

JULY 2016

Benchmarking the Business of Agriculture

PROJECT DIRECTOR

KIMBERLY FLOWERS

AUTHOR

ANDREA DURKIN

A Report of the
CSIS FOOD SECURITY PROJECT



JULY 2016

Benchmarking the Business of Agriculture

PROJECT DIRECTOR
KIMBERLY FLOWERS

AUTHOR
ANDREA DURKIN

A Report of the
CSIS FOOD SECURITY PROJECT

CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

About CSIS

For over 50 years, the Center for Strategic and International Studies (CSIS) has worked to develop solutions to the world's greatest policy challenges. Today, CSIS scholars are providing strategic insights and bipartisan policy solutions to help decisionmakers chart a course toward a better world.

CSIS is a nonprofit organization headquartered in Washington, D.C. The Center's 220 full-time staff and large network of affiliated scholars conduct research and analysis and develop policy initiatives that look into the future and anticipate change.

Founded at the height of the Cold War by David M. Abshire and Admiral Arleigh Burke, CSIS was dedicated to finding ways to sustain American prominence and prosperity as a force for good in the world. Since 1962, CSIS has become one of the world's preeminent international institutions focused on defense and security; regional stability; and transnational challenges ranging from energy and climate to global health and economic integration.

Thomas J. Pritzker was named chairman of the CSIS Board of Trustees in November 2015. Former U.S. deputy secretary of defense John J. Hamre has served as the Center's president and chief executive officer since 2000.

CSIS does not take specific policy positions; accordingly, all views expressed herein should be understood to be solely those of the author(s).

© 2016 by the Center for Strategic and International Studies. All rights reserved.

Center for Strategic & International Studies
1616 Rhode Island Avenue, NW
Washington, DC 20036
202-887-0200 | www.csis.org

Contents

IV Executive Summary

1	Introduction
3	Why Index Agriculture?
5	Benchmarking Agriculture: Pilot and Test
9	Benchmarking Agriculture: Refine and Scale
16	How Governments Can Use Agricultural Indices
20	How the Private Sector Can Use Agricultural Indices
22	How Donors Can Use Agricultural Indices
25	Limitations, Caveats, and Opportunities
26	Conclusion: What Gets Measured Gets Done
29	About the Author

Executive Summary

In recent years, governments, donors, and the private sector have all pledged to increase their funding to support an enabling environment for agricultural growth. What matters more than the amount spent is the impact that policy reforms, programs, and investments have on economic activity and progress in the agricultural sector.

Indices have been used for years to measure and benchmark indicators in the macroeconomic and social environment but none captured the unique characteristics and challenges of regulation in the agricultural sector.

Two tools—the U.S. Agency for International Development (USAID) Agribusiness Regulation and Institutions (AGRI) Index and the World Bank Enabling the Business of Agriculture (EBA) index—have broken ground by creating methods to evaluate the outcomes of different regulatory approaches in agricultural markets. Countries can use the data from these agricultural indices to monitor their own progress over time and to benchmark against comparators and competitors.

The AGRI Index has been implemented in 10 countries and served as a forerunner of the EBA. While not currently administered on a recurring basis, the AGRI

Index methodology, analysis, and case studies are publicly available for continued use and can be tailored by policymakers, donors, or the private sector to conduct additional in-country or cross-country assessments.

The EBA is an expanding tool, with the World Bank expected to publish data regularly. Additional topics and indicators are under development and the methodology will be refined with experience and user feedback. Its geographic scope will include 60 countries in 2017, including a pilot to examine state-level data in India. The dynamism of the EBA creates a valuable opportunity for all stakeholders to shape this powerful analytical tool for the agricultural regulatory and policy landscape.

Agricultural indices can have a wide range of positive uses for different stakeholder groups:

- Government policymakers can use these agricultural indices to set priorities, derive insights

about good regulatory practices, bolster alignment across ministries, and better understand the experience of their agricultural constituencies—the “users” of domestic regulation.

- The private sector, whether domestic or foreign, large or small, can leverage the indices to offer their perspective on how regulatory policies affect their business operations, and they can use index scores to help make investment decisions.
- Donors can use the new agricultural indices to decide where to best spend their money, how to design programs that will improve the environment for businesses along the agricultural value chain, and how to build new metrics for evaluating program outcomes.

