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MODULE 1: THE POLICY ENABLING ENVIRONMENT

1. WHAT IS THE ENABLING ENVIRONMENT?

The enabling environment consists of the formal rules (laws, regulations, policies) and the underlying informal rules (norms, values, social dynamics) that shape behavior and outcomes in a market system. Fintrac defines the **policy enabling environment** for agribusiness as the laws, regulations, and formal institutions that affect the start-up and growth of an agribusiness.

In agriculture, the policy enabling environment can positively or negatively impact agricultural sector growth. A supportive enabling environment equitably and reliably enforces clear rules, thereby creating the conditions for agribusinesses to develop, scale, and compete — a cycle which ultimately broadens smallholders’ access to goods and services. A weak enabling environment lacking clear, fairly enforced rules drives up the cost and risk of doing business, thereby hampering incentives for agribusiness start-up and growth.

Understanding how the policy enabling environment supports or hampers the conditions for firms and farms to thrive is a prerequisite for developing smart investments in agricultural systems.

2. THE POLICY ENABLING ENVIRONMENT: LAWS, REGULATIONS & INSTITUTIONS

Laws, regulations, and institutions influence the incentives to create and invest in starting and growing agribusinesses. Well-crafted laws/regulations and strong formal institutions are prerequisites to an environment that facilitates access to productive technology and assets, and encourages increased production of safe, high-quality agricultural products. Ultimately, a stronger policy environment sets the foundation for agribusinesses to reach their potential — leading to greater economic growth, reduced poverty, and increased food security.

2.1 Policy Reform and the Political Economy

Policy reforms that support agribusinesses are generally slow, uncertain, and fraught with political roadblocks. Vested interests, a lack of capacity, and resource constraints all limit the pace and flow of change. Despite generally good intentions, agriculture policy that is motivated more by political or social objectives than by growth objectives is likely to frustrate private operators of any size — with major implications for food security, poverty alleviation, and economic growth.
2.2 Laws vs. Regulations

A law, simply put, is a set of rules which regulate the government and the relationship between the government and the people. Laws address social or economic needs and problems and are a product of the government’s legislative branch.

A regulation is a guide for how laws should be monitored and enforced. Regulations are meant to lay out rules and procedures to follow when implementing the law and are essential to the government’s executive branch. The table below defines what laws and regulations are, their respective goals, and the branch of government responsible for each.

**Table 1. Laws vs. Regulations**

<table>
<thead>
<tr>
<th></th>
<th>Laws</th>
<th>Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>The set of rules, enforceable by the courts, which regulate the government of the state and govern the relationship between the state and its citizens and between one person and another (Pearson, 2014).</td>
<td>The detailed instructions for the implementation of laws and the process for monitoring and enforcement.</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>To address a social or economic need or problem.</td>
<td>To lay out rules and procedures to follow when implementing the law.</td>
</tr>
<tr>
<td><strong>Responsibility</strong></td>
<td>The legislative branch</td>
<td>The executive branch</td>
</tr>
</tbody>
</table>

2.2.1 Key Laws in the Agricultural Sector

There are a variety of laws that are essential to the agricultural sector in the operations of various tasks. Each task along with each corresponding law are listed below.

**Table 2. Key Laws Affecting Agricultural Sector Operation**

<table>
<thead>
<tr>
<th>Agricultural Sector Operation</th>
<th>Corresponding Laws</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtaining inputs</td>
<td>Seed law, fertilizer law, land law</td>
</tr>
<tr>
<td>Accessing rural land</td>
<td>Land law, customary land law</td>
</tr>
<tr>
<td>Accessing finance</td>
<td>Secured transactions law, moveable property law</td>
</tr>
<tr>
<td>Operating a business</td>
<td>Companies law, tax law, employment law</td>
</tr>
<tr>
<td>Enabling contract farming</td>
<td>Contracts law, dispute resolution law</td>
</tr>
<tr>
<td>Trading agricultural goods</td>
<td>Customs law, grades and standards law</td>
</tr>
</tbody>
</table>

2.2.2 Common Legal & Regulatory Issues That Negatively Affect the Performance of Agribusinesses

Legal and regulatory issues can negatively impact the performance of agribusinesses. Such issues can be categorized into four types: restrictive laws, missing laws, unforeseen consequences, and ad hoc rules. Each issue along with an example of its corresponding impact are listed below.

**Table 3. Common Legal/Regulatory Issues**

<table>
<thead>
<tr>
<th>Types of Legal/Regulatory Issues</th>
<th>Example of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictive laws: Laws that restrict any essential actions or aspects of agribusiness.</td>
<td>Land laws that restrict private ownership of land can limit the ability of farmers to use the land as collateral against which they can borrow.</td>
</tr>
<tr>
<td>Missing laws: Any absence of legal framework for essential actions or aspects of agribusiness.</td>
<td>The absence of a legal framework for enforcing contracts limits potential deals to arm’s length transactions.</td>
</tr>
<tr>
<td>Unforeseen consequences: Any sort of aspect of legislation pertaining to agribusiness that was not accounted for.</td>
<td>Interest rate caps tend to reduce lending activities, especially to rural areas and the poor where borrowing costs tend to be highest.</td>
</tr>
<tr>
<td>Ad hoc rules: Laws that are designed for a</td>
<td>Cereal export bans to lower the price of cereals for</td>
</tr>
</tbody>
</table>
### Table 3. Common Legal/Regulatory Issues

<table>
<thead>
<tr>
<th>Types of Legal/Regulatory Issues</th>
<th>Example of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>specific aspect of agribusiness that is not designed to work for other issues.</td>
<td>urban consumers also lowers the price received by farmers.</td>
</tr>
</tbody>
</table>

### 2.3 Institutions

This section describes how institutions shape the enabling environment by affecting the start-up and growth of agribusinesses. They are the third-party contributors to any aspects of agriculture and agribusiness and can be categorized into three types: implementing institutions, supporting institutions, and other agribusinesses.

### Table 4. Institutions That Affect Start-Up and Growth

<table>
<thead>
<tr>
<th>Types of Institutions</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implementing institutions</strong>: A government entity that participates in agribusiness assistance.</td>
<td>Ministries (Agriculture, Trade, Land, Commerce, Justice, Labor)</td>
</tr>
<tr>
<td></td>
<td>Revenue Authority, Customs Authority, Investment Promotion Agency, Company Registry</td>
</tr>
<tr>
<td><strong>Supporting institutions</strong>: A non-government entity that participates in agribusiness assistance.</td>
<td>Trade Associations, Finance Providers, Academic and Research Institutions, Lawyers, Accountants, Donors</td>
</tr>
<tr>
<td><strong>Agribusinesses</strong>: Other agribusinesses that assist other agribusinesses.</td>
<td>Input Suppliers, Producers, Processors, Traders, Transports, Storage Providers, Importers/Exporters</td>
</tr>
</tbody>
</table>

### 2.3.1 Common Institutional Problems that Negatively Affect Agribusinesses

As with laws and regulations, institutions are also subject to issues that can negatively impact agribusiness performance. These issues can fit into the following categories: burdensome practices, weak administration systems, centralized offices, and poor coordination.

