



# FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative



# KEY PRINCIPLES FOR SMART FERTILIZER SUBSIDY PROGRAMS



2020 EDITION



**USAID**  
FROM THE AMERICAN PEOPLE



# KEY PRINCIPLES FOR SMART FERTILIZER SUBSIDY PROGRAMS

Most West African countries have been implementing fertilizer subsidy programs for many years, but no credible evidence exists to show that these programs have brought about significant or sustained changes leading to the attainment of their set objectives. Fertilizer use levels in West Africa, estimated around 12 kg of nutrient per hectare, remain far below the 50kg/ha objective of the 2006 Abuja Declaration set for 2015. Growth in crop productivity yields and production has been sluggish. Food insecurity and poverty still affect millions of people, especially in rural areas. National fertilizer subsidy programs are very diverse across countries and, above all, costly in terms of scarce public resources used to implement high subsidy rates (40-50%), which almost coincide with the share of in-country costs of the total costs of procuring fertilizers from source to the domestic end users (IFDC, 2016).

The Economic Community of West African States (ECOWAS) has expressed concern about the poor performance of fertilizer subsidy programs in the region and stated the need, in its new Regional Agricultural Investment Program for Food Security and Nutrition (RAIPFSN, 2016 – 2020), to harmonize input subsidy policies across Member States in an attempt to improve their effectiveness. One of its main technical partners, the International Fertilizer Development Center (IFDC), has echoed this call and has conducted activities under its USAID-funded West Africa Fertilizer Program (WAFP, which ended on July 31, 2017) to review current fertilizer subsidy programs and make recommendations for their improvement.

The review exercise resulted in the development of 13 key principles and 36 associated actions that provide tested, mutually agreed, and validated guidelines to countries across the ECOWAS region for designing and implementing “smart” fertilizer subsidy programs. This guide will almost certainly be applicable to other agricultural inputs and its effective use is expected to bring about significant changes in fertilizer use, crop yields, and agricultural growth, hence contributing to improve food security and reduced poverty across West Africa.

Each principle has one or more proposed actions to fulfil its goal. Below are the 13 guiding principles, each followed by proposed actions on how to apply them.

# PRINCIPLES & ACTIONS

## INCLUSIVE PARTICIPATION

Promote private sector development and participation.

1. Involve key stakeholders during the design of subsidy programs (public-private partnership).
2. Consult with all major actors or stakeholders during implementation to document challenges that arise and their potential solutions as the process evolves.
3. Promote private sector participation by making it easy to register<sup>1</sup> as a business and building their capacity.

<sup>1</sup> In application of Article 1 (defining fertilizer 'distributor' and 'licensing') and Articles 11, 12, 13 and 14 (relative to functions of fertilizer producer, importer and distributor) of ECOWAS Regulation C/REG.13/12/12.



Retailers verifying the authenticity of vouchers (Niger).

## SPECIALIZATION

Roles of all participating actors should be defined and assigned on the basis of specialization and comparative advantage to achieve complementary and exploit potential synergies.

4. Focus Government interventions on the sovereign roles of the State related to creating an enabling environment, setting relevant policy and regulatory frameworks, and coordinating program implementation.
5. Establish regular consultation forums with countries with common land borders to avoid adverse effects resulting from subsidy program implementation (e.g. subsidized fertilizer sold across borders for profit due to differences in prices resulting from different subsidy rates).
6. Leave production, importation and distribution of fertilizers to the private sector.

## FAIR COMPETITION

Promote competition between private suppliers in order to drive down costs of delivering subsidized fertilizer and increase quality of services provided to farmers.

7. Establish fair, objective and transparent selection system (tender).
8. Eliminate any barriers to entry into market by new fertilizer businesses.
9. Design a tender selection process that incentivizes the development of West Africa suppliers (subregional, national and local) in a sustainable manner.

