Input Subsector Policies to Support Scaling Up of Technology Adoption in Africa

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What do we mean by policy?

Development of successful policies is part of the vertical scaling up dimension in Johannes Linn’s presentation

• Formal definition:

“Policy consists of laws, treaties, regulations, statements, administrative actions and funding priorities. Policy includes the approaches, implementation processes and activities that guide government actions and enforcement.”

• Informal definition:

Rules of the game that establish who can do what and subject to what conditions
Why do input policies matter?

• Input policies matter if they drive up costs or risks for the end user
  – Errors of commission: disenabling policies and/or poor implementation that drive up costs in the input supply chain
  – Errors of omission: lack of enabling policies and/or poor implementation to drive down costs in the input supply chain

• Especially important for input value chains because the concentrated sales period and long production to market cycle increase risk for private sector actors
Agricultural Intensification: Determinants and Impacts

**Effects on national income** (economic net benefits)

**Effects on government budget**

**Effects on environment**

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**REVENUES**

\[ \text{Yield} \times \text{Price} \]

**COSTS**

\[ - \text{Seed} - \text{Fertilizer} - \text{Labor} - \text{Other} - \text{Costs of supply} \]

\[ - \text{Input production costs} - \text{Import policies/practices} \]

**NET RETURNS**

\[ \text{Yield} \times \text{Price} - \text{Seed} - \text{Fertilizer} - \text{Labor} - \text{Other} - \text{Costs of supply} \]

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- Credit
- Risk mitigation
- Extension

Physical environment

Research and development

Potential demand

- Transport costs
- Size of market (economies of scale)

Output markets

Farmer practices

- Credit
- Risk mitigation
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- Farmer practices

- Credit
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- Physical environment

- Research and development

- Potential demand

- Transport costs
- Size of market (economies of scale)

- Output markets

- REVENUES

- COSTS

- NET RETURNS
Agricultural Intensification: Determinants and Impacts

- Credit
- Risk mitigation
- Extension

Farmer practices

- Physical environment
- Potential demand
- Research and development
- Output markets

REVENUES = Yield \times Price

- Costs

COSTS = Seed
Fertilizer
Labor
Other

- Costs of supply

NET RETURNS = Effects on national income
(economic net benefits)

Effects on government budget

Effects on environment

- Transport costs
- Size of market (economies of scale)
- Input production costs
- Import policies/practices
- Transport costs
- Size of market (economies of scale)
- Input production costs
- Import policies/practices
What do we mean by successful input policy?

“Successful policies lead ultimately to significantly greater numbers of smallholder farmers benefitting in visible ways from access to and use of high quality seed and fertilizer, in ways that maximize the impact of scarce government resources and that maximize use of private sector for purposes of sustainability, innovation, and saving government resources”
Identifying input policy constraints

• For each input value chain function (import/export, manufacture/multiply, quality control, registration/licensing, distribution..)
  – Are the policies / regulations clear (in terms of roles and responsibilities), constructive, and implementable at reasonable cost for all players?
  – Do the players have the capacity and incentives to implement (comply with / enforce) at reasonable cost?
Identifying policy system constraints

• Key to identifying and resolving policy system constraints is a stakeholder group that meets criteria for an effective policy process (FtF policy guide):
  • Inclusive
  • Transparent
  • Clear objectives
  • Evidence based (able to diagnose constraints)
  • Prioritized agenda (focused on critical constraints)
  • Effective (able to implement change)
  • Mutual accountability