The table below lists each institution-related issue along with a description of the impact it has on the enabling environment for agribusiness.

### Table 5. Common Institutional Problems

<table>
<thead>
<tr>
<th>Example</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Burdensome practices</strong></td>
<td>Burdensome seed variety registration processes limit the availability of new seed varieties for farmers.</td>
</tr>
<tr>
<td><strong>Weak administration systems</strong></td>
<td>Weak land administration systems add considerable time and cost to the process for transferring agricultural land.</td>
</tr>
<tr>
<td><strong>Centralized offices</strong></td>
<td>The lack of regional business registration offices substantially increases the cost burden of starting a business, making business formality unlikely for most rural farmers and agribusinesses.</td>
</tr>
<tr>
<td><strong>Poor coordination</strong></td>
<td>Uncoordinated government agencies and unpredictable border processes causes traders time and money when moving goods.</td>
</tr>
</tbody>
</table>

### 3. COMMON CHALLENGES WITHIN THE POLICY ENABLING ENVIRONMENT

Smallholder farmers and their families make up about half the world’s population living in poverty. Improving the productivity and incomes of these farmers are key objectives for Fintrac and the donors with whom we work. To achieve agricultural growth, experience suggests that reform efforts (whether driven by governments or donors) must also focus on improving the rules and institutions that govern the agriculture sector.
3.1 Obtaining Inputs

Farmers everywhere depend on access to high-quality inputs (e.g., seed, fertilizer) to enhance their productivity which are often constrained by laws, regulations, and institutions that limit the flow of and access to such improved technologies.

**Box 1. Common Challenges to Obtaining Inputs**

- Burdensome seed variety registration processes limit the availability of new seed varieties for farmers.
- Limited competition in the fertilizer market tends to drive up prices and slow down the pace of product innovation.

*Practical Example: In Ghana, a new seed law has been approved, but standard procedures for variety approval have not been defined, causing delays at each step of the process and additional costs borne by the applicant.*

3.2 Accessing Rural Land

Clear and stable property rights are critical to the long-term investments in land and infrastructure that drive agricultural productivity and access to finance, which are complicated by insecure land tenure and inefficiencies in transferring title to rural property limiting the incentive for long-term investments in agricultural land and diminishing the value of property rights.

**Box 2. Common Challenges to Accessing Rural Land**

- Restrictions on land ownership by sex or ethnic affiliation.
- Informal customary land rights systems contradict formal systems.
- Overlapping and paper-based land administration systems add considerable time and cost to the land transfer process while increasing risk to those who rely upon the results.

*Practical Example: In Zambia, it takes up to 12 months to issue a new title for property. The unpredictability of timing, and the fact that the land registry is centralized in Lusaka, poses a substantial obstacle to farmers and agribusinesses located in rural areas seeking to sell or acquire land.*

3.3 Accessing Finance

Farmers need finance to purchase seed, fertilizer, irrigation equipment and other technologies. This process is stunted by the absence of a legal foundation that allows finance to be widely available in developing economies. This is due to restrictive collateral laws that prevent full leveraging, incomplete collateral registries where such laws do not exist, and an absence of credit bureaus that provide information to banks about credit-worthiness.

**Box 3. Common Challenges to Accessing Finance**

- Unclear property rights and weak property registration systems limit the use of land as a form of collateral.
- The absence of a legal framework for movable assets limit the use of equipment as a form of collateral.

*Practical Example: In Myanmar, financial institutions are averse to lending to the agricultural sector because of laws restricting types of collateral available (including livestock and farm equipment).*
3.4 Operating a Business

Formally registering a farm or related agribusiness as a business enables individuals and families to grow by opening a corporate bank account, accessing finance, and entering into certain types of contracts. The high cost of registration in developing countries discourages formalized entrepreneurship before it even starts.

**Box 4. Common Challenges for Operating a Business**

- Burdensome licenses and permits related to farming can make the cost of starting a business prohibitive for farmers.
- The lack of a regional business registration offices substantially increases the cost burden of starting a business who need to travel to the capital.

*Practical Example: In Kenya, the forms required for starting a business can only be completed at a registry in Nairobi. This adds a considerable time and cost burden to farmers across the country, meaning that only large companies with representation in Nairobi will register as a business.*

3.5 Enabling Contract Farming

Contract farming provides smallholder farmers the opportunity to enter commercial relationships that improve access to mechanization, inputs, and end markets. A lack of a strong legal regime and effective enforcement that provides the security needed to enter into transactions outside of one’s personal network of family and friends limits this.

**Box 5. Common Challenges for Contract Farming**

- Culture of contracts not respected and courts are not trusted.
- There is a lack of trust between farmers and other value chain actors; side selling is a common symptom of this lack of trust.
- There are inadequate procedures (through the courts or alternative dispute resolution) for enforcing contracts.

*Practical Example: In Mali, the vast majority of transactions between cereal traders take place without any written contracts, which makes proving breach of contract difficult, and constrains the expansion of business to partners without personal guarantees or relationships.*

3.6 Trading Agricultural Goods

Due to unexpected costs and delays when moving perishable agricultural goods within and across borders, goods are ruined by the time they reach their destination which results in severe damage to the competitiveness of the agricultural industry. This is largely due to trade policy that is driven by political and social interests as opposed to economic analysis, and the systems of procedures and documentation for customs and border agencies.

**Box 6. Common Challenges for Trading Agricultural Goods**

- The introduction of export bans in the face of price spikes.
- Uncoordinated government agencies and unpredictable border processes cause traders time and money when moving goods.

*Practical Example: In Kenya, limited institutional capacity causes operational inefficiencies and costly delays, particularly at ports and airports. Clearance delays at Mombasa port can add up to 57 days for agricultural exports.*
3.7 Cross-Cutting Theme: Gender

The roles of women in agriculture are diverse, ranging from informal small-volume traders at borders, customs agents and freight forwarders and owners of larger agribusinesses from the capital. Any interventions must acknowledge and target the specific legal and institutional constraints faced by women.

**Box 7. Common Gender-Related Challenges**

- Barriers to ownership of land and access to capital.
- Women traders face heightened harassment and trade in goods with the lowest profit.
- Legal restrictions (i.e. lack of right to own passport or other identification) or ability to participate in cross-border agricultural trade.

