

AgriConnect LEADS Learning Series

*Evidence for Better Jobs
in Farming and Agribusiness*



Episode #3: Repurposing subsidies



Agenda

Subsidies in the wider institutional context



Florence Kondylis
Research Manager
DEC Research, WBG

Curated evidence that supports program design



Paul Christian
Senior Economist
DEC Impact, WBG



Michael Carter
Professor of Agriculture &
Resource Economics,
UC Davis

Repurposing of Agricultural Support: Global Engagement



Sergiy Zorya
Global Lead on Public Policies
and Expenditures, FAB, WBG

Mission AgriConnect:

Building the right ecosystem to transform farming and the agrifood sector for millions

1. Strengthening Foundations

- Rural infrastructure
- Natural capital
- Digital ag solutions
- Research extension and skills

Focusing on value chains:

- Business development for cooperatives
- Better inputs (seeds, fertilizer, machinery)

2. Revamping Policies

- Policy alignment (agriculture & food policies, standards, trade facilitation, land tenure)
- Repurposing of agricultural subsidies to reduce environmental impact, foster healthier diets, and create jobs

3. Finance Solutions:

- Derisking instruments (digital finance, guarantees, ag insurance)
- Climate finance (outcome bonds, paving the way for carbon finance)
- Partnerships with private sponsors and philanthropies

Ensuring inclusion as guiding principle for all investments

Six scalable solutions to help farmers move up the value chain and fosters thriving agribusinesses

 Aggregation Models	 AgTech Solutions	 Physical Infrastructure	 Skills, Extension & Research	 Building the Financial Ecosystem for Farmers	 Policy Reforms
• Build capacity for cooperatives (POs) • Farmer-led aggregation models ("productive alliances") • Anchor firm models to link smallholders to value chains	• Bundled <u>AgTech</u> solutions • Investments in Digital Public Infrastructure • Seed and VC financing • Digital footprints that unlock farmers' access to finance, markets and knowledge	• Integrated spatial approaches • PPP models to scale irrigation infrastructure, and farmer-led irrigation • Energy solutions for agriculture (irrigation; cold chain infrastructure), incl. with ESMAP, M300	• Investing in critical agribusiness sector skills gap • Standardizing farmers' skills • Expanding the adoption of innovations through public-private Agriculture Research Systems	• Revamped engagement with public agriculture banks • Scaling agricultural insurance • Mobilizing financial institutions to lend to agriculture/agribusiness • Leveraging debt swaps, carbon finance for agriculture	• Compacts and policy lending (<u>PfRs</u>, DPOs) • Technical assistance to support policy work and Agriculture Public Expenditure Reviews • Accelerating reforms (Impact Programs /knowledge academies)
Ensuring social inclusion					

The Planet Lab Toolkit

Toolkit: Curated operations-oriented evidence to support the design of impactful projects.

Masterclass and Self-paced eLearning



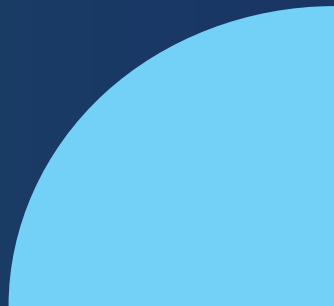
Access here:

<https://bit.ly/ariconnect-knowledge>

**Planet Lab Toolkit: curated evidence
to inform program design**

Paul Christian

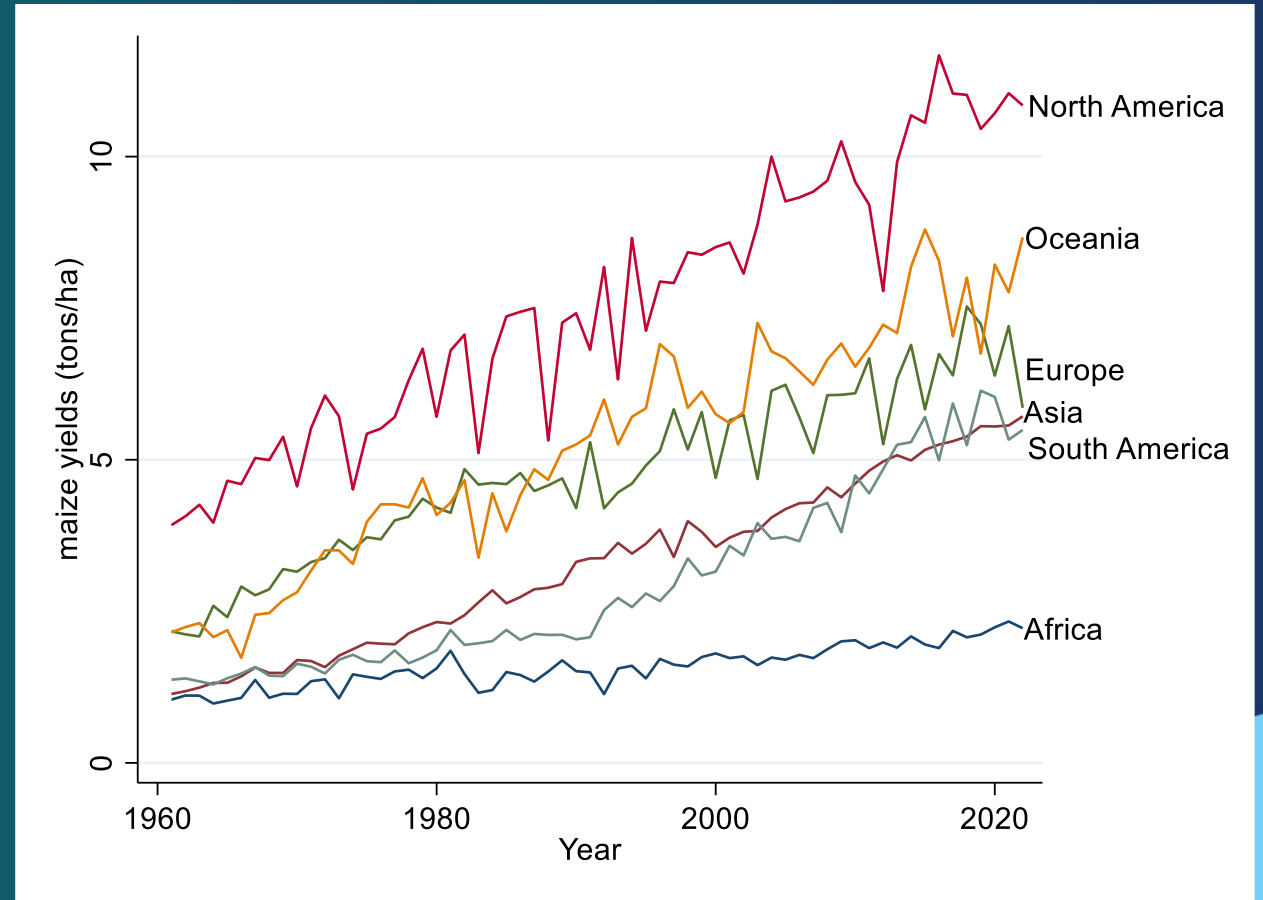
Senior Economist, DEC Impact, WBG



Increasing on-farm productivity is a key foundation of AgriConnect

Large economic potential:

- Agriculture employs 60% of the SSA labor force
- South Asia's agricultural productivity growth has lifted over 250 million people from poverty

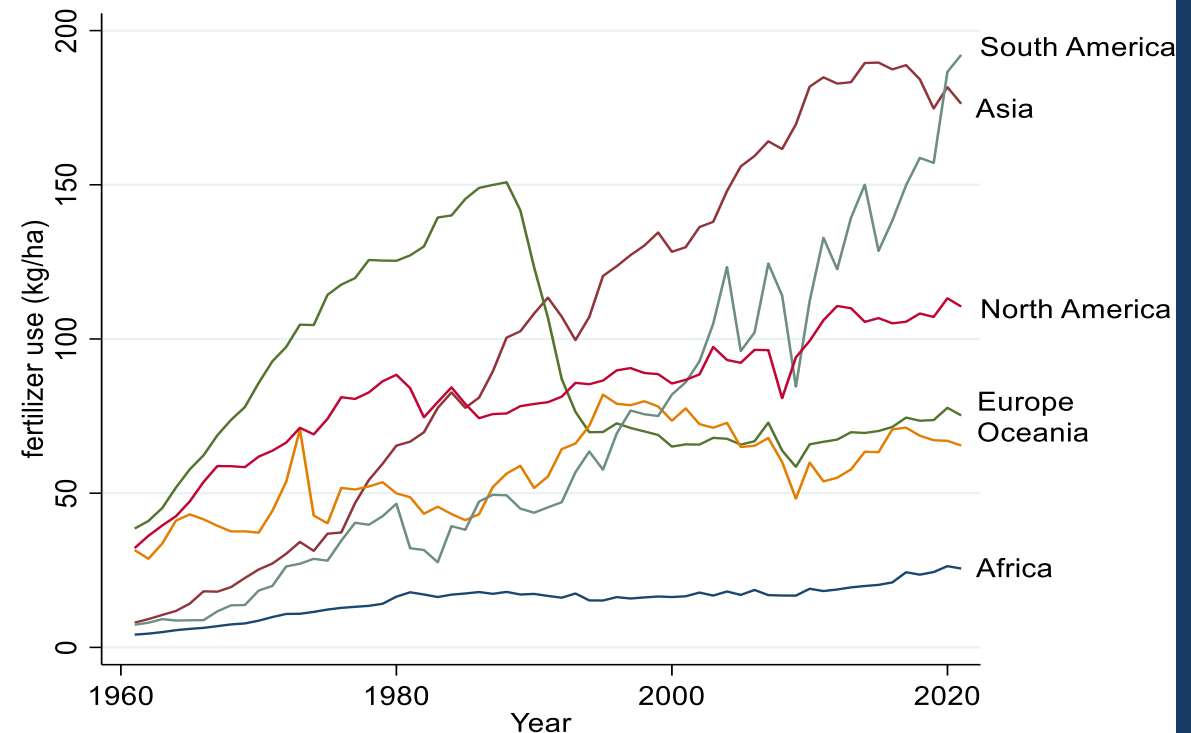


Yield gap driven by low adoption of modern technologies

All of the yield gap between SSA and Asia can be explained by:

low adoption
of
improved seeds
fertilizer
irrigation
&

low returns to improved seeds



How to design fiscally sustainable input subsidies?

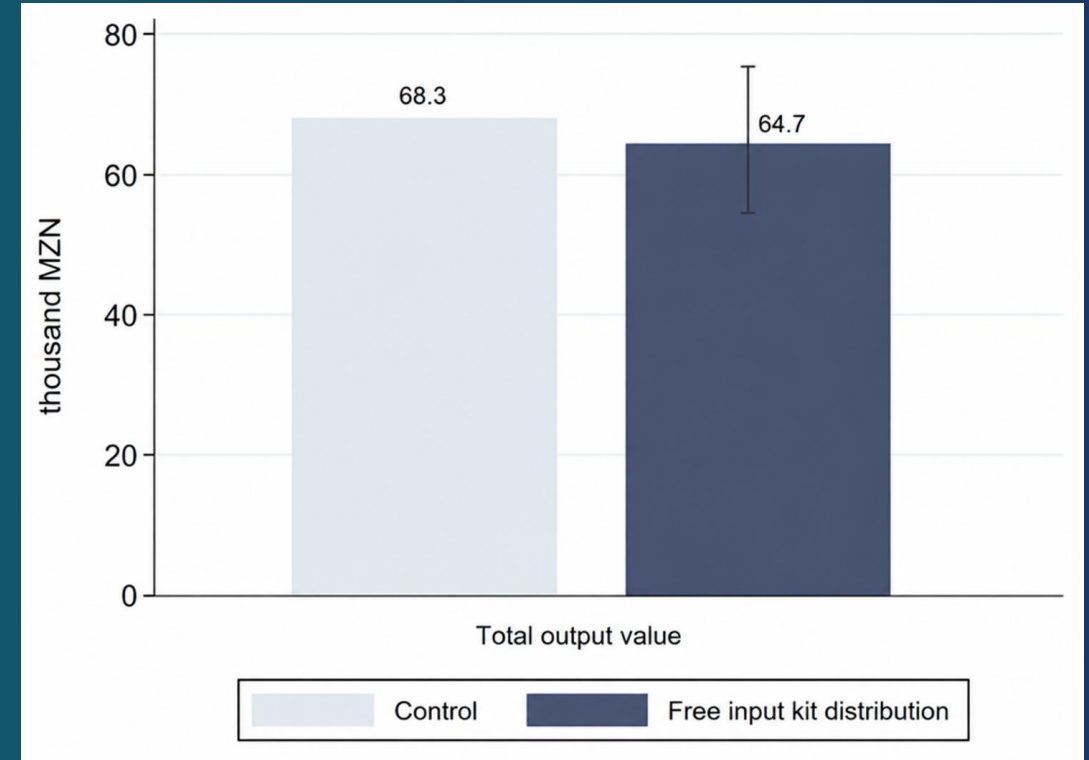
Governments spend billions on input subsidies



But input subsidies are so inefficient!

