

# Ghana: pioneering “smart” input subsidy programmes

In 2008, Ghana reintroduced its input subsidy programmes, which were designed as tools to help develop agricultural value chains. The programmes primarily aimed at enhancing small farmers access to farm inputs for food-crop production. Despite adjustments to improve the effectiveness of the subsidies, there are questions as to their impact.

Like most West African countries, Ghana has long been offering subsidy programmes for agricultural inputs. By helping small farmers gain access to high-quality inputs at affordable prices, the government wants to stimulate production and agricultural productivity.

### Ten years of subsidised inputs

After the rise in global fertilizer prices and the 2006 Abuja Declaration (in which African Union member states committed to increasing fertilizer use sixfold by 2015), Ghana decided to reintroduce its subsidy programmes in 2008. That effort absorbed between 10% and 13% of the budget of the Ministry of Food and Agriculture (MoFA), and led to an increase in subsidised fertilizer from 43,200

tonnes in 2008 to 176,000 tonnes in 2011. Starting in 2013, corn, rice and soybean seeds were added to the initial list of priority crops (cereals, legumes, market-garden crops). Since 2016, the government has focused its efforts on modernising agriculture with two flagship programmes, Planting for Food and Jobs (PFJ) and One District One Factory, each of which had a budget of nearly USD 100 million in 2017. Farmers are supported with fertilizers enough to cultivate two hectares of land at 50% subsidy rates. This amount to fifteen (15) bags of 50 kg, two-thirds of which are NPK fertilizers for basal application and the rest is Urea fertilizer for top-dressing.

The subsidies included in the programmes are designed as tools to help develop agri-

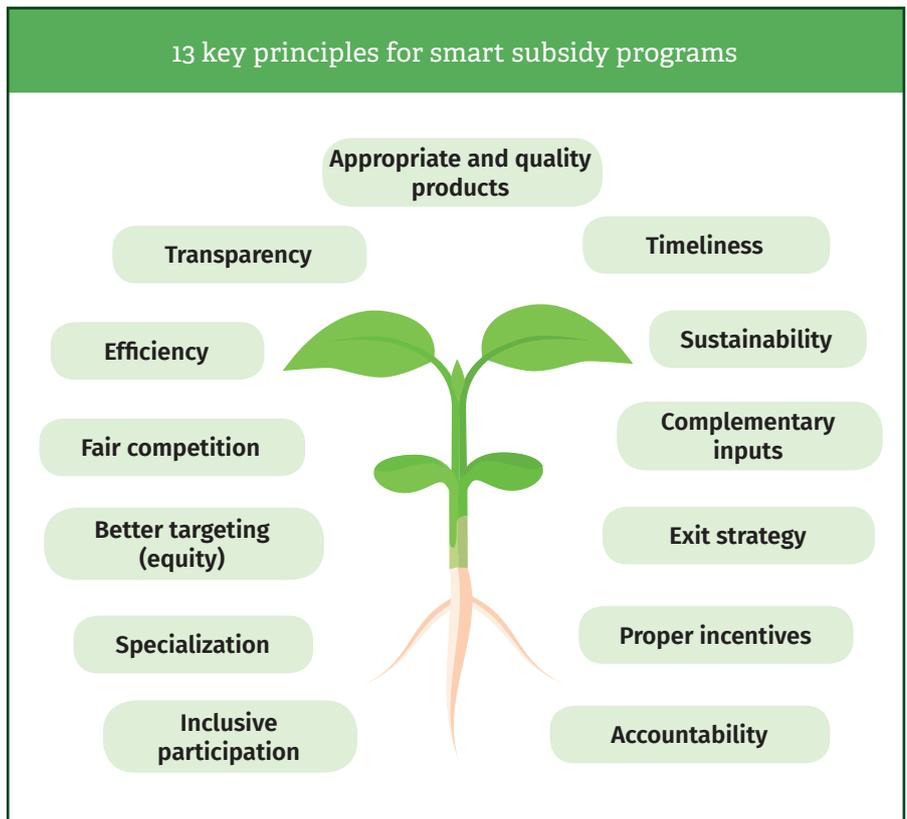
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cultural value chains. PFJ also provides effective extension services and funding for processing and marketing, and supports the development of e-agriculture.

