the Government to recognise the importance of the programme to address the key challenges the country is currently facing. The e-voucher makes fiscal savings and demonstrates commitment to address debt levels to the IMF, donors and investors; creates job during a period of layoffs caused by the economic slowdown; and promotes resilience in farmers as climate change transforms rural livelihoods. The importance of the e-voucher has only grown. Now is the time to make it work.

**Consumer Unity & Trust Society  
CUTS Lusaka**

**We're Here**

**CUTS International, Lusaka  
Plot No 406 Kudu Rd, Kabulonga, Lusaka  
Copyright 2019 - CUTS. All rights reserved**

 **@CUTS\_Lusaka**

 **www.cuts-lusaka.org**

 **@CUTSLusaka**