*Practical Example: In Benin, cultural restrictions on access to land restrict women’s membership of the two main producer organizations, where membership is restricted to landowners.*

4. OBTAINING INPUTS

Farmers everywhere depend on access to high-quality inputs to enhance their productivity. However, access to these vital inputs are often constrained by laws, regulations, and institutions that limit the flow of and access to such improved technologies, as well as the education and training required to put those inputs to productive use. By refining the elements of the enabling environment that regulate input markets, governments can increase access, affordability, and innovation in the marketplace for these productivity-enhancing products and services.

The main foci include the below four inputs and services:

- Obtaining Seed
- Accessing Rural Land
- Obtaining Fertilizer
- Accessing Finance

4.1 Seed

Despite commitments by governments to increase supply of improved seed, the vast majority of farmers in developing countries are unable to access advanced varieties. Restrictions on private sector activity, strict controls on trade, and foreign investment restrictions are just a few examples of rules that limit the dynamism of the sector — and limit the flow of improved varieties to the farmers most in need.

4.1.1 Legal Framework: Key Issues

For agriculture to thrive, farmers need access to disease-free planting material that produce crops in line with consumer demand at yields that allow farmers to make a living in the process. Experience in countries that have achieved high levels of seed access at relatively low cost suggests that government should move out of its role as a market participant, and instead focus on a mix of research, development and limited regulation. Common constraints identified across countries are as follows:
• **Restrictions on variety release increase the time and cost to register a new seed variety:** Governments frequently require registration of seed varieties before being released to the public. While seed experts debate the merit of such a policy, Fintrac experience suggests that there is very little public benefit to variety registration processes if the cost is quite high. Furthermore, regardless of the cost, the process is generally long, complicated and expensive. In the countries where Fintrac works, it is not unusual for new varieties to be released three to five years after they were made available on the international market, significantly handicapping local farmers. The end results are fewer and more expensive choices for farmers.

• **Restrictions on seed certification constrain private sector development:** Seed certification is the process of ensuring the genetic purity of a seed variety. For a seed certification system to be effective, its design, management, and modification require active participation of seed producers and regulatory authorities. However, regulations often require mandatory government-run seed certification, again citing concerns over the objectivity of the private sector. This unnecessarily constrains private seed businesses, with lack of government capacity causing delays in laboratory testing and burdensome and costly bureaucratic processes. In addition to the certification fee, companies often have to pay for inspector field visits or provide other incentives. Enabling an accredited private sector company to certify seeds will lower these burdens and increase the speed and efficiency of the seed certification process.

• **A lack of plant variety protection lowers incentives to invest in new varieties:** The process of plant breeding is a long and costly commitment, yet without appropriate intellectual property protections, seed varieties could be illicitly replicated quickly and cheaply. A Plant Variety Protection (PVP) law is necessary to protect the rights of breeders by providing legal protections and incentives for the development of new varieties of plants. By introducing PVP, governments can help increase the chance of new investment in the seed sector, benefitting both producers and consumers.

• **Burdensome and unnecessary start-up requirements discourage new seed businesses:** Despite a lack of evidence proving its utility seed businesses are often required to possess specific assets, such as seed processing equipment, storage, laboratories and specific education requirements, before registering as a business. Such pre-requisites add to the cost of starting a seed business but are not necessary as seed companies can access these services on the open market.

### 4.1.2 Implementing Institutions: Key Issues

Just as important as a supportive legal and regulatory environment is the need for effective implementation of seed laws and regulations. In a fledgling seed industry, there is little private industry, and typically the role of the government is to facilitate the initial development process. In a more developed industry, less and less support is required, as the private sector is enabled to become the dominant market player. However, governments are generally hesitant or unprepared to scale back their role in the market, often crowding out private sector investment in the process. Common institutional constraints to seed market development are as follows:

• **Limited government capacity to release foundation seed:** Foundation seed is a critical building block for a robust, local seed system. Access to foundation seed is mainly provided by national agricultural research organizations in the countries where Fintrac works. However, these organizations tend to be severely underfunded and understaffed, which results in very little product...
coming from these institutions. Access to foundation seed can be improved through a private sector licensing system, where the national agricultural research organizations receive an upfront payment from a seed company for the foundation seed, and then a subsequent percentage of the revenue when the improved seed is sold.

- **Insufficient private sector knowledge of seed technology and seed provision:** Insufficient capacity and knowledge of the technical aspects of seed technology, lack of locally run support services, and insufficient market awareness of farmers’ preferences all pose constraints to private sector development across the seed industry. Regionally located public-private seed service centers have the potential to assist seed companies in overcoming adoption constraints as well as provide the private sector with support including field inspections, seed labs, seed processing, and business orientation support. These services help seed businesses to overcome the substantial capital outlay required for operations, while providing a private-sector led solution that avoids bureaucratic delays of a government-run program and contributing to the growth of an important local industry.

- **Lack of private sector participation in the governance process:** The private sector is often excluded from the decision-making process for seed policy development and implementation. Participation can be increased through a joint public-private Seed Advisory body or National Seed Committee. Such a body will be a driving force for change at the national level by adding private sector extensive expertise and know-how to the seed policy process.

- **Insufficient domestic capacity to support regional harmonization:** Expanded and more efficient regional seed markets stimulate investment and lead to increased seed availability and accessibility to farmers. Regional seed certification schemes provide domestic crops with the potential to be traded through streamlined field and laboratory standards for the major crops across the region. They also allow for accreditation of seed companies and third parties to conduct seed certification activities. However, these schemes are constrained by the differing domestic seed certification capacities of countries. Support is needed to build domestic capabilities for field inspection, laboratory services, and issuing procedures.

### 4.2 Fertilizer

Using fertilizer at the Right time, at the Right rate, in the Right place and from the Right source (the so called “4 Rs of Fertilizer Use”) is proven to increase yields and maximize benefits from scarce resources. As a result, governments around the world have made improved access to and utilization of fertilizer a top priority in their agriculture and rural development strategies. Despite public policies and investment intended to promote fertilizer use, however, adoption rates for improved fertilizer remain low in many of the countries where Fintrac works.

Fertilizer companies, particularly in developing countries, face a number of constraints to increasing the profitable use of fertilizer. Fertilizer products are expensive for poor farmers and are typically traded in large volumes on low margins. Suppliers are exposed to substantial risks in predicting the timing and amount of fertilizer demand in a given season, while navigating volatile global commodity prices and managing cash flows to buy and sell fertilizer on credit. In many developing countries demand for fertilizer is also hampered by small and fragmented markets, inconsistent product quality, lack of technical know-how for proper application, and weak or volatile output markets in which farmers sell their produce.