Poorly designed subsidies:

- **100%:** Crowd out own investment
- **Rigid:**
 - Some farmers may not be able to make productive use of all inputs
 - Other farmers may be able to scale-up further but ...
- **In-kind delivery** crowds out private agro-dealers

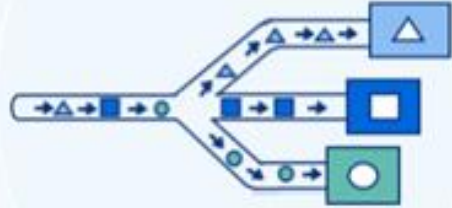


Free input distribution often does not increase production

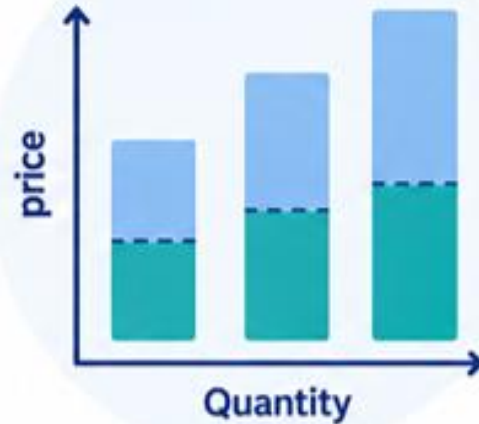
4 ingredients for more effective approaches



Digital



Flexible



Linear



Private

Innovation: Mozambique

Status quo

- 100% subsidy
- One fixed package
- In-kind delivery



Digital eVoucher

- Partial linear subsidy
- Multiple flexible packages
- Redeemed at agrodealers



DIGITAL | Less leakage, more traceability, introduction of a co-pay

But, did we collapse the whole agrifood system by making farmers pay?



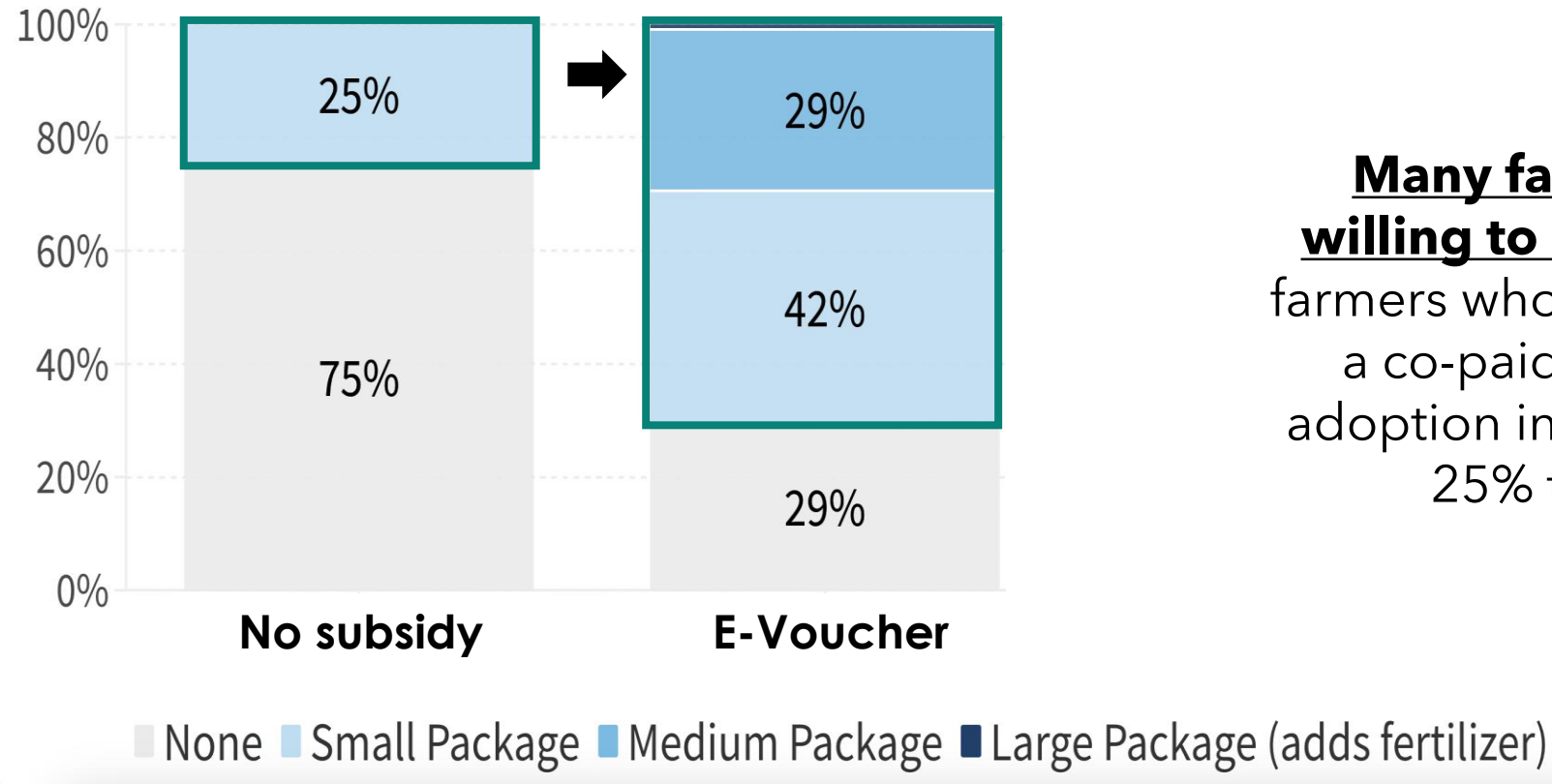
DIGITAL | Less leakage, more traceability, introduction of a co-pay

But, did we collapse the whole agrifood system by making farmers pay?



