Political Economy Challenges of Input Subsidy Programs in Sub-Saharan Africa

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3 issues

1. How did we get from 1995 to 2015?
   • over $1.05 billion per year in 7 countries alone?

2. What have we learned?

3. Why has technical analysis not been more convincing?
I. How did we get to where we are now in 2015?

1. Budget constraint relaxed
   - HIPC / shift from conditionality to budget support

2. Multi-party democracies / populist ag policies

3. “Malawi miracle”
   - NYT David and Goliath story
   - Effective PR by the advocates

4. Rise in global food prices since 2007
   - Shift in WB position – support for “smart” subsidy programs
     - WB and other basket donors financed most African countries with the biggest ISPs
II. What have we learned?

1. There is a role for ISPs in most SSA countries: true or false
4 questions

1. There is a role for ISPs in most SSA countries:
   true: 69%
2. Do you feel that ISPs in most SSA countries need:
   A: no changes to design
   B: small tweaks
   C: major reforms/improvements
   D: should be discontinued
2. Do you feel that ISPs in most SSA countries need:
   A: no changes to design: 0%
   B: small tweaks: 4%
   C: major reforms/improvements: 81%
   D: should be discontinued: 15%
3. What should be the primary rationale for input subsidy programs:
   A: Increasing food supplies / food self-sufficiency
   B: Poverty reduction
   C: Dynamic economic growth
   D: Others
3. What should be the primary rationale for input subsidy programs:
   A: Increasing food supplies / self-sufficiency: 27%
   B: Poverty reduction: 12%
   C: Dynamic economic growth: 38%
   D: Other: 23%
4. Do you feel that ISPs in SSA should be:
   A: Scaled up?
   B: Are at about the right level of expenditure
   C: Should be downsized
4. Do you feel that ISPs in SSA should be:
   A: Scaled up? 8%
   B: Are at about the right level of expenditure: 0%
   C: Should be downsized: 92%
Summary of evidence:

1. Significant effects on food production
2. Small / transitory effects on hh incomes
3. Little effect on food prices
4. Spending a large share of the ag budget on ISPs may not be the most effective way to promote the welfare of its citizens, but it is a highly demonstrable way to do so
5. “Smart subsidies” has to be more than a slogan
6. Effectiveness of ISPs requires major synergistic public investment in R&D, extension programs
III. Why are policy makers not more interested in the research evidence?

1. Mistrust of foreign technical assistance
   • USA / EU countries heavily subsidize...why shouldn’t we?

2. Local policy analysts can be accused of being “unpatriotic”
   • Self-censorship?
Bottom line for this symposium:

• Limited incentive *so far* for governments to agree to governance reforms
  • Very different ag policy environment between 1995 and 2015

• Where will the impetus for governance reform come from?
  1. Well educated local polity
  2. Promote mainstream debate
  3. Strengthen African policy analysis units / civil society