*Offloading of bulk fertilizers in Abidjan port (Côte d'Ivoire).*



*Photo by Mr. Malick Niang (ETG/WAFI)*

## EFFICIENCY

Use economic efficiency (cost reduction, profitability, economies of scale, etc.) as the basis for fertilizer promotion efforts.

10. Favor market-based solutions that do not undermine incentives and initiatives for private investment.
11. Encourage linking delivery of subsidized fertilizers with the more efficient fertilizer and other input delivery systems associated with cash crops (cotton, cocoa, oil palm, coffee, etc.), so that (i) cash crop producers also receive fertilizer/inputs for their food crops and do not use those intended for cash crops, and (ii) other nearby subsidy beneficiaries receive fertilizers at the lowest cost, ensuring higher productivity for all crops
12. Establish results/performance-based and annually assessed multi-year contracts with selected suppliers to ensure timely fertilizer production, importation and distribution at affordable costs.



AgriPME electronic wallet system (Togo).

# FeedtheFuture.gov

*This publication on the Regional Fertilizer Subsidy Program Guide was prepared by the Feed the Future Enhancing Growth through Regional Agricultural Input Systems (EnGRAIS) Project for West Africa, the successor to the WAFFP, and the Senegal Dundël Suuf Project.*



**USAID**  
FROM THE AMERICAN PEOPLE



## TARGETING

Improve targeting by using an inclusive mechanism/approach involving village communities, local administration and authorities, farmer organizations, including those of women, that ensures right beneficiaries (producers, geographic areas, and crops) are properly identified and effectively reached.

- 13.** Give priority to/target farmers not using fertilizers currently but having the potential to increase their production and incomes if they do use them, the most vulnerable producers and crop value chains that have high potential to contribute to growth or food security goals. Reliable agricultural census data may be necessary to ensure and facilitate accurate targeting.
- 14.** Avoid/minimize displacement of commercial sales (crowding out) by subsidized fertilizers that distort fertilizer markets. Avoid areas with already well established and functioning commercial private sector channels for fertilizer.
- 15.** Avoid providing subsidy to areas with proven low fertilizer response rates.
- 16.** Use voucher systems and other ICT tools to reach proper targets through private sector participation.

*Farmers waiting to register and buy PFJ subsidized fertilizers at an agro dealer's shop in Damongo (Ghana).*



*Photo by MoFA (Crop Services Directorate)*

*Beneficiaries paying for the non-subsidized portion of the fertilizer price (Niger).*



*Photo by the PARSEN project*

## TRANSPARENCY

Ensure transparency in overall targeting and distribution system.

17. Monitor field distribution of subsidized product with the involvement of village communities, local administration, representatives of target farmers: compared to the current mainly manual systems, many new ICT-based ones can more easily and better track field delivery of products to targeted producers, if properly implemented and adapted.

## TIMELINESS

Rigorously plan and implement program early enough to avoid delays in timely delivery of subsidized fertilizers at affordable costs, to reduce uncertainty and unpredictability with subsidy programs.

18. Plan ahead the full program based on the crop calendar, and not on, as is often the case, political considerations, and respect and enforce deadlines from program design to implementation. The early adoption of natural budget, including that of agriculture, is a favorable step.
19. Publish information on subsidy timing, amounts of fertilizers, and subsidy rates to be adopted well ahead of the season; publish delivery dates and time in advance of the season.
20. Clearly state and announce tender process and rules early enough, especially announcement of subsidy program details well before planting time.



Example of a fertilizer voucher used in the pilot program.

## APPROPRIATE & QUALITY PRODUCTS

The formulations and quality of subsidized fertilizer should meet requirements established by the relevant research recommendations and regional fertilizer regulations, respectively.

- 21.** Ensure that the most updated fertilizer recommendations by crop and agro-ecological zone exist for areas where the program will operate and that the existing fertilizer private sector can produce/procure appropriate formulations before tendering for fertilizers to be furnished by the program. Support for the development of soil fertility<sup>2</sup> and fertilizer recommendation<sup>3</sup> maps is necessary to determine these formulations.
- 22.** Put in place conditions for adopting and enforcing ECOWAS fertilizer regulations so that subsidized fertilizers meet quality (types, formations, weight, labelling, etc.) specifications.
- 23.** Encourage balanced nutrition including micronutrients as reflected in the products that are imported and/or blended for subsidy.