Many governments have tried to address these challenges by taking an active role in the fertilizer market with the intent to expand access to fertilizer or meet food security objectives, often through subsidies or broader price controls. Evidence from diverse economies, however, shows that these interventions tend to be expensive, often fail to reach the program’s target beneficiaries, and frequently retard the growth of private fertilizer companies. Experience suggests that in order to improve fertilizer quality, usage and availability, governments should move away from direct participation in the fertilizer market and towards public policies and investments that support the development of a private fertilizer industry, expanded output markets for increased production, and better farmer education.
4.2.1 Legal & Regulatory Framework: Key Issues

Government fertilizer policy can encourage the private sector to meet the needs of agricultural producers by establishing a clear and efficient process for licensing agrodealers, registering products, and enforcing fertilizer quality standards. Experience from countries such as Thailand that have a large and dynamic fertilizer sector suggests that private companies, when supported by appropriate regulatory oversight, will compete to retain customers by building brands based on quality and reliability.

- **A lack of an appropriate fertilizer law:** An effective fertilizer law is a standalone law that sets clear expectations for fertilizer quality in order to mitigate investment risks faced by both fertilizer businesses and farmers. Well-written fertilizer laws generally contain the basic requirements for the registration, licensing, shipment, and sale of fertilizer, but the implementation of these procedures is better left to the regulations where they are more easily amended.

- **A lack of a clearly defined regulatory body:** A fertilizer law will be ineffective if the authorities responsible for implementing the law lack sufficient funding or clearly defined responsibilities. Joint public-private sector responsibility for overseeing quality can be a cost-effective and efficient means of ensuring high quality fertilizer products, especially where the government lacks the financial or human resources to properly oversee the market.

- **Tariff barriers to fertilizer trade:** Taxes at and beyond the border can add significantly to the cost of fertilizer trade. In the Economic Community of West African States (ECOWAS) region, for example, although fertilizer is exempt from the Common External Tariff, some countries still charge an import duty. During the fertilizer price spikes in 2008, China raised export tariffs to 135 percent to implement a de facto ban of fertilizer exports. Numerous other small levies, such as the ‘shipper and council’ tax in Ghana and Mali, add administrative burdens and rent-seeking opportunities that can lead to costly delays in clearing fertilizer shipments at the port.

- **Non-tariff barriers to fertilizer trade:** Non-tariff barriers such as price controls, import quotas, and restricted trading license systems limit competition by making it difficult for new firms to enter the market. This lack of competition is often an important driver of poor outcomes in the fertilizer market, including high retail prices, minimal product variation, counterfeiting and limited geographic availability. In Zimbabwe, for example, a permit must be obtained from the Ministry of Agriculture to import or export fertilizer, and the government has currently ceased issuing export permits under the Control of Goods Act as a means of implementing a general export ban on fertilizer.

4.2.2 Implementing Institutions: Key Issues

In a nascent fertilizer industry, there is often little private sector involvement, with few products available on the market and a generally low level of knowledge amongst farmers on how to appropriately use fertilizer. Beyond establishing a policy environment that is conducive to private sector investment, an important role of the government in the initial stages is to bridge the gap in agricultural research and development, farmer education, market information, and infrastructure that will create the conditions for a more vibrant fertilizer market over time. As the market grows, and the private sector is able to serve the needs of a diverse consumer market, less government support is required.

- **Government control of fertilizer procurement and distribution:** Government fertilizer programs tend to be costly and often fail to deliver fertilizer on time to farmers due to delays in budgetary approvals and funding shortfalls. In Cote D’Ivoire, for example, over $6 million of
government mandated subsidies of fertilizer for the cotton industry were not repaid to cotton companies. Similarly, where the government controls wholesale fertilizer distribution through a government agency, programs have frequently failed to deliver fertilizer to the intended beneficiaries. In Nigeria, it was widely accepted that less than 10 percent of government distributed fertilizer reached the targeted beneficiaries. Bad timing combined with generic fertilizer products reduce farmer confidence in fertilizer as a worthwhile expenditure, setting in place a cycle of low demand that is difficult to change.

**Access to finance:** Fertilizer businesses at all levels of the supply chain face constraints in accessing loans due to high interest rates, prohibitive collateral requirements, and limited access to domestic financing. In Sub-Saharan Africa, for example, a fertilizer importer will commonly pay nominal interest rates of 20-30 percent and provide collateral of over 100 percent in order to obtain a letter of credit. Given the seasonality of demand, and the low returns on the input business, fertilizers find these terms unattractive. In this regard, fertilizer companies in the short term can mitigate the high cost of business finance by collaborating with local commercial banks to create credit funds that specifically target fertilizer companies. Under a credit guarantee program, the importer raises a portion of the funds needed, and the local bank provides the remainder.

**Public research and targeted extension services:** Fertilizer use alone does not increase crop yields; it must be used properly. Without proper application, fertilizer use can actually decrease profitability by creating a significant added cost without a corresponding increase in crop yields. Extension services are necessary to ensure that farmers apply fertilizers in the right amount, at the right time, and are used alongside complementary inputs such as improved seed or lime.

### 4.3 Land

A large proportion of smallholder farmers lack access to or have limited rights to agricultural land. Smallholders may be able to cultivate land, but are unable to rent, sell, or use it as collateral. Their rights to the land may be limited because informal rights are not recognized by authorities, smallholder farmers can’t afford the required paperwork and administrative hassle, or simply because they are unaware of their rights. According to the World Bank (2013), only 10 percent of rural land in sub-Saharan Africa is formally registered, while the majority of land is undocumented and remains vulnerable to land grabs and expropriation.

Clear, stable, and enforceable property rights are critical to the long-term investments in land and infrastructure. When land administration systems are functioning effectively, individuals and firms have higher confidence about future returns, which leads to an increase of on-farm investment, greater agricultural productivity, and more robust agricultural growth. The existence of property rights is vital for establishing land markets where land can be bought and sold, which facilitates rural entrepreneurship and economies of

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scale in production.\textsuperscript{4} Allowing the use of land as collateral also increases access to finance, because land can be mortgaged. Finally, by providing for the protection and enforcement of land rights, secure land tenure also can help limit resource degradation, promote gender equity, reduce the likelihood of violent conflict, and prevent land grabs.\textsuperscript{5} As a result of insecure tenure, it was estimated that at least 1 million hectares of land has been confiscated in land grabs in Ethiopia, Liberia, Mozambique, and Sudan between 2004 and 2009.\textsuperscript{6}

<table>
<thead>
<tr>
<th>Table 6. Types of Land Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td>Private Land Rights</td>
</tr>
<tr>
<td>Customary Land Rights</td>
</tr>
<tr>
<td>State Rights</td>
</tr>
<tr>
<td>Open Access Rights</td>
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</tbody>
</table>