That said, agricultural indices have clear limitations by design. They are limited to topics and indicators deemed measurable and comparable across widely

different country contexts. They provide insights on the relationship between regulations and economic activity, but they don’t explain why. They provide data and feedback useful to decisionmaking but do not replace stakeholder dialogue and deeper qualitative analysis of the enabling environment.

Nor are agricultural index scores an endpoint for evaluation; they are tools for continuous improvement. What they offer are valuable tools that governments, donors, and the private sector can deploy to help ensure country-led, stakeholder-inclusive reform agendas produce positive, measurable results.

Introduction

Agriculture is the primary source of employment and income for 70 percent of the world's rural poor. The sector contributes more than a third of GDP in many least-developed countries.

Increased agricultural productivity and well-functioning input and food product markets are essential to achieving food security. Gains made in agriculture in turn feed expansion of nonfarm sectors of the economy. Government policies to support agricultural development therefore have many constituency needs to address, activities to incent, and legal protections to afford.

Country-led agricultural development plans are fundamentally about building an ecosystem of institutions, laws, and programs necessary for agribusiness of all sizes to thrive. But governments need practical approaches to get from here to there. They want to know what policies stimulate growth in neighboring countries. They want to understand why one country attracts investors in agribusiness over another. They want to know if they are on the right policy track at home.

In some countries, agricultural production depends upon millions of smallholder farmers who form its

branch roots and deliver the sector's growth. Individuals or families run 90 percent of the more than 570 million farms in the world.¹

Whether large or small, agriculture is a business like any other. Businesses grow only if they make profits and attract capital investments. Farmers are more empowered to invest in their own productivity if their governments are making sound investments in the operating environment. Government policies and bureaucracy can raise transaction costs and suppress income growth if unnecessarily burdensome.

Agricultural indices have emerged to measure and benchmark the policy and regulatory environment for agribusiness in different markets. These new indices can help identify where agricultural markets are inefficient and where policy changes could lower the burden on business while maintaining important standards. They are promising new tools

¹ Food and Agriculture Organization of the United Nations, *The State of Food and Agriculture 2014: Innovation in Family Farming*, 2014, <http://www.fao.org/3/a-i4040e.pdf>.

not only for governments but also for domestic and foreign investors evaluating where to expand business. Bilateral and multilateral donors can leverage these indices to prioritize their funding, to inform program development and execution, and to evaluate program results.

Indices yield important insights about where economies are today. More important, by tracking progress over time, the use of indices can spur healthy policy evaluation, promote inclusion and transparency, and undergird smart policy choices by bolstering leadership commitments to strategies that require longer than the political calendar to bear fruit.

Sound policies create the conditions for the seeds of commerce to germinate. The gains in terms of private investment, jobs, economic growth, and improvements in social welfare are not evident overnight. Indices can help governments monitor the impacts of their policy investments as they bloom over time. And, importantly, indices can measure the high cost sometimes associated with the status quo, spurring difficult—but critical—policy reforms.

Investing in Country-Owned Plans

At the World Summit on Food Security in November 2009 during a severe food crisis, heads of state and government came together to renew commitments to reducing hunger, malnutrition, and food insecurity. Those commitments were encapsulated in the Rome Principles. Principle 1 of the Rome Declaration² could also be viewed as a first principle in achieving food security.

Principle 1: Invest in country-owned plans, aimed at channeling resources to well-designed and results-based programs and partnerships.

We reaffirm that food security is a national responsibility and that any plans for addressing food security challenges must be nationally articulated, designed, owned and led, and built on consultation with all key stakeholders.

In recent years, governments have made important pledges to increase national budget allocations in support of the agricultural sector as part of their national food security plans. For example, African governments pledged to allocate at least 10 percent of their national budgets to their agricultural sectors as part of the Comprehensive Africa Agriculture Development Programme (CAADP). While few countries have yet to meet the CAADP budget allocation target, the targets are still useful for focusing attention.

But what matters more than the percentage or amount spent is the efficiency of those expenditures and the policies supporting those expenditures. The challenge is determining what data, methods, and metrics to use for assessing whether those policies are having an intended effect.

² Declaration of the World Summit on Food Security, Rome, November 16–18, 2009, <http://www.mofa.go.jp/policy/economy/fishery/wsfs0911-2.pdf>.

Why Index Agriculture?

In areas such as trade and investment, legal systems, logistics, health, and education, policymakers have systematically tracked and measured progress using accepted indices for over a decade.