Many farmers took up the offer

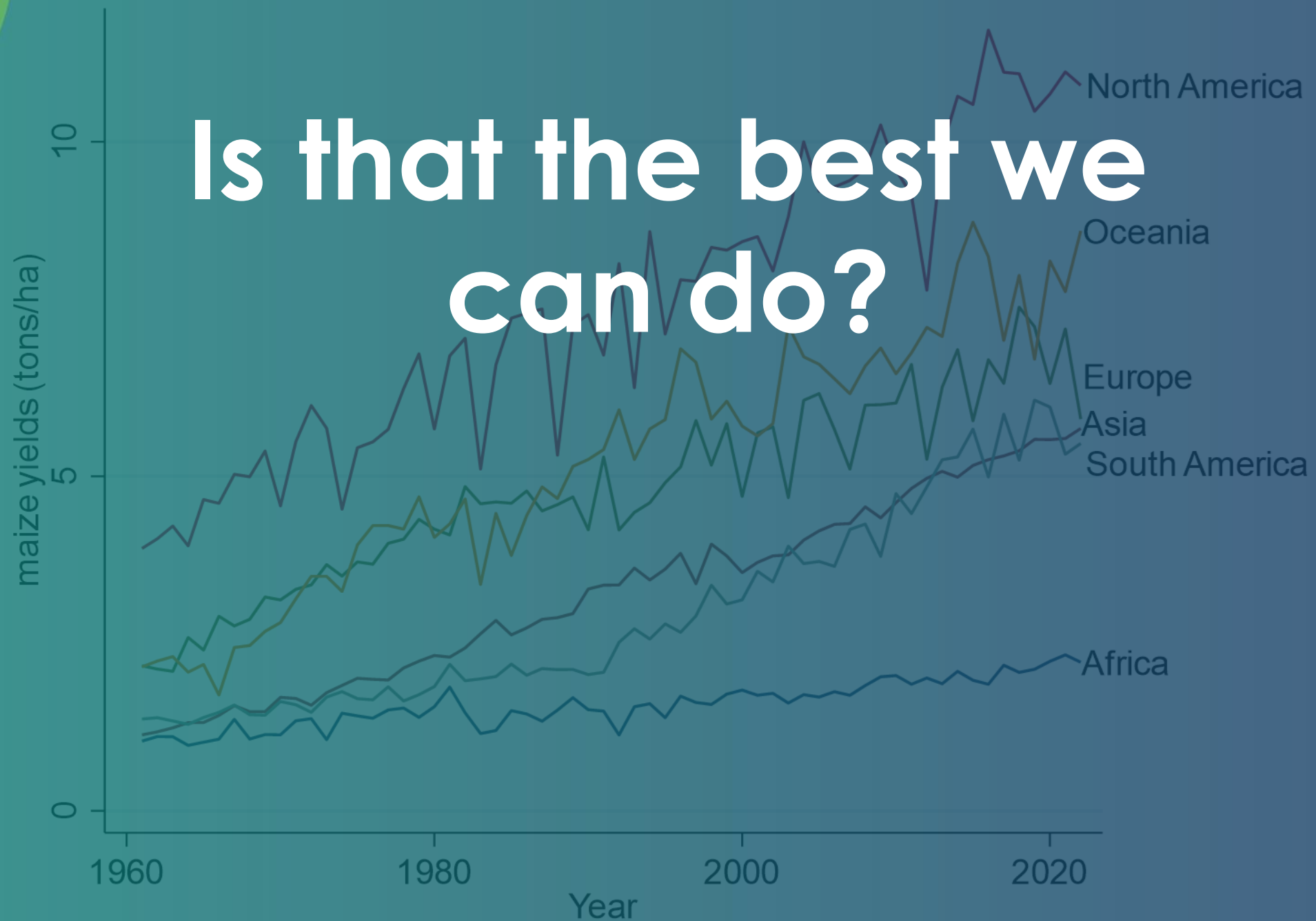
Percentage of farmers using improved inputs



Many farmers are willing to pay: among farmers who were offered a co-paid eVoucher adoption increases from 25% to 71%

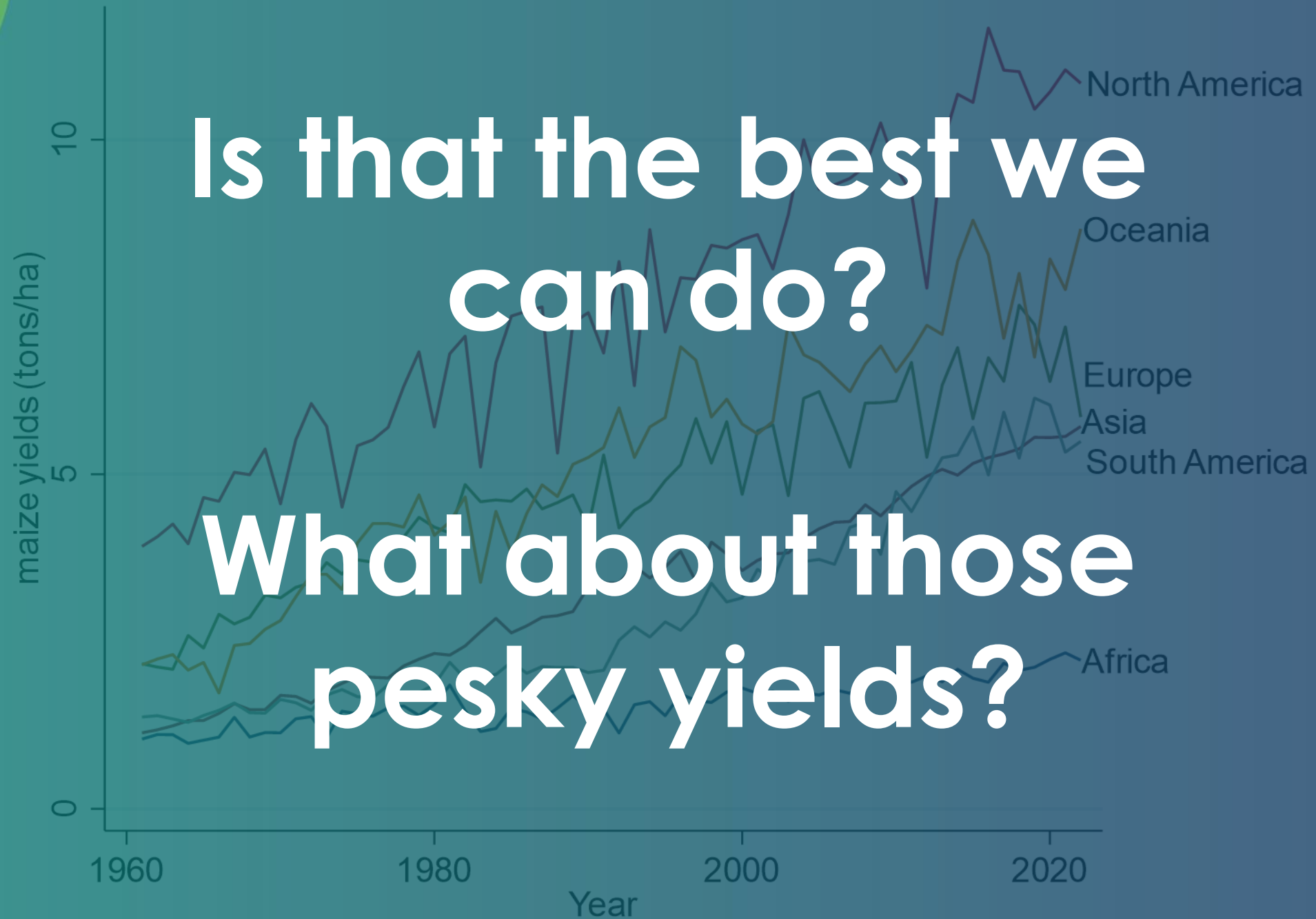
Average co-pay of 20% = Increased fiscal sustainability