4.3.1 Common Legal & Regulatory Constraints Across Countries Limit Access to Land

Property rights can be delivered through formal land titling, but also by extending greater legal recognition to informal or customary tenure arrangements. In a recent review of 20 existing land tenure studies, it was found that formal registration of individual land rights increased investment and induced productivity gains of 5-10 percent in Africa, and 25-45 percent in South America and Asia. The lower productivity gains in Africa were related to the existence of customary tenure arrangements that were already providing a degree of tenure security.\textsuperscript{7} Across all three continents, however, a number of common legal and regulatory constraints were found to limit access to property rights. These include:

- **Restrictions on private ownership limiting property rights**: The first barrier to agribusinesses’ land ownership in many developing countries is generally constitutional: private ownership of land is prohibited for policy or ideological reasons. In Mozambique, for example, all land is owned by the state and private ownership is forbidden. However, where the state legally owns all the land, some legal means are generally established for users to gain access to land for productive purposes, with varying degrees of tenure security.\textsuperscript{8} In Mozambique, the government grants land use concessions for up to 50 years. However, this process is plagued by a lack of consistency and transparency in implementation, and as a result, undermines growth in the agricultural sector.

- **Formal land rights often being complicated by the existence of a customary land system**: The delivery of land rights is often complicated by the existence of customary land rights in addition to formal land administration systems. In some countries, both tenure systems are recognized, which leads to overlapping claims on land. In other countries, customary land rights are present but not formally recognized. In Papua New Guinea, for example, more than 97 percent of land is held in customary title.\textsuperscript{9} This system makes land negotiations difficult as there are often overlapping claims to

\textsuperscript{4} FAO, 2013, Enabling Environments for Agribusiness and Agro-industries Development.
\textsuperscript{6} http://allafrica.com/download/resource/main/main/idatcs/00070465:a47eeca26d0c8064c23f0f6c0d706.pdf.
\textsuperscript{7} Campbell Collaboration, 2014, The Impact of Land Property Rights Interventions on Investment and Agricultural Productivity in Developing Countries: a Systematic Review.
\textsuperscript{8} USAID, 2010, AgCLIR Lessons from the Field: Registering Property.
\textsuperscript{9} USAID, 2012, Agribusiness Commercial, Legal and Regulatory Reform (AgCLIR) Papua New Guinea.
the same land, boundaries of land are subject to frequent change, and land disputes are difficult to resolve. As a result, no clear process exists in practice to protect the legitimate rights of smallholders while enabling investors to access agricultural land, which represents a major constraint to growth.

- **Women generally having weaker property rights than men:** The vast majority of women, who play a large role in agricultural production, are restricted from land ownership by both formal systems and customary laws. Women’s ownership of land is estimated to be less than 2 percent of all titled land worldwide. In Mali, for example, under customary law, women are allowed to cultivate land owned by their family, but once married, are forbidden from retaining that land or transferring the land rights to their husbands. Providing women equal treatment under the law can significantly strengthen women’s access to land. Kenya’s recent constitutional changes provide a great example of how this can be achieved.

### 4.3.2 Weak Land Administration Systems Add Considerable Time & Cost to Land Transfer Process

In addition to a legal and regulatory framework that establishes clear and stable property rights, there is a need to ensure that these rules are administered efficiently and transparently. Land administration includes the application of land rights, land-use regulation, and land valuation and taxation. Land administration systems should record, maintain, and publicize tenure rights, including those held by the public sector, private sector, and local communities under customary tenure systems. Improving the efficiency of this system can make purchasing land attainable for a wider range of rural households, while lowering the investment cost for larger agribusinesses. This allows farmers of all sizes to scale up their production. However, in practice, instead of supporting land access, weak land administration systems add considerable time and cost to the land transfer process. Common constraints identified across countries include:

- **Land administration procedures being lengthy and unpredictable.** In a cross-country study conducted by USAID’s Enabling Agricultural Trade project across 10 countries, 80 percent of land administrative procedures were found to be lengthy, opaque, and unpredictable. In Bangladesh, for example, it takes nearly six months to transfer land due to the need to verify title and obtain certificates from multiple land offices and government agencies at four separate administrative levels. This compares to only nine days to complete the same process in Nepal, due to a limited number of steps.

- **Regional land administration systems reducing the time and cost for rural agribusinesses to register land.** Land administration offices are often only located in the capital, which offers a significant time and cost disadvantage for rural farmers and agribusinesses looking to transfer land. In Kenya, for example, there are only two land registries (in Nairobi and Mombasa) available for conducting land title investigations, increasing the time required to investigate title to 14 days, compared to three days in Nepal, which has land offices at the district and village levels. In addition, there are often a shortage of land surveyors, who may have to travel long distances to reach rural plots, further increases delays and costs associated with the titling process. In Uganda, for example, there are only three government employees that inspect and value all land transactions, which given the land distance covered, could take up to a month to complete.

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10 IFAD, 2013, Strengthening Women’s Access to Land, Learning Note.
A lack of electronic records improving the land administration process. In most Feed the Future countries, land records are kept in paper ledgers. Paper records are difficult to access remotely. Searching the registry thus requires going in person to the registry office where the plot of land is located. In Ghana, for instance, searching the deeds registry takes one month compared to less than one hour in the Netherlands. Finally, paper records pose risks to the quality of the registry data, because title deeds can deteriorate, be damaged by water or mold, or be forged – leading to cases of duplicate title deeds for the same plot. An electronic database, such as is used in the Netherlands, makes searches and registering a title deed instantaneous.15

5. ACCESSING FINANCE

Access to finance is critical to the growth of agribusinesses. Yet, poor access to such finance tends to be the most widely cited constraint to agribusiness growth in the developing world.16 In Nigeria, for example, agriculture accounts for 40 percent of gross domestic product but only 2 percent of loans outstanding.17 Globally, the credit shortfall for smallholders is estimated to be around $450 billion.18 Financial constraints are common across agricultural value chains; farmers have a particularly difficult time accessing finance based on real and perceived risks associated with lending to the sector. These risks include the cyclical nature of weather patterns, pests, diseases, limited collateral, a lack of access to markets, and high transaction costs associated with dispersed geographical production. Farmers also tend to be perceived as higher risk due to high levels of rural poverty and lower education levels.

5.1 What is the Financial System?

The financial system is the set of laws, regulations, and institutions that provide a framework for carrying out economic transactions and monetary policy, and help to efficiently channel savings into investment. The financial system is comprised of markets (the physical link between actors), intermediaries (entities who provide financial services, such as banking and credit ratings), regulatory and supervisory authorities, and assets (the commodities that are traded).

