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Doing Agribusiness

Solutions for growth and poverty reduction

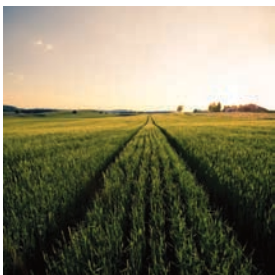


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The Challenge: Poverty Reduction

In less than a generation, focused technological advances in the use of new seed varieties, irrigation, and fertilizer, complemented by the gradual marketization of Southeast Asian economies, have helped spur the largest reduction in poverty in modern times. The proportion of the world's population living in extreme poverty – defined by the World Bank as individuals living on less than \$1 per day – fell from 28 percent in 1990 to 21 percent in 2001, improving the lives of more than 350 million people.

However, nearly half of the world's population still live in poverty (individuals living on less than \$2 per day), and more than 800 million people are considered extremely food insecure. The vast majority of those living in poverty reside and work in rural areas and depend upon agricultural production for their livelihoods.

The Current Crisis: Global Food Prices

Commodity prices are at all-time highs, and consumers in poor countries are being particularly hard hit. While the short-term drivers of these price spikes are multiple and complex, the long-term drivers of food affordability are determined by both policy as well as productivity, where the former is a strong determinant of the latter. With a sound policy environment supportive of agriculture, farmers and urban dwellers can benefit from stable, productive, and profitable agriculture enterprises. Through private sector investment and integration of rural poor into regional and global value chains, USAID and other donors can make sustainable improvements in the poor's ability to produce and buy food.

If You Want To Know:

- What are the most critical impediments to the expansion of local agribusiness?
- Is the current cooperative arrangement suitable for meeting the needs of small-holder farmers trying to link up with larger commercial enterprises?
- Is the regulatory environment preventing the start up and operation of agribusiness?
- Do the laws governing the application of animal and plant quarantine measures provide a clear and reasonable set of rules for the agricultural community to follow?
- How can existing agribusinesses leverage USAID project investments to yield meaningful improvements?
- Are local conditions favorable to private agribusiness investors and companies seeking locations for new plantations?

Doing Agribusiness assessments can help answer these questions and more.



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Doing Agribusiness: An Assessment Tool

Growth in the agricultural sector has historically been one of the strongest drivers of economywide growth and development. But agricultural productivity has not kept pace with population growth for over 20 years in regions most affected by the food crisis. This is particularly true in Sub-Saharan Africa. USAID's *Doing Agribusiness* diagnostic provides an in-depth analysis of the agribusiness-enabling environment by looking at the various constraints to profitably starting and running an agribusiness, including farming, processing, exporting, and other agriculture-related businesses. The purpose of this work is to identify constraints and recommend concrete, practical actions that can be implemented to improve agribusiness and its offshoots. We focus on the systemic limitations that inhibit productivity improvement and limit profitability, such as export delays, input monopolies, overregulation, and inappropriate taxation.

The Approach

Doing Agribusiness builds upon the World Bank's influential Doing Business initiative. Taking common samples of regulatory practices from each country, Doing Business identifies 10 key areas¹ that can either bolster or hamper a business environment. *Doing Agribusiness* expands upon the traditional Doing Business methodology in two ways:

- By providing a comprehensive method to diagnose in greater depth the root causes and inefficiencies of an underperforming agricultural sector; and
- By taking a sectoral approach that focuses specifically on how the 10 key Doing Business areas relate to agribusiness.

The Result

Doing Agribusiness assessment teams measure key indicators of the country's agribusiness environment, with a 360 degree analysis of the pertinent legal framework, implementing institutions, supporting institutions, and social dynamics. These assessments form the analytical base for a detailed report that reveals major cross-cutting themes, priorities, and opportunities for reform. Other benefits include:

- Quick diagnosis that allows for rapid-response reform programs;
- Action-oriented plans that identify programmatic priorities for remedying *Doing Agribusiness* problem areas; and
- Roundtable events that spur public-private cooperation, problem-solving, and opportunities for regional comparison and dialogue.

To find out more about BizCLIR, go to www.bizclir.com.

1 The 10 areas are: Starting a Business, Dealing with Licenses, Registering Property, Getting Credit, Trade Across Borders, Enforcing Contracts, Protecting Investors, Employing Workers, Paying Taxes, and Closing a Business.

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