

ENABLING POLICY FOR INCLUSIVE AGRIBUSINESS

Aspirational issues and priorities for collaboration

Jim Woodhill

1 SUMMARY OF ISSUES

Inclusive agribusiness (IAB) requires an enabling policy environment that supports competitive and efficient markets while ensuring inclusive economic benefits and environmental sustainability. Inclusive benefits from the agriculture and food sector contribute to both public and private good outcomes and consequently require a sophisticated approach to public good investments. This creates both opportunities and challenges for public policy and the need for public-private partnerships and good dialogue across the public and private sectors.

Enabling policies for IAB have three interconnected levels:

1. the overall enabling environment for business
2. the enabling environment for the agriculture and food sectors
3. factors that relate specifically to inclusive growth in the agriculture and food sector.

Businesses emphasize that the impact that they can have through inclusive practices is limited without the right enabling environment. During the 2016 Grow Africa Investment Forum, for example, there were clear messages from both national political leaders and business regarding the need for an improved enabling policy environment to take promising examples of inclusive agribusinesses to scale.

The G20 define inclusive business policies as those which ‘directly enable and encourage private sector companies to include the BOP [bottom of the pyramid] as part of their value chain and empower the BOP to participate in companies’ value chains’ and distinguish between four support functions of an enabling environment: capacity, financing, information and rules and regulation.

Policy issues key to creating a viable, sustainable and inclusive agri-food sector include taxation, tariffs

and trade, public sector investment in agricultural research and extension, price support, social protection and foreign investment. Food security and the economic welfare of poor rural populations are sensitive political economic issues for most countries that require well-managed transition processes which need to balance economic efficiency, trade interests and effective mechanisms for social protection. This creates the need for enhanced dialogue and trust between government and private sector players to find balanced policy directions that can support inclusive agri-food sector development.

In 2016 the World Bank released its first “Enabling the Business of Agriculture Report” that identifies 10 key enabling areas: seed, fertilizer, machinery, finance, markets, transport, information and technology (ICT), land, water and livestock. Indicators then cover operations, quality control and trade.



Photo credit: Wageningen Centre for Development Innovation

2 ASPIRATIONAL ISSUES FOR A COMMON AGENDA

Understanding and influencing enabling policies for IAB should be a critical frontier for a knowledge and learning agenda. Ultimately national level policies will be a key determinant in the scaling of IAB. However, the national level is also influenced by the positions of regional bodies, international agencies, financial institutions and donors. Despite the large number of IAB initiatives, little has been done in terms of meta-analysis regarding enabling and constraining policy factors and cross country comparison.

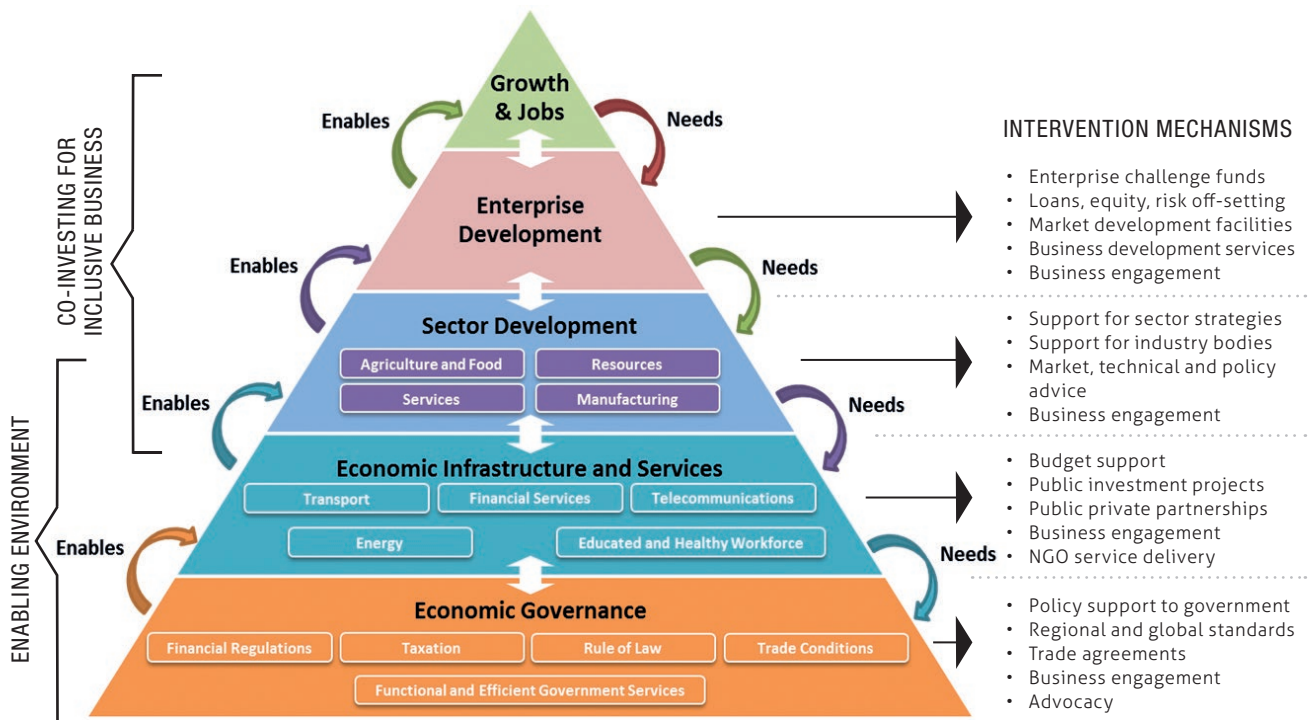
A key issue is not just the policy settings, but also the processes and platforms by which business, policy and other actors engage to transparently work on improved enabling conditions. A knowledge and learning agenda would consequently need to look at both substantive policy issues and processes.