When laws and regulations support an efficient financial system, lenders are able to reduce costs and manage risks, while borrowers gain access to beneficial financial services, such as credit, savings, and a guarantee for their products. These are central tenets of an enabling environment conducive to investment and, by extension, economic growth.

5.2 How the Legal, Regulatory, & Institutional Framework Impedes Access to Finance

For smallholder farmers to access finance, they must be able to pledge the assets they have as collateral. However, the legal and institutional foundation to support collateral use for smallholder farmers is often absent. Collateral cannot be fully leveraged by banks, given restrictive collateral laws; public registries to record collateral (and thereby enable its use) often do not exist or have incomplete records; and credit

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16 A lack of access to finance is the most widely cited constraint to agribusiness growth according to the World Bank Rural Investment Climate reports.
bureaus do not exist to provide information to banks about the credit histories and credit-worthiness of borrowers.

5.3 Components to Target for Reform

Among the building blocks of a strong agricultural finance system are a secured transactions law, movable collateral registry, and a transparent credit information system. Developing and/or reforming these components of the legal and regulatory environment tend to be a necessary precursor to sustainable access to finance in countries of all sizes. For example:

**Access to finance can be increased when the legal framework supports the use of assets as collateral.**

By decreasing the risks faced by lenders, collateral laws encourage a greater supply of finance — including to those at the base of the economic pyramid. Collateral laws can be strengthened through a secured transactions framework that allows farmers to use both real property (such as land and buildings) and moveable property (such as crops, livestock, equipment, and machinery) as collateral. Such a framework allows farmers to use their limited assets as collateral while providing borrowers with the legal protection they need to ensure financial compensation in the case of non-compliance with terms of a loan.

**Establishing a collateral registry increases transparency and legal security for lenders.**

Collateral registries increase the likelihood of lending activity by providing low cost, low risk mechanisms for lenders to assess the existence of other claims on the assets pledged by potential borrowers (such as existing loans from other lenders). Even where collateral laws exist, a well-functioning collateral registry tends to be a necessary condition for the expansion of lending. A recent study by the World Bank across 73 countries found that introducing moveable collateral registries increased access to loans by 7 percent, with a larger impact recorded among small business. Improving the functions of the collateral registry requires both regulatory reform (e.g., recognition of the collateral registry within the secured transactions framework) and capacity building. Successfully implementing a collateral registry system can help to unlock the underlying value of assets to be used as collateral. For example, Ghana’s Collateral Registry was established in 2010 and touted as the “first online collateral registry in Africa.” Within the first two years, more than $6 billion in loans backed by movable collateral were issued to microfinance institutions and SMEs.

Data collected from the USAID AGRI Index (2014) showed that collateral registries across surveyed countries suffered from common capacity and management constraints. In most countries, registry records are paper-based. These records are often out of date, unreliable, and prompt lengthy searches. In Mali, for example, it can take up to one month to search for registry records. Additionally, registry data is also generally not centralized, meaning that searches must be conducted at each physical registry office where the asset is registered, adding time and cost to the process.

19 World Bank, 2013, Collateral Registries for Movable Assets: Does Their Introduction Spur Firms’ Access to Bank Finance?
A credit bureau helps to facilitate access to finance by providing creditors with reliable and timely information about borrower behavior.

In most countries where Fintrac works, a lack of recorded borrower credit history limits access to finance by increasing the perceived risk of lending. Poor or inaccurate credit information increases transaction costs, credit risk, and the reliance on collateral. The establishment of credit bureaus provides a platform for information sharing (both positive and negative), thereby lowering the cost of lending, decreasing the reliance on heavy collateral requirements and ultimately improving the chances of any one borrower receiving credit. In a 2014 World Bank study of 63 countries over 10 years, the authors concluded that the introduction of a credit bureau led to an average of a 7 percent increase in companies’ access to credit and a 5 percent decrease in the interest rate of loans.

Inclusive banking laws help integrate microfinance beneficiaries into the formal financial system.

Microfinance can be a useful conduit through which very poor families can access financial services essential to the growth of their agribusiness. However, legal and regulatory frameworks the world over have been slow to respond to the unique needs of microfinance institutions, including group lending, micro credit products and civil society activity in the sector. Banking laws that create different ‘tiers’ of financial institutions can remove many of these legal barriers to the provision of microfinance by recognizing the specific needs of lenders focused on cash and asset poor borrowers. In Mozambique, for example, the government removed restrictive minimal capital requirements for microfinance institutions, which led to the creation of three commercial banks dedicated to microfinance services over a three-year period.

Governments have a limited array of tools with which they can sustainably increase the supply of credit to the agriculture sector.

Governments generally affect the rate of lending through the use of monetary policy, which affects the cost (and therefore availability) of borrowed money. Governments also directly intervene to support farmer access to credit through state-run rural development banks, interest rates caps, and priority sector lending targets. Experience from Fintrac target countries shows that these interventions all have a poor track record when it comes to sustainably increasing financial resources available to the agriculture sector. Instead these interventions tend to crowd out the private sector by providing unsustainable services that keep non-state lenders from competing for loan clients. This drives private companies out of business, ultimately weakening the landscape for finance across the agricultural sector. Governments can do a lot to increase access to finance for the agricultural sector, albeit indirectly through the channels described above.

Banks and financial institutions often require training in the provision of financial tools for farmers.

Farmers, and in particular smallholder farmers, have unique financing needs. A lack of title to real property, limited interaction with the formal financial system, heavily rural populations and limited literacy/numeracy together make lending to rural smallholders particularly challenging. Banks tend to have too few bankers with expertise in the
Box 8. Warehouse Receipt Systems: An Effective Way to Use Moveable Assets as Collateral

A warehouse receipt system provides proof of ownership and proof of quality of a specific commodity in storage. This system allows for transfer of ownership without physical delivery of the actual commodity, increasing the efficiency of the trading system through arm’s length transactions.

Crucially, a warehouse receipt is also a financial instrument that may be used to secure collateral where the necessary legal framework is already in place. In Nigeria, a lack of specific warehouse legislation has discouraged insurance companies from insuring public warehouses, and has made financing against inventories held in warehouses unattractive to banks.

Warehouse receipts can be enforced by an independent certifying body with responsibilities for auditing the facilities to guarantee that the specified quantity and quality of commodity is in storage, and for enforcing bonding or other financial requirements. This may be public, private, a public-private partnership, or as in the case of South Africa, self-regulating through the commodity exchange. In each system, a legal framework for warehouse receipts must clearly define the warehouse receipt’s legal status as a document of title, the rights and obligations of the depositor, warehouse operator, and lender, clear enforcement procedures, and the security interests and priority for the holder.

6. UNDERTAKING POLICY REFORM: A PRIMER

You have learned how laws, regulations, and institutions directly impact farmers’ productivity and profitability, as well as how a range of policy enabling environment issues shape farmers’ incentives to start and grow a business.