These include, for example, the World Bank Doing Business Index, the World Economic Forum Global Competitiveness Index, the Corruption Perceptions Index, and the Human Development Index.

Companies often use a composite of public indices to evaluate one market against another in determining where to invest and how to manage political and business risk. Governments use them as feedback to improve their policy performance. But these existing macroeconomic and social indices are designed to measure the broad health and competitiveness of countries, including how well the government functions. Until recently, none specifically measured the business of agriculture.

Yet the agricultural sector has complex layers of regulation designed to ensure human, animal, and plant health. Government involvement in agricultural markets is relatively higher than other sectors, for example in the form of regulation or direct management of critical inputs, certification require-

ments for importing, and legal oversight of the functioning of cooperatives. Agriculture-specific indices can focus in more detail on the unique areas that affect the operations of businesses throughout the agricultural value chain and capture variation in the performance of the legal and regulatory frameworks governing agricultural activity.

In this way, agriculture-focused indices add important value to macroeconomic indices by identifying commercial barriers and transaction costs endemic in, and particular to, the agricultural sector. When used in conjunction with broader indices, agriculture-focused indices can be leveraged to make improvements in this key sector by placing agricultural reforms in the context of countrywide economic and social policies, and vice versa.

“Decision Farming” with Data

Measurement is ubiquitous and accepted throughout the food system and critical to growing more

food with fewer inputs. Standard measurements ensure fairness in the marketplace. All the food we buy is sold by weight or volume.

In the business of farming, measurement has become precise. Where the technologies are available, satellites, sensors, and drones are increasingly deployed to collect real-time information about weather, soil content, air quality, and crop maturity. These data points are the ingredients of models and algorithms that inform decisions about planting, fertilizer and water use, and harvesting down to the square inch of every acre.

The data themselves, however, are insufficient to achieve productivity gains. Rather, data are used to derive knowledge and insights. The data help farmers prioritize investments that yield the best returns, determine where and how to use limited assets, and identify cost savings. The data are not an endpoint but a means to an end. Data leave less to chance, enabling “decision farming” to reduce the risks inherent in agricultural management.

Agricultural policies, however, are imprecise and difficult to measure. Unlike the tools mentioned above, agricultural policy indices cannot track data in real-time or offer granular insights for on-farm advances. But like the sensors on a tractor or infrared satellite images of farmlands, the data in agricultural policy indices provide critical feedback to support decisions. They help form a more complete picture.

Just as those satellite images can detect areas of fields that need attention, the indices also offer a heat map for areas that may require attention in the agricultural policy landscape. And by offering a way to quantify results and track results over time, policymakers derive insights into approaches that can achieve a step change in agricultural policy impact.

Benchmarking Agriculture: Pilot and Test

The Agribusiness Regulation and Institutions (AGRI) Index

PLOWING NEW GROUND

USAID commissioned the Agribusiness Regulation and Institutions (AGRI) Index to fill data gaps and test the propositions that a) the agricultural sector could be competitively benchmarked, and b) an agricultural index could be used to inform and stimulate policy improvements in the agricultural sector.

AGRI was developed in stages beginning in 2012 with five diverse focus countries in the U.S. government's Feed the Future initiative: Bangladesh, Kenya, Nepal, Uganda, and Zambia. Data collected were used to refine the indicators before adding another five countries. They included three more Feed the Future focus countries—Ghana, Mali, and Senegal—and two countries selected to serve as key comparators for the other eight less developed agricultural sectors—Thailand and the Netherlands.

