

DESIGNING INPUT SUBSIDY PROGRAMS TO BOOST AGRICULTURAL PRODUCTIVITY



THE CHALLENGE:

Input subsidies are widely used to promote adoption of improved agricultural technologies. When well designed, they help farmers overcome liquidity constraints, experiment with new inputs, and increase productivity. But they have large fiscal implications and may generate market distortions.

KEY Components of Effective Subsidy Programs

When to subsidize? Target technologies that are locally proven, profitable, and under-adopted.

How to deliver subsidies? Well-designed input subsidies are digital, flexible, and private-sector driven.



Digital:

Digital platforms reduce leakage, improves targeting, and enables co-payments that crowd in farmers' own investment.



Flexible:

eVoucher systems allow for offering multiple input packages at varying subsidy levels:



Smaller packages: act as a safety net and encourage experimentation among poorer, first-time users.



Larger packages: enable productive farmers to adopt technologies and scale.



Private:

eVouchers redeemed through local agrodealers strengthen private-sector input markets

Are Subsidies Enough?

Useful complementary interventions include extension, crop insurance, credit or savings tools and input quality certification.

Will Adoption Persist?

Multi-season support helps farmers learn across different climatic conditions, especially important for climate-resilient technologies.

