

Increasing agricultural productivity through fertiliser use

Will removing or changing subsidies adequately tackle corruption in Nigeria's fertiliser distribution?

Research Question

Successive Nigerian governments have struggled to design and implement a fertiliser subsidy regime which increases farmer uptake and productivity, but is affordable for the government and does not become subject to corruption. This ACE project will analyse the changing dynamics of corruption in response to changes in government policy and suggest approaches to limit the negative impact of corruption and fertiliser smuggling on policy implementation.

Key Findings

Initial engagement with the sector through stakeholder groups such as Fertilisers Producers and Suppliers Association of Nigeria (FEPSAN) and the All Farmers Associations of Nigeria (AFAN) has been positive. Using a comparative approach evaluating two distribution and subsidy mechanisms adopted by the Nigerian government, we will identify a strategy to engage stakeholders to minimise fertiliser smuggling and corruption.

Implications

Our initial research suggests that the earlier Growth Enhancement Support (GES) scheme was successful in increasing access to fertilisers for farmers through prioritising a distribution network but suffered due to leakages. The current PFI scheme has been remarkably successful for increasing domestic urea production and restarting domestic blending but farmer uptake seems to be relatively low. The solution might lie in involving dealers but with stricter oversight than during the GES.

Project Summary

The importance of increasing inorganic fertiliser use in sub-Saharan Africa is generally accepted and fertiliser subsidy schemes have existed in Nigeria since the 1970s. These have typically been both expensive and unsuccessful, using up to 40% of the agricultural budget. In recent years, Nigerian governments have attempted two approaches: the first, the Growth Enhancement Support Scheme from 2012-2016, was an e-voucher scheme which entitled farmers to a 50% reduction on bags of fertiliser purchased from agro-dealers, who then recouped the subsidy amount from the state, receiving 25% each from the Federal and State governments. While seen as innovative, this scheme was very expensive, and reports of corruption indicated that fertiliser bags were frequently tampered with, reducing the quantity of effective ingredients and bag weights. This scheme was replaced by the Presidential Fertiliser Initiative (PFI), intended in part to deal with reports of corruption and increase volumes of fertiliser reaching farmers. Selected fertiliser blenders have been commissioned to mix 50kg bags according to a specific ratio of ingredients, including cheaper raw materials

negotiated through a bi-lateral deal with the Moroccan government. While this effective subsidy to fertiliser producer companies, and clear marking of the price on the fertiliser bags seems to reduce resource leakages, reports suggest that the new bags of fertiliser are not reaching farmers, and instead an active black market trade has been established. Without agro-dealers acting as middlemen, corruption is reduced but the subsidy is not effective in reaching farmers and increasing agricultural productivity.

This ACE project will seek to identify anti-corruption strategies that increase productivity through fertiliser use by conducting a close comparative evaluation of the two schemes. We are working with the national fertiliser producers organisation (FEPSAN) and other national agricultural associations to understand how pricing and incentives can be realigned in order to make the current fertiliser regime self-sustaining, reduce its vulnerability to black-market trading and smuggling and increase uptake by farmers. To do this we will explore the political economy

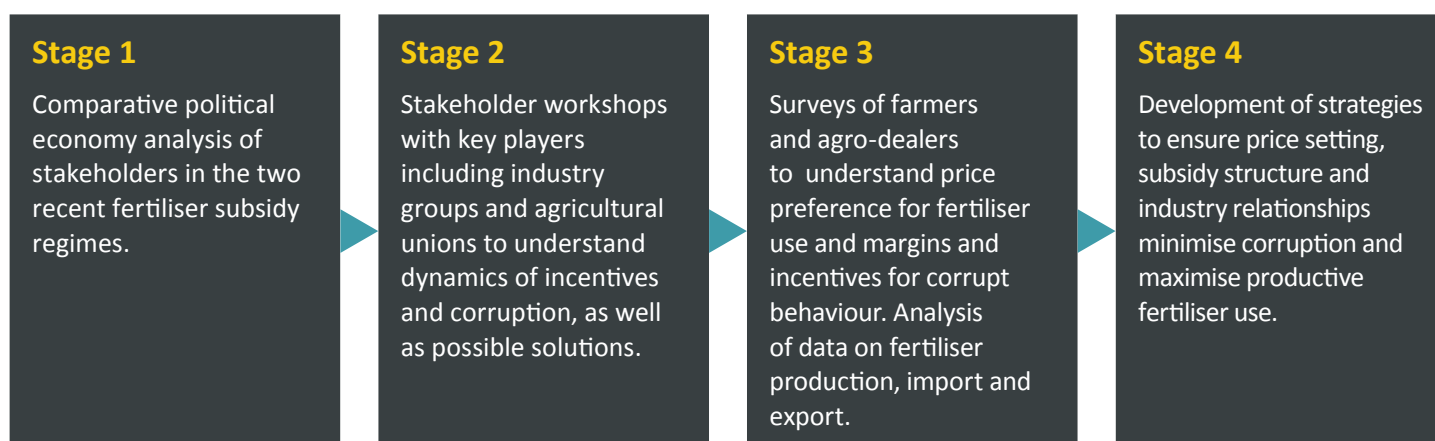
and power relationships between agro-dealers, fertiliser producers and farmers, including through surveys of farmers and agro-dealers, as well as reviewing data provided by FEPSAN, the industry association behind the PFI. The agro-dealers are key because they are critical players in the

supply chain who can be corrupt but have the potential to deliver value by providing access to farmers. The project will make recommendations for productive changes to the subsidy regime to align incentives around the different players in the market.

Key research questions

- How do fertiliser subsidy regimes impact on corruption and productivity in the fertiliser sector?
- How could current government approaches be adapted to address smuggling, black market fertiliser sales and other forms of corruption?
- Which anti-corruption measures will best result in aligning incentives of key players in the sector to increase productivity?

Methodology



Policy and programming implications

Our initial research suggests that the earlier GES scheme was successful in increasing access to fertilisers for farmers through prioritising a distribution network but suffered due to leakages. The current PFI scheme has been remarkably successful for increasing domestic urea production and restarting domestic blending but farmer uptake seems to be relatively low. The solution might lie in involving dealers but with stricter oversight than during the GES, and these angles will be further explored through the project.

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