## PROPER INCENTIVES

Favor market-based measures that do not undermine incentives to private sector investments. For example, delayed payment to suppliers affects i) private sector investment in markets, ii) farmer participation in fertilizer markets and hence iii) yields and area planted.

- 24.** Consider options, including guarantee funds, to avoid late payment to importers/distributors of the subsidized portions of the fertilizer prices.
- 25.** Establish an “escrow” account where funds are set aside before the season strictly to be used to pay importers and distributors in a timely manner; these funds should be protected from withdrawal other than for the intended purpose.
- 26.** Use IT to better track allocated fertilizer to ensure it goes to intended beneficiaries, for real time verification, reconciliation and reporting of sales by distributors so that payment can be made on time to suppliers.

<sup>2</sup> *cf. ongoing initiatives in some countries in the region with AGRA, OCP, etc.*

<sup>3</sup> *For example, the fertilizer recommendations in West Africa map or FerWAM (IFDC WAFP).*

## COMPLEMENTARY INPUTS

Promote fertilizer product as part of a wider strategy that includes complementary inputs (and strengthening of markets).

27. Associate fertilizer with appropriate complementary inputs (seeds, equipment, irrigation, integrated soil fertility management [ISFM], etc.) in a package to be promoted, along with provision of proper information and training.



Loading of fertilizers from an agro dealer's warehouse (Burkina Faso).

## EXIT STRATEGY

Devise a clear exit strategy to limit the duration of public fertilizer subsidy interventions.

- 28.** Embed clear time and objective-bound exit strategy that gradually moves the program from current to future beneficiaries (producers, areas, crops) in real need for subsidy until the program is completely phased out, since public funds are limited and have competing needs.

## SUSTAINABILITY

To emphasize sustainability of gains in input use and crop yields as the goal when designing the program, tie it to other public investments to support current beneficiaries and product suppliers.

- 29.** Link program to public investments that:
  - ▶ Ensure access to other yield-enhancing inputs and research and advisory services that maximize the efficiency and profitability of fertilizer use;
  - ▶ Encourage saving schemes, and remove barriers to access finances/loans by input dealers; and
  - ▶ Improve physical infrastructure (irrigation, transport, storage, processing, and marketing) that increases the profitability of fertilizer distribution and use and adds value to farm produce.
- 30.** Fund program with domestic resources to improve efficiency and encourage phasing out and eliminating unneeded subsidy programs.
- 31.** Encourage increased participation of private sector in subsidy programs to strengthen and ensure sustainability of input procurement and delivery systems.
- 32.** Ensure that government provides regulatory and quality control oversight.
- 33.** Encourage development/strengthening of regional (ECOWAS) market for both produce and inputs.

## ACCOUNTABILITY

Impacts of the use of public resources in subsidy program should be objectively and rigorously studied and established.

- 34.** Establish regularly updated farmer/crop databases from reliable agricultural censuses and continuous farm surveys.
- 35.** Monitor program for reliable and accessible data on the basis of specific indicator variables.
- 36.** Conduct evaluations of entire program after each season to gather lessons learned for improvement; possibly establish an independent technical committee involving the public and private sector and the civil society to carry out the impact assessment studies. This will assess performance/impacts against measurable benchmarks (productivity, adoption, private sector involvement, efficiency, etc.). M&E or cost-benefit analysis will reveal the true costs of subsidy and deter over-invoicing on procurement, transport etc. This exercise may lead to encourage private sector participation especially if public funds are limited or constrained.

---

## CONTACT

For further information, please contact:

**Mr. Alain Sy TRAORE**

Director, Agriculture & Rural Development  
ECOWAS Commission

Email: [atraore@ecowas.int](mailto:atraore@ecowas.int)