Much could be done to couple specific aspects of inclusive agribusiness with the enabling agribusiness framework that has been launched by the World Bank.

As indicated above and in Figure 1, policies that support inclusive practices must be understood within a wider context of an enabling environment for business. There are significant ideological differences and transparency issues regarding the degree to which public funds should be used to directly support businesses to incentivize inclusive practices. Important policy questions exist regarding the degree to which inclusiveness can be stimulated via creating a general enabling business environment, through good economic infrastructure and economic governance vs needing to create specific mechanisms to drive great inclusiveness that require tackling pre-commercial and pre-competitive costs of inclusion.

FIGURE 1

Inclusive Business – Enabling Environment Pyramid
(Jim Woodhill, Jan 2014)



3 POTENTIAL RESEARCH AND LEARNING QUESTIONS

3.1 Research questions

- What visions for the longer-term role and transformation of small-scale agriculture do different countries have? What are the policy implications? What are the implications for inclusive practices?
- What are the key enabling and constraining factors for scaling inclusive agribusiness with what policy implications?
- How can public policy best deal with the pre-commercial and pre-competitive costs that are often associated with inclusive practices and what are the public good benefits of co-investing with business to do so?
- Where public goods need to be provided to support greater inclusiveness, how are these best delivered (government vs private) with what policy implications?
- How can transparency and accountability be achieved for inclusive agribusiness and what are the advantages and disadvantages of various standards, certification and labelling systems?
- Are key constraints and solutions for inclusive agribusiness environments different from the general business enabling environment?
- Common policy prescriptions include sector-wide de-regulation and removal of inhibitory laws, as well as new rules and regulations. How may these be prioritized or sequenced for inclusive business development?
- In the context of new regulatory frameworks, several inclusive business advocates argue in favour of creating special legal forms in corporate law for business or voluntary 'accreditation' systems. Are these measures an effective way to promote inclusive business?
- Specific interventionist strategies for inclusive business are mandatory rules and preferential contracting criteria on inclusiveness. Can these be considered as effective ways to promote pro-poor growth?
- What role can different types of private sector development programmes play in promoting favourable conditions for inclusive business?
- The challenges of land tenure and transition towards greater commercialization of agriculture should be tackled without depriving people of their livelihood options.

3.2 Learning questions

- What has been learned from IAB initiatives on enabling and constraining policies and how can these lessons be collated and made relevant for policy-makers?

- How do enabling policy settings for IAB vary across different countries and with what lessons?
- What have been key country- and regional-level forums for dialogue between business and policy-makers on IAB? What has been learned and how could they be improved?
- What are the examples of where IAB initiatives have focused on specific policy barriers and been able to influence these with positive outcomes for inclusive practices?
- What are the different incentive structures required for different types of agribusinesses (global/national firms, small-scale/large scale, input supply/services/finance/trading/retail) to be inclusive and what are the policy implications?
- For donors, in supporting market-based approaches to development, what can be learned about policy changes that would lead to these interventions being sustainable and have great impact at scale?

4 POTENTIAL PRIORITY AREAS

Enabling environment and policy issues for IAB are complex as they prompt much deeper questions about how inclusive economic growth relates to the future and transformation of small-scale agriculture, the impact of open and competitive markets and how public goods and services can best be delivered.

