

# Electronic Smart Subsidies in Agriculture (ESSA)

National Agricultural Inputs Scheme (NAIVS) Research Project  
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## Introduction

One of the constraints facing agriculture in Tanzania is low land productivity caused by declining soil fertility. The Government of Tanzania reintroduced input subsidy program in 2002/3 to resolve the problem. Between 2002/3 and 2010/11 the Government has investment a total of TSh. 377.5 into the program. However, since the program started it has been characterized by elite capture and other challenges making it hard for inputs to reach target beneficiaries in the right amount. Sokoine University of Agriculture designed a research project to explore this problem and recommend an innovative alternative input distribution model, the Electronic Smart Subsidies in Agriculture (ESSA). This model leverages on ICT to minimize paperwork and link farmers directly with agro-dealers in a transparent environment. In this model, a cash component of the product value is put directly in the hands of the farmers via mobile phones and thus stimulates demand for agro inputs.

## Institutional framework of ESSA

This model will leverage on ICT to minimize paperwork and link farmers directly with agro-dealers. The business sector will drive the system with the Government playing a supportive role. Essentially in this model, a cash component of the product value is put directly in the hands of the farmers via mobile phones and thus stimulates demand for agro-inputs.

### How will ESSA work?

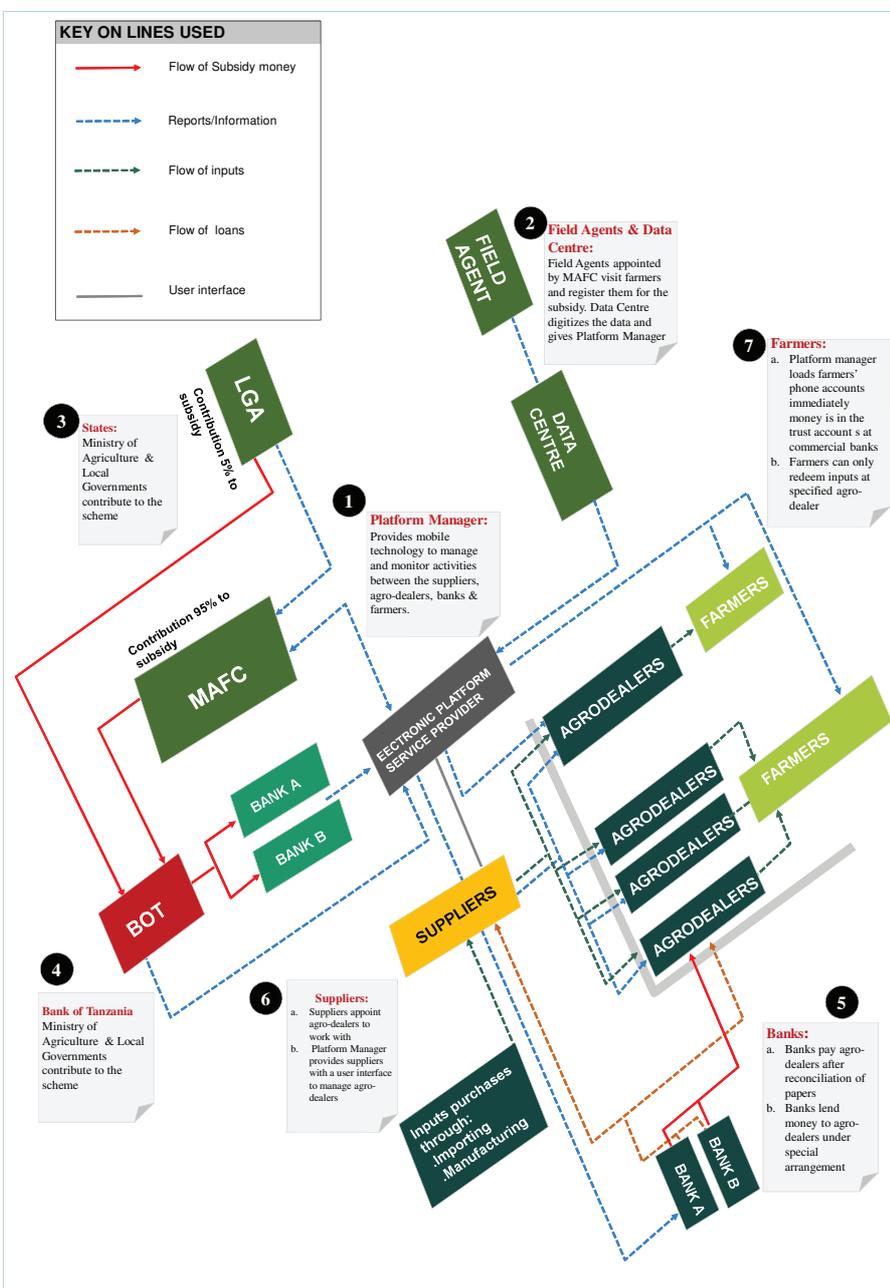
- The platform service provider will load electronic vouchers into farmers mobile phones;
- Farmer will visit selected agro-dealer's delivery sites with a balance of the money required to top up on the Government subsidy by transferring their e-voucher to the agro-dealer and receive inputs;
- For the sake of transparency, the transactions at the delivery centers will take place in the presence of several witnesses;
- After reconciliation agro-dealers will submit claim for funding at participating commercial banks.

### Potential advantages of ESSA

- Inputs will reach intended beneficiaries in the correct amount;
- Aggregate agricultural production will likely increase because growers will have access to adequate inputs;
- Agro-dealers network in the country will be promotion;
- Lending to the sector will be derisked as banks will be certain on loan recovery;
- Creation of employment as input redemption centres will employ several people for handling inputs in the warehouse;
- Billions of money that are currently fraudulently lost will be saved.

### Success factors of ESSA

- Proper registration of target farmers and agro-dealers;
- Strong monitoring and evaluation (M&E) mechanism should be put in place to ensure that everything is executed as planned;
- High commitment on the part of top government officials;
- The system must be private sector/people driven with government playing a supportive role;
- Holistic approach – address all dimensions (value chain spirit);
- Building trust across the entire value chain. It could be achieved through enhanced transparency on every segment of the system;
- Consistence and continuous learning is paramount. In a system like this there will always be new challenges emerging to pressure test the system, thus stakeholders should be prepared.



## Potential challenges

- As long as this is a man-made system, it can not be problem free. There will always be a new generation of problems;
- Those who profit out of the current system would likely fight against the new system in various ways;
- The main assumption of the model is that efficient input delivery will translate into better utilization of inputs and improved livelihood of farmers. Nevertheless, there should be a mechanism to handle other dimensions of inputs such as utilization, quality control, and dealing with bumper harvest as a result of use of inputs;
- Some agro-dealers may have problems accessing credit from commercial banks to stock adequate fertilizer at their redemption centres.

## Source of fund for financing ESSA

- Rationalization of agricultural development programs in the country;
- Saved money that is currently being lost in the hands of untrustworthy actors along the agro-input value chain;
- Increase aggregate revenue from increased agricultural productivity as a result of input usage.
- Development partners

## Way forward in operationalising ESSA

- Piloting ESSA in selected Local Governments Authorities for two years;
- Sensitizing policy-makers to adopt the ESSA innovation.