This module covers policy reform efforts and how conducting evidence-based analysis drives that process. Specifically, this module discusses how to conduct an analysis of the policy enabling environment using the Commercial, Legal, and Institutional Reform (CLIR) tool. The CLIR tool, used by Fintrac’s portfolio of projects, is an analytical framework rooted in over 15 years of academic practitioner experience that accounts for the complex array of laws, regulations, and institutions that impact agribusinesses.

6.1 Fintrac Principles for Technical Analysis

All analysis must reflect sound goals, methodologies, and implementation. Analysis should be:

- **Objective**: Conclusions are based on the data gathered, not perceptions held.
- **Professional**: Analysis is well-researched, well-written, and based on original or properly cited sources.
- **Practical**: Analysis is rooted in private sector realities, never academic.
- **Timely**: Analysis is used to inform public and private decision-makers and must be delivered in time to inform decisions.
- **Results-Oriented**: Analysis is produced with a specific development objective in mind; to achieve results, clear recommendations are developed based upon clear analysis.

Fintrac conducts both qualitative analysis such as buyer and consumer surveys, business plans, business environment analyses, trade assessments, and institutional performance assessments; and quantitative analysis such as in-depth or snapshot market analysis by crop, market monitoring, price monitoring, food aid distribution, logistics, or monetization analyses.

For each assessment type, Fintrac usually has developed a methodology which outlines the approach for data collection, interview guidelines, the skill sets of required consultants, estimated assessment time and cost, and assessment deliverables. Across all assessments, there are a number of common elements that ensure relevant, timely, and practical analysis.

6.2. Setting Up for Success

Strong technical analysis comes from strong planning. A specific set of skills and expertise is required for performing a technical analysis, such as the CLIR. Before diving into the nuts and bolts of conducting a CLIR assessment specifically, this section discusses key principles for designing and executing a technical analysis in general.

When designing and undertaking an analysis, it is important that staff complete the following steps:

- Know your audience
- Develop the scope of work
- Choose the right management team
- Choose the right consultants
- Prepare for the assessment
6.2.1 Know Your Audience

It is important to identify the target audience for the analysis. For example, Fintrac’s primary client is often USAID, but may also include the host ministry of agriculture or global private sector investors. Helpful questions may include:

- What is the client’s primary goal?
- Is the client’s goal aligned with other stakeholders’?
- What is the best format for the deliverable (i.e., report, PowerPoint presentation, stakeholder discussion, etc.)?
- How does this analysis fit into the client’s short- and long-term needs?

6.2.2 Develop the Scope of Work

In order to develop the scope of work, there are several factors that must be accounted for before it can be sent for expert review. When developing the scope of work, the team should determine:

- The purpose and use of the work and ensure that the team has a specific objective(s).
- The level of detail of the proposed work. Plan in advance if the scope of work is manageable, if supporting information is available, if research is required, and if certain expertise is needed.
- Whether there is enough time for planning and conducting a well-executed analysis, as well as time for recruitment and/or vetting consultants.
- If the budget is realistic and matches the client’s expectations.

6.2.3 Choose the Appropriate Management Team

For larger assessment teams, it might be useful to divide management and administrative responsibilities across multiple team members, as shown below.

- **Team Lead (senior):** The overall technical lead who monitors stakeholder interview assignments, leads team discussions, facilitates identification of cross-cutting themes by team, leads stakeholder meetings, and is technical lead in report production.

- **Team Coordinator (junior):** The administration lead who is responsible for team logistics, travel and contracts, manages the facilitation team and interview scheduling, and manages report production.

- **Facilitator (local):** The supervisor who identifies interviewees for specified roles and positions, provides statistical information, sets up interviews, and assists team lead and coordinator with local context/contracts.

6.2.4 Choose the Right Consultants, if Applicable

When choosing the right consultants, it is important to do the following:

- Use personal networks, seek peer referrals, and check whether your organization has existing in-house technical expertise. It is best not to search too far.
Get writing samples. Even if the consultant has great credentials, if their English writing skills are poor, it is generally better to find a different consultant.

Interview the consultant to ensure suitability for the assignment. This will ensure the consultant has no conflicts of interest and will be able to adequately perform the work given.

The best expert in a given area may not be the best analyst for the assignment. Analysts can tap expertise and often have better research skills and lower budget demands than the experts. Listed below are the tasks a consultant is expected to fulfill:

- Desk study research and preparation prior to in-country assessment.
- Interviews with a wide variety of stakeholders in country.
- Participation in preparing for and presenting at stakeholder meetings.
- Draft assigned subject areas with detailed recommendations.

In order to complete these tasks, a consultant must have the following skills:

- Subject area expertise
- Strong oral communication skills
- Regional experience
- Strong analytical skills
- Comparative knowledge/experience
- Strong writing skills
- Flexibility and adaptability

6.2.5 Prepare for the Assessment

You should follow these crucial steps when preparing the consultant team for the assessment:

- Clearly articulate expectations, goals, roles, and responsibilities before the assignment begins.
- Provide each contributor with a template for their section. Depending on the assignment, this could include interview guidelines, a stakeholder questionnaire, writing instructions for their section(s), and an outline of the entire document so that everyone knows how their work fits into the whole.
- Set a clear timetable and deadlines. (Make sure each contributor dedicates to these deadlines in writing.)
- Provide the appropriate style guide listing key terminology and acronyms.

6.2.6 Engage In-Country Stakeholders

When conducting an interview, the interviewer should be prompt, prepared, courteous, and mindful of the interviewee’s time. In particular:

- Be prepared: The assessment team should have read any pertinent policies, laws, and regulations and gathered as much information as possible ahead of time.
For qualitative assessments: The interviewer should not read directly from a pre-established questionnaire template; questions should provide flexibility for open-ended responses.

For quantitative assessments: Develop a questionnaire that is followed across all respondents, but allow for qualitative responses in order to acquire insight on information that was not previously considered.

6.2.7 Manage the Writing Process

The consultant team should seek to create uniform and properly cited written documents. As such, in every team, it is prudent to identify a primary editor/coordinator, as well as designate a maximum of two people to work on a document at the same time to ensure a single writing style and avoid contradiction and repetition. It is also essential that all sources be appropriately referenced.

6.2.8 Manage the Review Process

Accepting feedback from fellow employees is a vital part of the review process. As such, a single native English-speaking point of contact should be responsible for collecting and incorporating feedback into analyses. There should also be adequate time for a professional copy edit and formatting of the final deliverable per branding specifications.