Is that the best we can do?



Is that the best we
can do?

What about those
pesky yields?



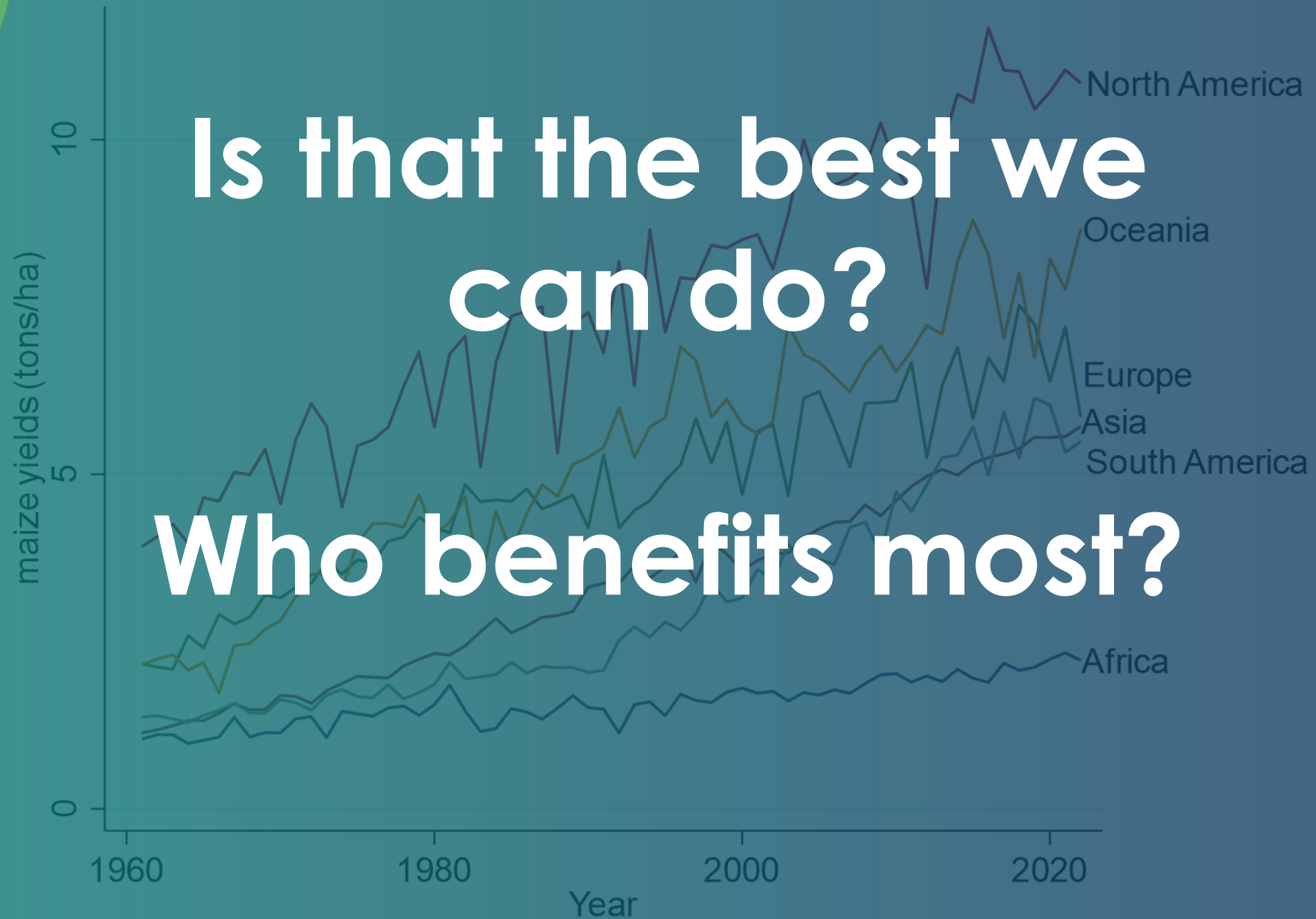
Is that the best we
can do?

How much should
the co-pay be?



Is that the best we
can do?

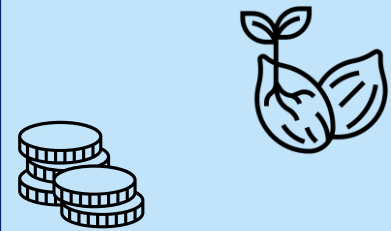
Who benefits most?