The fundamental issue is, if agricultural markets and businesses are not being inclusive then what sorts of incentives can be used to drive towards greater inclusiveness and will this lead to poverty outcomes more effectively and efficiently than other approaches.

It is widely recognized that many IAB initiatives to date have worked largely at the middle or top end of the economic pyramid of small-scale agriculture. Fundamental questions arise regarding how far down this pyramid IAB practices can be pushed, while still having viable business models. At what point does inclusiveness become an issue requiring social protection rather than business solutions? Are there ways that social protection can be more creatively used as a "leg up" for inclusive market-based solutions?

Overall, there is a need to create a better analytical framework to consider the policy aspects of IAB that integrates with more general work on the enabling environment for agriculture and business, and wider discussions of inclusive business.

5 ONGOING WORK

Asia Pacific Economic Cooperation (APEC) aims to support sustainable economic growth and prosperity in the Asia-Pacific Region.

Comprehensive Africa Agriculture Development Programme (CAADP) is Africa's policy framework for agricultural transformation, wealth creation, food security and nutrition, economic growth and prosperity for all.

G20 Global Platform on Inclusive Agribusiness seeks to connect policymakers and business behind a mission that is both pro-poor and pro-business and strives to better understand the role that G20 and non-G20 governments can play in supporting inclusive companies more effectively.

Work Bank's Doing Business Index provides objective measures of business regulations and their enforcement across 190 economies and selected cities at subnational and regional levels. It does so by gathering and analysing comprehensive quantitative data to compare business regulation environments across economies over time.

6 RESOURCES AND PREVIOUS WORK

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| 1. APEC. 2016. <i>APEC Economic Policy Report 2016: Structural Reform and Services</i> | Report about structural reforms which support productivity gains and inclusive growth for the APEC region. |
| 2. DCED. 2016. 'How to create an enabling environment for inclusive business? Learning from experience and debates in the private sector development', by Heinrich-Fernandes, M. | Scoping paper which focuses on business environment reform. How can agencies help create an enabling environment for inclusive business in partner countries? And how, if at all, does this differ from regulatory and policy reform to facilitate private sector investment in general? |
| 3. Endeva. 2013. <i>Inclusive Business Policies. How Governments can Engage Companies in Meeting Development Goals</i> , by Tewes-Gradl, C. Peters, A., Vohla, K. and Lütjens-Schilling, L. | This inclusive business policy toolbox provides a framework for enabling policymakers to systematically review options for supporting linkages between companies and poor people. |
| 4. G20 Development Working Group. 2015. <i>G20 Inclusive Business Framework</i> . | A framework that defines inclusive business, sets out recommendations to enable inclusive business, and proposes a way forward for governments, the private sector, and other stakeholders. |
| 5. G20 Global Platform on Inclusive Business. 2016. <i>Company Survey 2016</i> , prepared by IFC. | Results of a survey in the spring of 2016 to crowdsource policy ideas and challenges that companies face specifically as inclusive businesses. |
| 6. World Bank Group. 2016. <i>Enabling the Business of Agriculture 2016: Comparing Regulatory Good Practices</i> . | Measures regulations that impact firms in the agribusiness value chain, providing data analysis that allow policy-makers to compare their country's laws and regulations with those of others. |

This paper is part of a set of six that explore the six themes covered in the design workshop “Towards a Global Research and Learning Agenda for Inclusive Agribusiness”. Over two days 40 senior practitioners looked at how to deepen understanding and improve practice through more structured collaboration. While the themes do not cover all that is important in inclusive agribusiness, they are part of the potential for structural and systemic change inherent in many initiatives.

Each paper aims to trigger thinking on what could be done through collective action. It does not provide a complete picture of the theme but indicates the bandwidth of possibilities that could be worked on. We hope it will help you think where working with others can make your work easier, more interesting or more useful. For more information or if you have ideas please get in touch with joost.guijt@wur.nl.

The workshop was a good example of the value of combining skills and resources, and came out of joint thinking, time and funding from Wageningen University & Research, Global Donor Platform for Rural Development, Food & Business Knowledge Platform and BEAM Exchange.

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This paper is part of a series of papers on inclusive agribusiness written for the “Towards a Global Research and Learning Agenda for Inclusive Agribusiness” workshop in March 2017. Read all the papers as well as a series of blogs on ‘What’s new in inclusive agribusiness’ here: <http://www.inclusivebusinesshub.org/inclusive-agribusiness/>