Input Subsidy Programs in Sub-Saharan Africa

T.S. Jayne, Michigan State University

Policy Seminar
IFPRI, Washington DC
April 18, 2013
Context for this seminar

• 10 years ago, input subsidy programs (ISPs) were out of favor – very few in Sub-Saharan Africa

• ISP expenditures is SSA now account for over US$2.0 billion per year

• How did we get to where we are now in 2013?
How did ISPs go from “bust” in early 2000s to “boom” in 2013?

1. HIPC
2. Shift from conditionality to budget support
3. Malawi miracle -- “...simply by ignoring the experts”
4. Rise in global food prices since 2007
5. Shift in WB position – support for “smart” subsidy programs

• WB and other basket donors now financing most of the 7 countries with the biggest ISPs in SSA
4 questions

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

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
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
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: 0%
   B: small tweaks: 4%
   C: major reforms/improvements: 81%
   D: should be discontinued: 15%
4 questions

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
4 questions

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 questions

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%
Emerging consensus of workshop participants

1. 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.
Emerging consensus of workshop participants

2. ISPs are a powerful tool to quickly raise food production.

3. But if they account for too large a share of agricultural spending, they can crowd out other public investments required for sustainable development.
Emerging consensus of workshop participants

4. Focus on making inputs profitable / sustainable use:

*Profitable use* = major drivers:

- crop response rates
- output price
- input prices
Variation in farmers’ efficiency of fertilizer use on maize, Agroecological Zone IIa, Zambia

Note: Zone IIa is a relatively high-potential zone suitable for intensive maize production
Emerging consensus of workshop participants

4. Focus on making inputs profitable / sustainable use:

**Profitable use** = major drivers:
- crop response rates
- output price
- input prices

.....Underlying investments in R&D, extension programs, infrastructure, etc.
Public spending on agriculture, 2010

- FRA: 61%
- FISP: 30%
- Other: 9%

Source: Min. Finance Yellow book
Public spending on agriculture, 2010

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Input subsidy program

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- Seed improvement
- Farm extension / training programs
- Irrigation systems
- Responding to climate change
- Policy analysis
- Rural electrification
- Road-rail-port infrastructure
- Land grant university system

Source: Min. Finance Yellow book
Question:

- Given that ISPs will continue, what concrete guidance can be identified to improve their effectiveness?
Proposal 1: Raise public investment in agronomic research and extension programs to enable farmers to use fertilizer more efficiently
Proposal 2: Reconsider targeting guidelines to achieve more equitable development impacts
### FISP fertiliser received (2010/11 crop season) and expected maize sales, 2011, by farm size category

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<th>Farm size (ha)</th>
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<td>0-0.99</td>
<td>3.73</td>
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Sources: Burke et al. (2012a), Ricker-Gilbert et al.
Proposal 2: reconsider targeting guidelines and monitoring
Conclusions
Conclusions

1. ISPs would be more effective if adequate resources were allocated to complementary public investments

2. More balanced public expenditure patterns could more effectively promote national policy objectives

3. There are concrete steps for improving ISP effectiveness

4. Q for group discussion: how to communicate these messages effectively to governments?
Thank You