FLEXIBLE | demand-driven subsidy systems

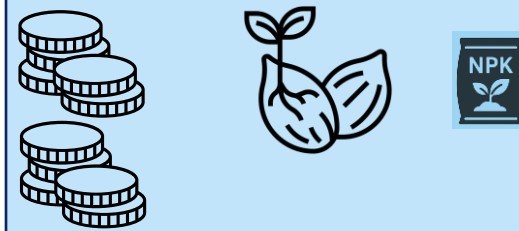
Farmers self-target by giving choice of package

Small

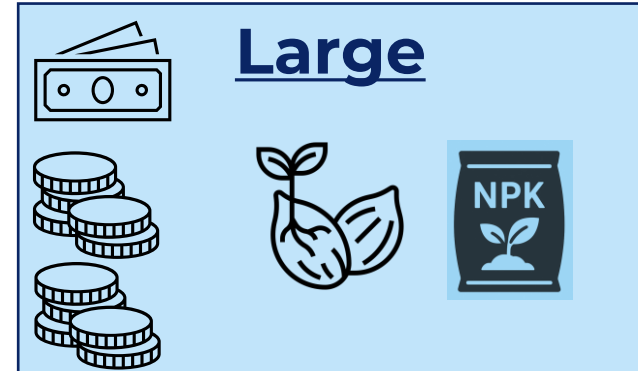


Targets **vulnerable farmers** with **improved seeds for subsistence**

Medium

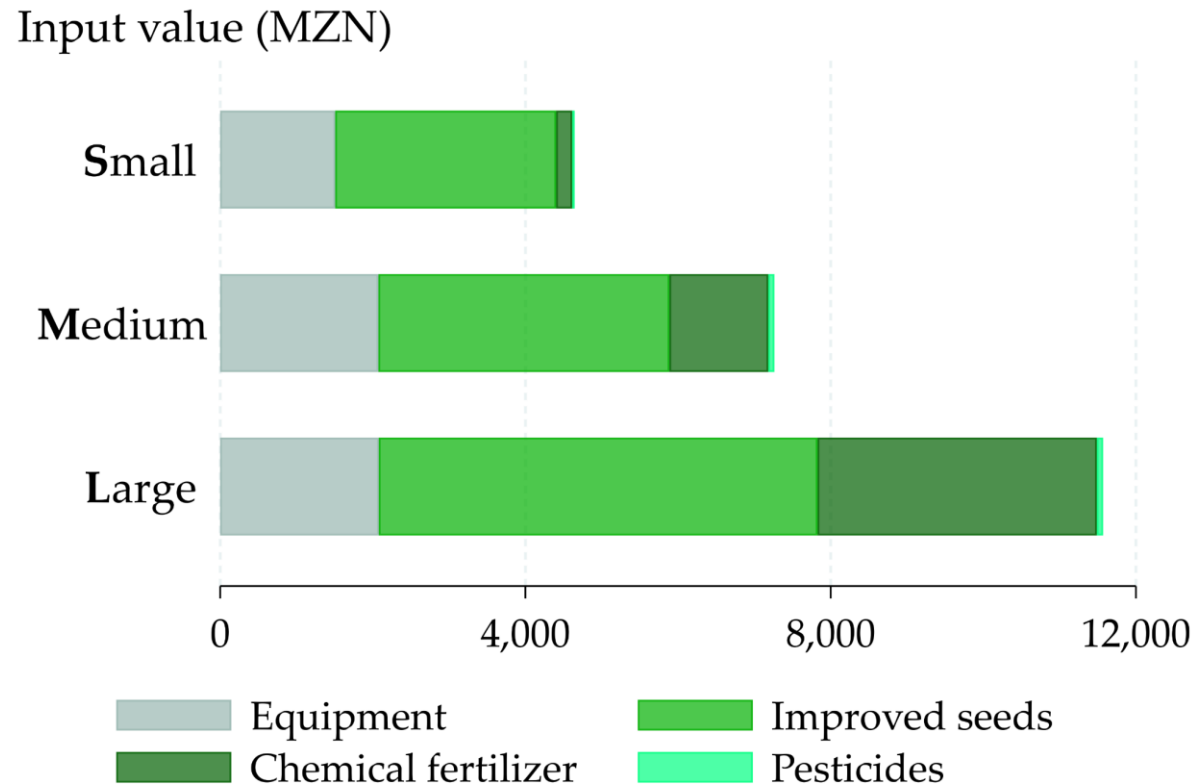


Large



Targets **more productive farmers** with **larger more flexible packages**

FLEXIBLE | one size does not fit all

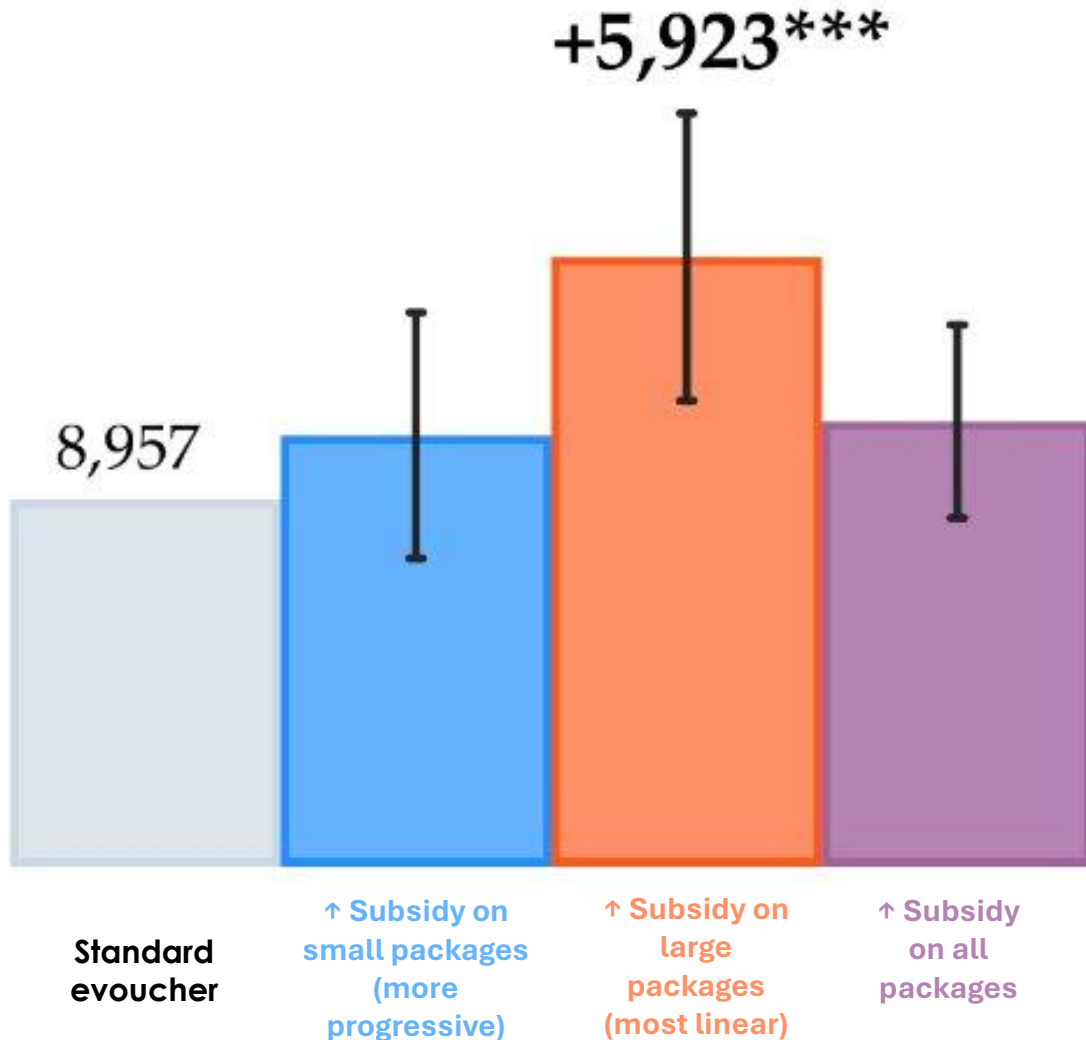


- Farmers prioritize improved seeds and hoes that are non-negotiable for farming.
- Farmers who self-selected into large packages chose the most productive inputs (added fertilizer to improved seeds).

Bottom line: flexibility enables governments to tackle multiple policy objectives

LINEAR | Let prices target

Profits



We tested a different subsidy schedules

1/ Targeting smallholders:

- Misses the most constrained productive farmers
- A fixed package size disincentivizes scaling

2/ A linear subsidy rate across quantities increased production 36%

3/ Many smallholders should not use fertilizer (not row planting) > full subsidy reduces profits

Bottom line: Let prices, rather than farmer characteristics, do the targeting.

Private | Cost-effective, adaptive supply

Outsourcing last-mile service delivery held quality fixed but reduced costs, and reduced prices when competitive entry was facilitated.

- Registered agrodealers sold from shops and coordinated mobile sales

Bottom line: Let private sector distribute and import inputs, appropriately enforce standards



4 ingredients for more effective approaches



improves traceability, reduces leakage, and enables co-payments



let prices, rather than elites, target the right farmers with the right quantities



farmers are incentivized to choose inputs that are productive for them

