Building an Enabling Environment for Agricultural Transformation and Market Development
What is the Enabling Environment?
Why Does the Enabling Environment Matter?

- Clear and predictable rules of the game
- Low transaction costs
- Public goods and investments

**KEY CHARACTERISTICS**

**BENEFITS**

- Protect health and safety
- Level the playing field
- Expand production and market potential
- Promote resilience
Common Challenges

• Government as a market player

• Policy instability

• Licensing, permits, and other costs as a barrier to market entry

• Low capacity to implement laws and regulations

• Corruption and anti-competitive market dynamics

• Social and cultural norms undermining inclusivity and entrepreneurship
Agricultural Transformation and the Enabling Environment

Research shows a positive correlation between regulatory quality, agricultural productivity, and strong governance.
The Enabling Environment Reform Process

- **Build the Evidence:** Stakeholder-based analysis
- **Design Reform Efforts:** Based on analysis findings
- **Implement Reforms:** Support local institutions
- **Measure Effects:** Quantitative & Qualitative
- **Adapt:** Integrate findings - redesign or continue implementation
Enabling Environment Reform Approaches Under Feed the Future

- Embedded technical advisory services
- Institutional capacity building
- Sector program assistance
- Value chain projects
- Regional harmonization initiatives
- Multi-donor initiatives
- Public-private partnerships
What Makes Enabling Environment Reforms So Challenging?

- Vested interests
- Limited institutional capacity
- Sequencing and evolution of the enabling environment over time
- Timeframe for reform
- Metrics and attribution
Case Study: Agricultural Policy Engagement in Burma
What principles of policy engagement are illustrated by the Burma case?

- Identify important policy problems
- Define clear policy change objectives
- Focus on “winnable” policy problems sequentially
- Work with policy champions to build coalitions for change
- Deploy a critical mass of expertise relevant to the problems
- Realize potential for USAID leadership role
  - USAID Burma is co-chair of donor Agricultural Sector Working Group and member of $450 million LIFT fund board
- Foster USAID and implementing partner “one team” approach
- Need for follow through on policy wins to enable capacity for implementation
Agriculture policy change timeline

- USAID Burma re-opens Nov 19, 2012 after a 25 year absence
- 2012–14 diagnostic phase – identifying key problems
- 2014 onwards
- Assembling a strong stable of policy change expertise
- Early actions (e.g., national land use policy, investment law)
- Building evidence base to support policy change
- 2016 Active engagement on policy and strategy with newly elected government
- 2017 New agricultural policy published; draft agricultural development strategy in consultation phase
Initial diagnostic phase findings

- Government requirement to grow paddy a poverty trap for smallholder farmers (low yields, low value, high cost)
- Chronic rural household indebtedness
- Limited access to financial services and extremely high loan interest rates
- Insecure land tenure
- Ineffective agricultural research and extension services
- Absence of value added processing or quality incentives
- High marketing costs
- Unrealized potential for diversification and “climbing value chain ladder”
- Dearth of reliable agricultural statistics or rural livelihood studies
Key Agricultural Sector Policy Challenge

RICE IS OUR LIFE
RICE IS OUR ECONOMY
RICE IS OUR POLITICS
Steps to a new agricultural policy

• Identify key policy issues: Agricultural diversification, financial services, investment law and land tenure legal framework

• Encountered strong resistance from previous Minister of Agriculture – focused on hybrid rice and mechanization of paddy production

• Opening for change: landslide election victory by NLD in November 2015 and formation of new Ministry of Agriculture, Livestock and Irrigation

• Key time-sensitive initiative: USAID with national policy champion and IPs led preparation of agricultural strategy discussion paper

• Extensive consultation with private sector, parliamentarians, union and regional governments, donors and civil society

• Adopted by Ministry of Ag and coalition of key donors

• Basis for new agricultural policy and development strategy
Where do we go from here in Burma?

- Building capacity for implementation of new agricultural policy and strategy:
- Establishment of a new agricultural policy unit in Ministry of Agriculture (Jan)
- Strategy paper for reform of agricultural research and extension underway
- Implementation of a new seed sector strategy next month
Where do we go from here in Burma?

- Revisions to land legal framework
- Implementation of food law / safety standards
- Irrigation Strategy
- Need to address public sector organization gaps: e.g. decentralization
- Need to address infrastructure gaps: e.g., ISO certified laboratories
- Need to address critical human resource gaps: e.g.,
- Agricultural economics / public policy
- Statistics
- Agribusiness
- Markets and trade
Implications for USAID programming

- Agricultural policy engagement is an important component of an economic growth portfolio
- Enhanced growth rates (one per cent increase in agricultural growth rate worth $200 million per year)
- Broader participation in growth (two thirds of population live in rural areas)
- USAID well placed to play a leadership role in policy engagement
- Strong empirical understanding of agricultural growth processes
- Understands the need to focus
- Capacity to be a “consensus builder” among public, private and donors around a priority agenda
- Wide range of implementing partner resources to tap
- Political cycles, vested interests and capacity gaps will often require a “patient capital” approach to policy change
Successful Policy Programs are about Long-Term Partnerships

Obama announces end of Burma sanctions
White House Press Conference  October 7, 2016
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