7. SUCCESSFUL ANALYSIS: THE CLIR FRAMEWORK

You have learned the key principles that underpin a technical analysis, as well as how to successfully manage its project cycle. In this section, you will learn how to conduct a technical analysis of the policy enabling environment for agriculture using a specific tool — the CLIR framework — in support of policy reform efforts.

7.1 The CLIR Framework: Nuts and Bolts

Using a framework for reform strengthens evidence-based analysis, which supports evidence-based policy reform. When undertaking technical analysis, it is important to use a framework for reform that provides for a consistent and structured analysis, borrows from past expertise, and guides the assessment team towards a common goal. There are many different models for analyzing the policy enabling environment, but one model Fintrac has used with great success across over 20 countries for over 15 years is the CLIR framework.

The CLIR framework focuses on the systemic limitations that inhibit productivity and profitability in the agricultural sector, such as export delays, input monopolies, excessive regulation, and inappropriate taxation. By breaking the agriculture sector into four distinct components, the CLIR framework simplifies the complex array of laws, regulations, institutions, and social dynamics that impact agribusiness to identify key constraints and practical recommendations for reform.

The four components are as follows:

- Legal framework
- Supporting institutions
- Implementing institutions
- Social dynamics
The next four sections contain discussions of each component’s unique role in shaping the enabling environment for policy and the insights generated by examining it.

### 7.1.2 Legal Framework

The legal framework component examines how laws and regulations serve as the structural basis for a country’s ability to achieve and sustain market-based development in the agricultural sector. It answers the questions of how clear the laws are, how closely existing laws reflect emerging global standards, how well the laws respond to the commercial realities that agribusinesses face, and what inconsistencies or gaps are present in the legal framework. Through the legal framework, opportunities to make relatively small changes may result in significant openings for business development and expansion.

### 7.1.3 Implementing Institutions

The implementing institutions component examines those who hold primary responsibility for implementation and enforcement of the legal framework, as well as related regulations and policies. This includes government ministries, authorities, banks and credit bureaus, and courts. It answers the questions of how efficiently, transparently, and predictably government agencies carry out their duties; if government agencies suffer from any human, financial, or institutional constraints to implementation; and if institutional behaviors, such as corruption, create barriers to participation and predictability. Through implementing institutions, problems uncovered often concern bureaucratic inefficiency, lack of resources and training, and corruption.

### 7.1.4 Supporting Institutions

The supporting institutions component examines the organizations, individuals, or activities that indirectly support the sector which are essential to the complete development of the agricultural industry. These include farmer associations, food industry unions and lobbying groups, agricultural and legal universities, the media, and donors. It answers the questions of how deeply rooted the laws and institutions that govern commercial pursuits are in civil society, what the relative awareness of the law by supporting institutions is, and how they work to improve economic performance.

This area often uncovers certain champions of reform, which are motivated organizations or individuals who are eager to serve as agents of change.

<table>
<thead>
<tr>
<th>Table 7. Examples of Common Supporting Institutions Issues</th>
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<tbody>
<tr>
<td><strong>Institution</strong></td>
</tr>
<tr>
<td>Business and professional associations</td>
</tr>
<tr>
<td>Research and education Institutions</td>
</tr>
<tr>
<td>Development partners</td>
</tr>
</tbody>
</table>

### 7.1.5 Social Dynamics

The social dynamics component accounts for the less tangible but often enormously important social issues that are relevant to a certain policy topic. These indicators attempt to uncover roadblocks to reform, including identification of vested interests that may have an interest in subverting change. It answers the questions of what the relationships between the various sectors (public, private, and civil society) that must work together to bring about change are, as well as how issues such as gender, human capacity, and public health influence how the business environment truly functions.

Often a full understanding of legal and institutional issues cannot be achieved without a nuanced consideration of a country’s social dynamics.
Table 8. Examples of Common Social Dynamics Issues

<table>
<thead>
<tr>
<th>Issue</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Women’s role in the agriculture sector can be limited by a number of formal and informal barriers to participation, including access to land, the availability of credit, and freedom of movement.</td>
</tr>
<tr>
<td>Human Capacity</td>
<td>A lack of technical and management capacity within government ministries can pose serious constraints to providing services to agribusiness.</td>
</tr>
<tr>
<td>Corruption</td>
<td>Corruption at all levels of the value chain create a culture of mistrust between market actors and raise the cost of doing business.</td>
</tr>
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7.2 Applying the CLIR Framework

Applying the CLIR framework enables an in-depth analysis of the constraints within the business enabling environment for agriculture by focusing on systemic issues that raise the cost of doing business throughout the agricultural sector, and provides a systemic method and framework for diagnosing the root causes and inefficiencies of an underperforming agricultural sector. The CLIR methodology entails a deep-dive analysis of all aspects of the agriculture business enabling environment from starting a business to winding one down in the event of insolvency by looking at the enabling environment as a dynamic system of laws, institutions, and social forces.

7.2.1 Timeline of the CLIR

The timeframe for carrying out an assessment using the CLIR framework will vary based on the geographic scope, target sample size, assessment team size, etc. An illustrative timeframe for the process is as follows:

- **Within 30 days**: Scope the diagnostic, identify assessment team, plan interviews, review relevant existing reports.
- **Within 60 days**: Conduct stakeholder interviews, conduct team discussions, conduct a stakeholder roundtable.
- **Within 90 days**: Draft reports, prioritize reform activities, present report for discussion.

7.2.2 Sample Questions Asked to Stakeholders During a CLIR Assessment

During a CLIR assessment, interview questions are tailored to each distinct stakeholder type. Below are sample questions organized by stakeholder.

**Farmers and Traders**

- What are the primary constraints to increasing productivity and profitability?
- Where are the primary barriers along the supply chain?
- What are the primary constraints to trading agricultural goods across borders?

**Farmers’ Associations**

- How aware are farmers’ associations of laws and practices as they relate to the agriculture sector?
- What are the specific ways in which they increase awareness of key issues and serve their constituencies?
Government Officials

- Which institutions hold primary responsibility for enacting, implementing, and enforcing the legal framework?
- What capacity constraints do they face in implementation?

7.2.3 CLIR Stakeholder Consultation

When conducting a CLIR, a cross-disciplinary team of experts interview between 150-350 representatives, including:

- **Government officials**: Ministries (agriculture, commerce, trade, tax, land, etc.) border agencies and customs officers, and municipal governments.
- **Private sector representatives**: Farmers, cooperatives, lenders, traders, transporters, processors, and sectoral associations.
- **Civil society representatives**: Advocacy groups, women’s associations, media representatives.
- **Donor representatives**: Donors, donor working groups.

Once the interviews are concluded, an interactive stakeholder roundtable is conducted. Team members present their preliminary observations, which are then subjected to feedback and input from participants. Stakeholders then vote on priorities for reform, which are incorporated into the final report.