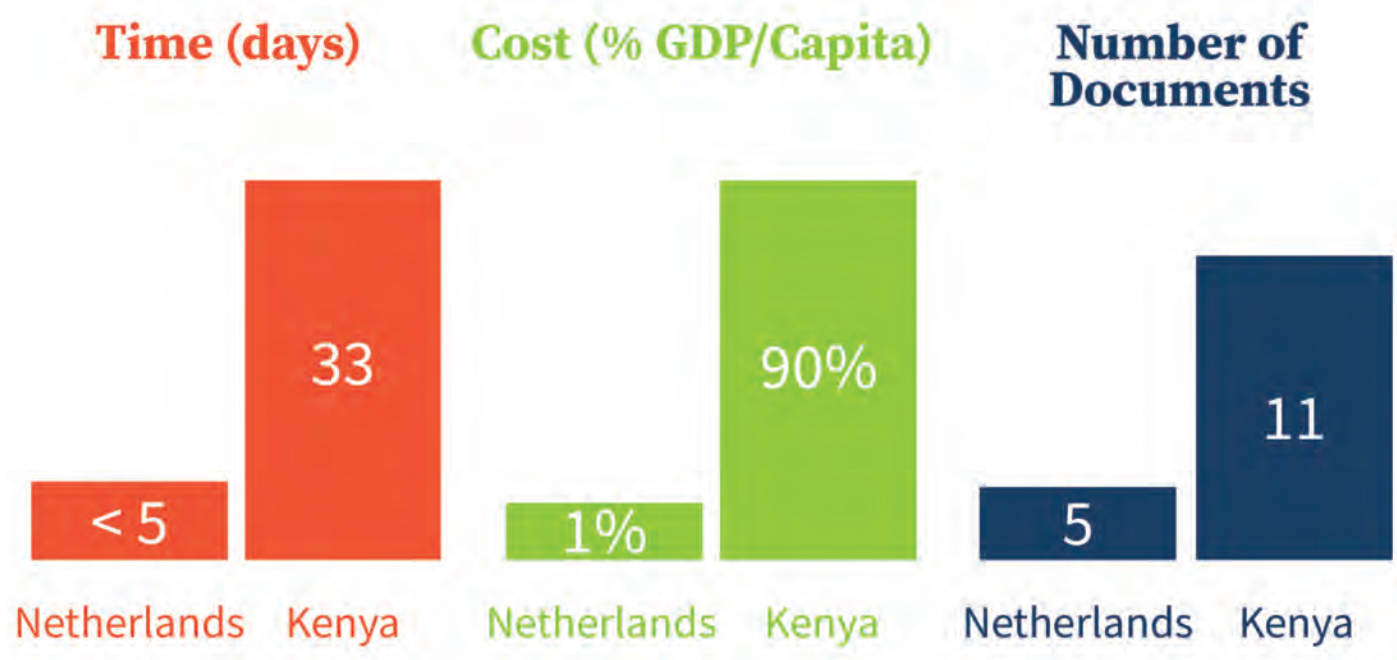
AGRI measured seven topics at different stages of the business life cycle as they affect a range of agribusiness actors. Topics include the requirements to start and operate a farm, the ability to access rural land and finance, and to obtain seed and fertilizer inputs, as well as the ease of trade in agricultural goods. Country scores and rankings are available in the final report on AGRI published by USAID in January 2015.³

CASE STUDIES AND COMPARISONS TO ASSIST ANALYSIS

In the form of case study examples, the AGRI Index Final Report affords insights into institutional obstacles and reforms that are yielding positive results. Though they do not imply causation, case studies offer examples of successful approaches such as electronic certification and trade facilitation systems, regional seed policy harmonization, efficient fertilizer regulations, and one-stop regulatory offices for business registration services. In this way, AGRI brings a limited set of data to life for policymakers seeking to make improvements.

³ USAID, Enabling Agricultural Trade (EAT), *Agribusiness Regulation and Institutions (AGRI) Index*, January 2015, <http://eatproject.org/docs/EATAGRIFinalReport.pdf>.

Netherlands vs. Kenya



Comparisons of country scores and rankings provide a starting point for deeper analysis on the linkages between regulation and the time and cost of doing business in agriculture. For example, on the AGRI Index, the Netherlands earns a #1 ranking because it requires 20 percent fewer documents, and processes exports 30 percent faster and more cheaply than other AGRI countries. In comparison, Kenya requires up to 11 documents from as many as eight agencies, costing Kenyan food exporters more time and money to export, thereby landing Kenya a lower ranking on the index. Highlighting the correlation offers a jumping-off point for examining what additional factors lie behind the results.

SUPPORTING INSTITUTIONAL REFORMS

Importantly, AGRI illustrates the costs incurred by private agribusiness when governments lack the capacity to implement and enforce agricultural regulation and oversight. Those costs include what activity is not taking place due to high fees or government requirements for multiple licenses and permits, a consequence often overlooked.

For example, AGRI documents the link between seed variety registration processes and the rate of introduction of new varieties. According to AGRI, Bangladesh achieves registration 30 percent faster at nearly 70 percent less cost than in Nepal, resulting in the introduction of three times more seed varieties in Bangladesh than in Nepal each year.

