



INTERNATIONAL FOOD
POLICY RESEARCH INSTITUTE
sustainable solutions for ending hunger and poverty

Input Subsidy Programs in sub-Saharan Africa

Shahidur Rashid, IFPRI

INPUT SUBSIDY PROGRAM IN SUB-SAHARAN AFRICA

16 APRIL 2013

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

WASHINGTON DC 20006

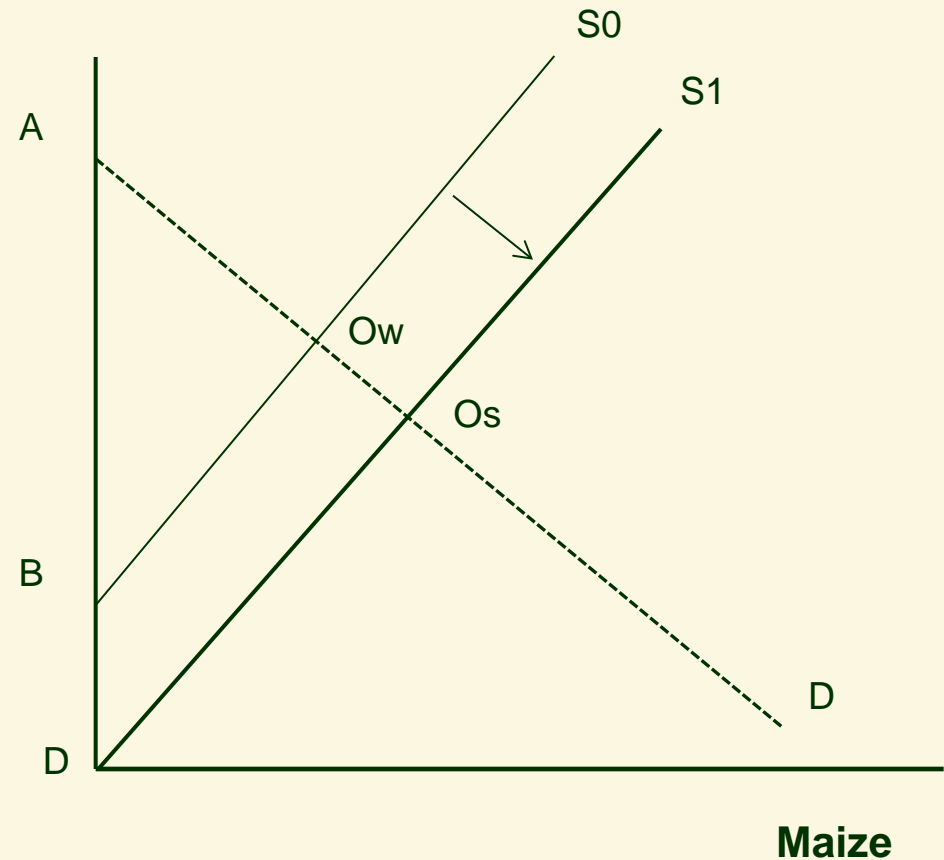
Policy rationale for subsidy (1)

- In a recent FAO report, an expert on Malawi subsidies made the following two arguments justifying subsidies:
 1. A fertilizer subsidy is justified by the *affordability* argument because most small farmers cannot afford to buy them
 2. A fertilizer subsidy on Maize is welfare ***enhancing***

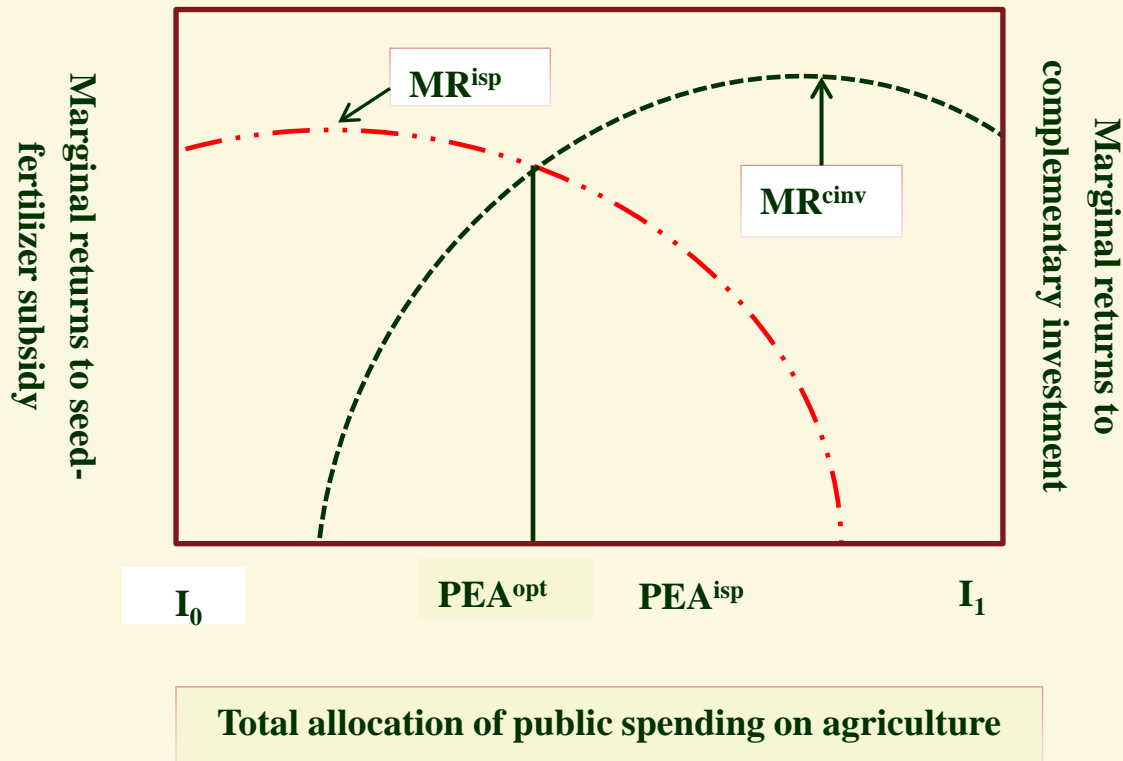
Policy rationale for subsidy (2)