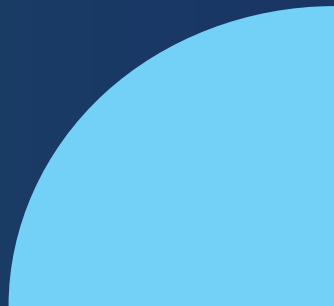


import and distribution can improve service delivery efficiency

**Optimal Duration & Escape Routes
from Agricultural Input Subsidies**

Michael Carter

Professor of Agriculture & Resource Economics, UC Davis





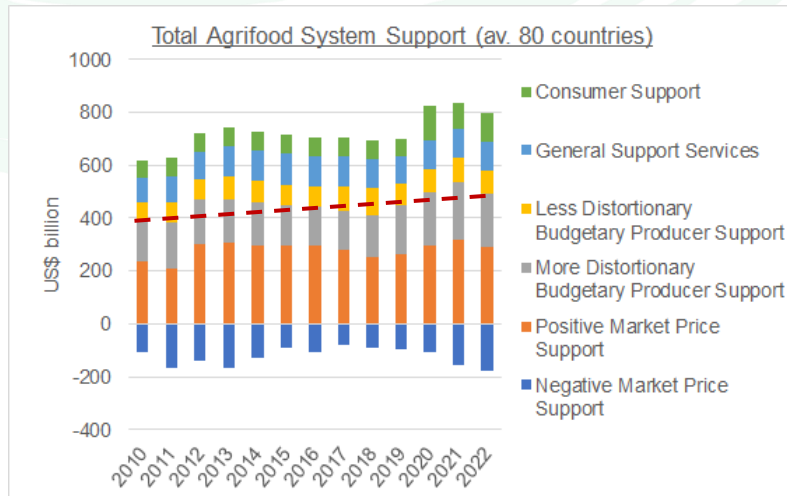
Repurposing of Agricultural Support: Global Engagement

Sergiy Zorya

Lead Repurposing Subsidies Impact Program, WBG



REPURPOSING AGRICULTURAL SUPPORT IS CRITICAL FOR FOOD SYSTEM TRANSFORMATION



\$821bn Public support
for agriculture in 2020-2022

60% are price distorting or harmful
to nature and health, contributing to
\$12 trillion in hidden costs

35¢ Return to farmers for every \$1
of public support

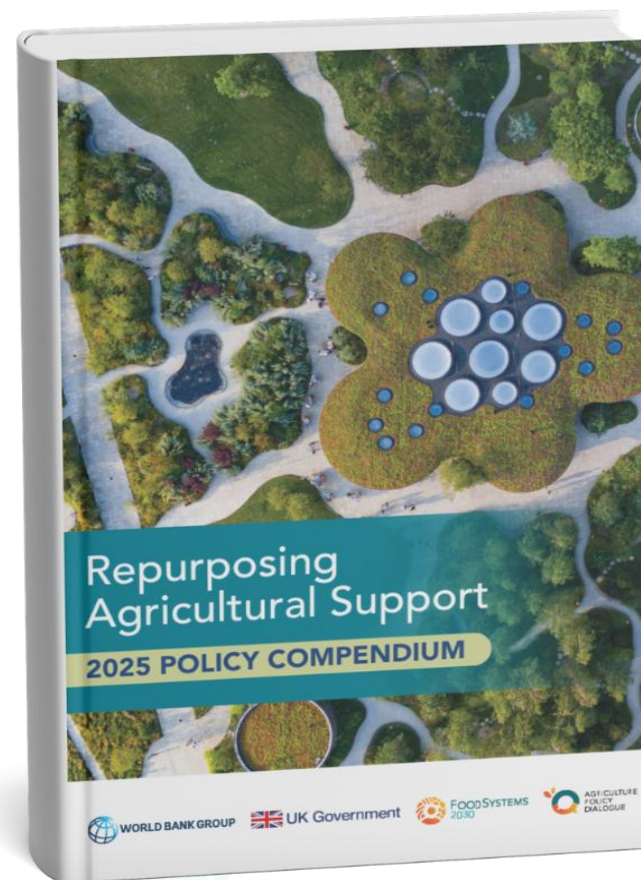
Shifting gears on repurposing ag support

- **Strengthening global data:** Our database covers 85 countries, including 10 in Africa. Now expanding coverage to **120 countries**, mainly in Africa and Asia through AgIncentives Consortium (with FAO, IDB, IFPRI, and OECD).
- **Generating repurposing options:** Since 2021, we have supported Agricultural Public Expenditure Reviews in **over 45 countries**, informing policy reforms and WBG investments.
- **Impact Programs:** In Africa, we support peer-to-peer learning on **input subsidy reform**; in Asia, we support knowledge sharing to scale up **low-carbon rice systems**. More than 15 countries involved.
- **Financing reforms:** Since FY18, the World Bank has provided \$4.8 billion through **Development Policy Operations** for agricultural reforms in 50 countries + \$4.7 billion via **Program-for-Results** in 14 countries + \$111 million via **Repurposing projects** (Bangladesh, Brazil, Ghana, Malawi, Indonesia, Philippines, Tanzania, Zambia) financed from the Food System 2030 MDTF.