### A multifaceted impact

In 2018, the country experienced stabilisation in food prices, a drop in corn imports and an increase in food exports to neighbouring countries. Crop productivity picked up sharply, and corn in particular saw an 86% rise in productivity compared with 2016. Roughly 800,000 jobs have been created since the launch of PFJ, 90% of which have been in agricultural production with over 18,000 in the provision of inputs and over 12,000 in extension services.

But not everything is perfect. The large gap between the market price of fertilizer in Ghana and prices in neighbouring countries encourages smuggling. Smallholder farmers eligible for the programme have trouble paying for the non-subsidised portion of the fertilizers as they may lack financial resources at the time purchases are to be made. There are also delays in government payments to suppliers and in fertilizer distribution owing to administrative burdens. The combination of those programme-specific problems and external factors, such as armyworm invasions and insufficient availability of improved seeds, has also hurt production and limited profits for small farmers.



Source: IFDC, USAID West African Fertilizer Program (WAFP)

## Better targeting of small farmers

By 2020, more than 1,200,000 small farmers will be enrolled in the subsidy programme for fertilizers and seeds. New crops, such as tubers, have been gradually introduced into PFJ, which now covers most food crops grown in the country.

Still, the search for the best way to target farmers continues. Several pilot projects have been carried out over the past three years to create a database for PFJ beneficiaries. The idea is to get a clearer picture of the different farms, inputs and services received, and to better assess the programme's impact on agricultural production and income. The roll-out of such a database would allow MoFA to consider transitioning, in the medium term, from the current supply-side subsidy to a demand-side subsidy based on the needs expressed by farmers. The government would save a lot of money, smuggling would decrease, private-sector investment would be facilitated and the fertilizers and services provided to small farmers would be more personalised. The Ghana Fertilizer Expansion Programme, launched in 2019, sets out plans for a full transition to that model by 2022.

## Adapting the different types of fertilizer

The Soil Research Institute has used soil mapping to develop new fertilization recommendations tailored to PFJ's priority crops, to the different agroecological zones and

to the soils in eight out of the 16 regions in the country. Six new "balanced-fertilizer" formulas containing primary nutrients and micronutrients (zinc or boron) were validated and included in PFJ's call for tenders for the 2019/2020 season. The goal is to encourage small farmers to more quickly adopt new technologies and crop-management techniques that can help them significantly boost increase their productivity and income. The government hopes to quickly reach a 30% rate of adoption for the use of fertilizers and improved seeds before reducing, or eliminating, its subsidy programme.

This proactive policy has encouraged certain fertilizer suppliers to invest in new fertilizer-blending units that can produce customized fertilizers. With five blending units in Greater Accra and the Tema Port, Ghana has the logistical and technical capacities to supply high-quality blended fertilizers to the entire domestic market—PFJ and the cocoa fertilizers distributed by COCOBOD together account for roughly 80% of the market. MoFA has new laboratories and controls the quality of fertilizers throughout the distribution chain, in compliance with regional regulations.

## Improving the regulatory framework

The 2016 national law on fertilizers and gradual implementation of the thirteen guiding principles for smart subsidy programmes

developed by IFDC, will lead to more efficient and intelligent use of agricultural inputs. Those principles, which ECOWAS intends to enact as a regional directive, are gradually being applied by several West African countries, including Burkina Faso, Niger and Senegal. All of this will help improve agricultural production and food security, and ultimately reduce poverty in West Africa. ■

### TO KNOW MORE:

Feed The Future, West Africa Fertilizer Subsidy Program Guide  
<https://africafertilizer.org/fr/blog-post/west-africa-fertilizer-subsidy-program-guide/>

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