Fertilizer subsidy is welfare improving because:

- Every household has their own supply and demand curves for maize, with total surplus (consumers + producers) = AO_wB
- Subsidies increase production, shifting home supply curve to the right.
- So, the new surplus = $AO_sD > AO_wB \rightarrow$ fertilizer subsidy for maize is *welfare improving*



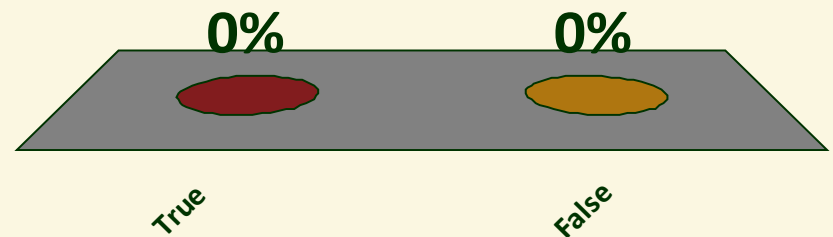
If subsidy is justified, how should government allocate funds?



There is an important role for Input Subsidy Programs in most SSA countries.

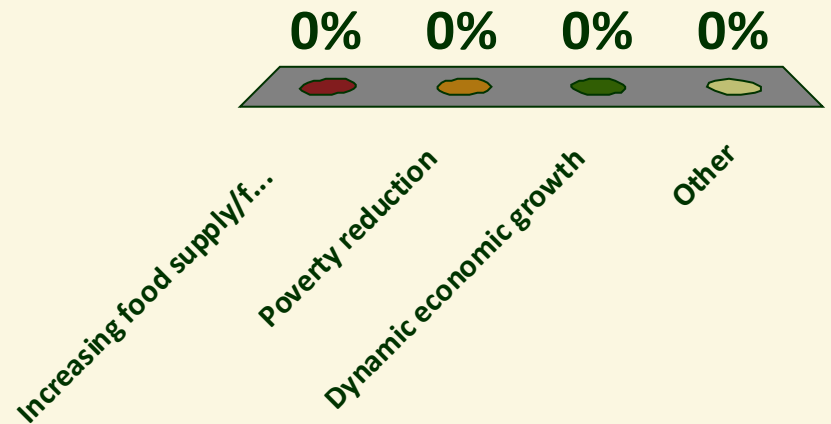
A. True

B. False



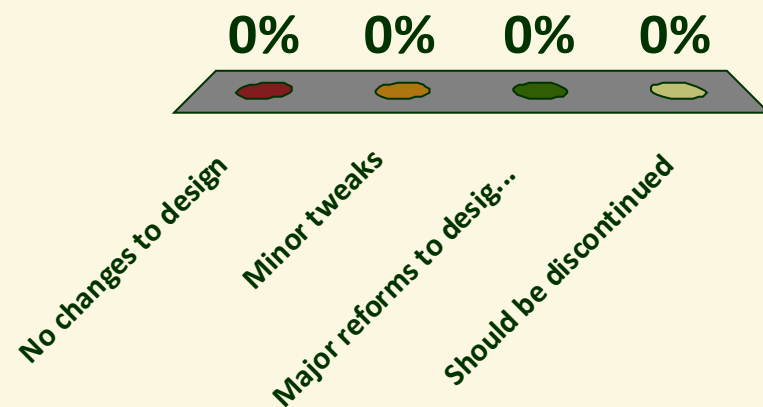
What should be the primary rationale for input subsidy programs?

- A. Increasing food supply/food self-sufficiency
- B. Poverty reduction
- C. Dynamic economic growth
- D. Other



What do you feel that the current generation of “smart” ISPs in sub-Saharan Africa need?

- A. No changes to design
- B. Minor tweaks
- C. Major reforms to design and/or implementation
- D. Should be discontinued



Given current expenditures on ISP in Sub-Saharan Africa, do you feel that ISPs...

- A. Should be scaled up
- B. Are at about the right level of expenditure
- C. Should be downsized