COUNTRY EXAMPLES ON REPURPOSING OF AGRICULTURAL SUPPORT

2025 Policy Compendium presents 20 examples of repurposing journeys in 14 developing and 6 developed countries:

- Vietnam, low-carbon rice production and transformation of rice value chain
- Uzbekistan, elimination of administratively low farmgate prices for cotton and wheat and reform of public expenditures
- Zambia, reform of farm input subsidy by moving from the state to private delivery of inputs and improved choice of inputs for farmers through e-vouchers



DOWNLOAD HERE:



INPUT SUBSIDY REFORMS IN ZAMBIA

FISP before 2023

- Farmers receive two bags of fertilizer and a bag of maize seeds
- Inputs delivered by the state-owned enterprise
- Universal subsidy
- Annual budget is >\$400mn (50% of the Agri Budget)
- Low supply response, private sector crowded out
- Lack of impact evaluations

FISP in 2026

- Farmers receive e-vouchers, with access to 8-9 inputs
- Inputs delivered by private sector, both imports and distribution
- Farmers save on collecting inputs
- Annual budget is \$300m (budget saving is \$100m)
- Digital farm registry removed 200,000 'ghost' farmers
- Agro-dealers recruit >5 new jobs and pay taxes
- Much better supply response
- Impact evaluation

FISP by 2030

- Larger list of eligible inputs, including lime and organic fertilizers
- Enhanced digital farm registry
- Differentiated targeting, with different co-pay ratios
- Graduation strategy for larger farms to 'access to finance' programs
- Budget savings invested in soil information system and e-extension
- Continued impact evaluations

IMPACT PROGRAM “REPURPOSING OF AGRICULTURAL SUPPORT FOR SOIL HEALTH IN AFRICA”

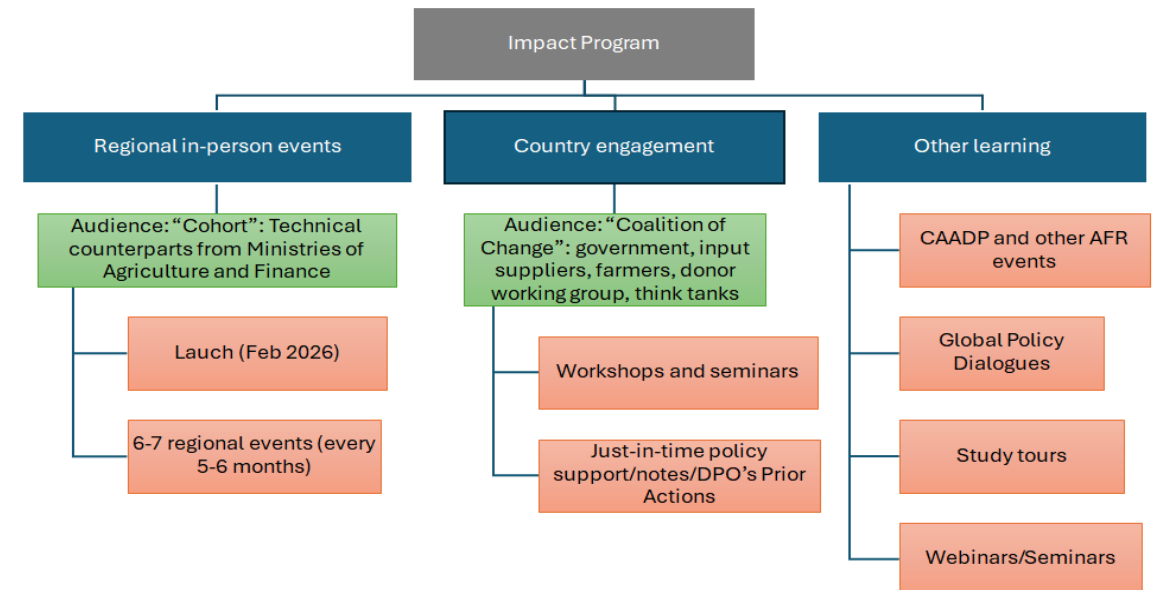
Best practices for input support programs

1. E-Vouchers	2. Targeting	3. Precision Input Use	4. Crowding in Private Sector	5. Acid and Degraded Soils	6. Access to Finance
Using E-vouchers to improve farmers' access to a wide range of inputs , link with private sector , and enhance crop diversification	Improving the impact of input subsidy programs through better targeting underpinned by digital farm registries and safety nets for vulnerable subsistence farmers	Increasing input supply response and reducing production costs through cost-efficient soil testing and fertilizer use recommendation (soil information system)	Strengthening the role of private sector in production, blending, importation, and distribution of inputs	Addressing acid and degraded soils through tailored input mix and interventions for enhancing soil health	Enhancing an access to finance for inputs, input credit system, partial credit guarantees, insurance, and fiscal risk management

How is Learning being delivered

Target audience:

- ❖ Ministries of agriculture and finance in Ghana, Kenya, Malawi, Senegal, Tanzania, and Zambia



Q&A: we want to hear from you!!

What are the challenges / solutions you have observed in your projects in getting modern inputs to farmers?



Share your feedback on this session

Stay tuned for more!

- **April:** Land reforms and farmer registries
- **May:** Repurposing subsidies
- **TBD:** AgTech solutions

And more to come:

Resilience, Value chain interventions, Access to finance and cooperatives, Scaling Insurance, Standards and traceability

Thank you!

Share your feedback
on this session



<https://bit.ly/4sldba4>

Access from the other evidence
products (toolkit, e-learning etc.)



<https://bit.ly/ariconnect-knowledge>