This result is despite Nepal's high ranking for the fewest procedures to license a seed company. And Bangladesh is by no means the fastest or cheapest market in which to introduce a seed variety.

The AGRI results can serve as a basis and a prompt for examining more closely whether institutional constraints underlie inefficiencies and what reforms can alleviate the burden on both governments and business.

AGRI'S FUTURE

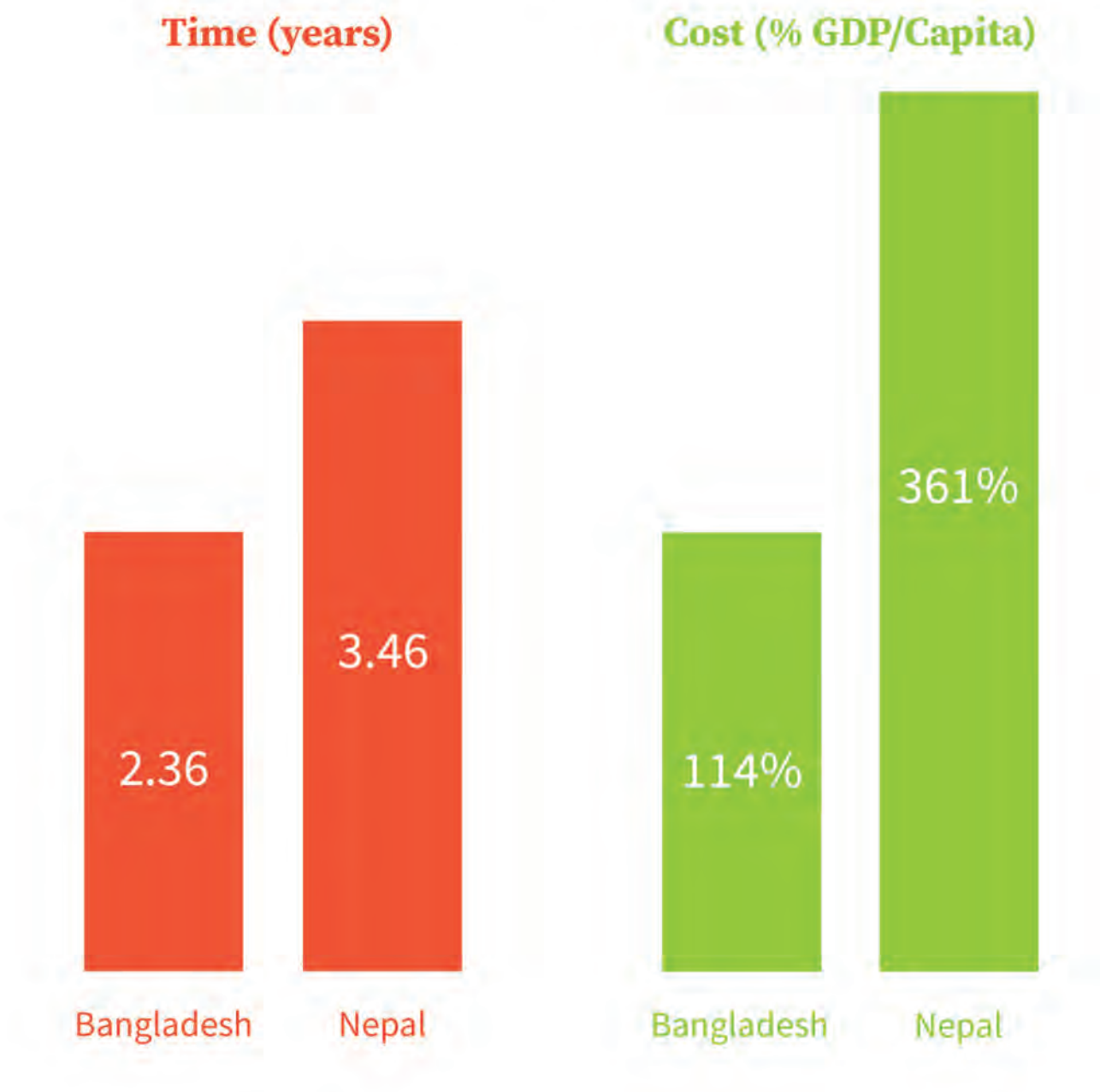
The AGRI Index adds to a suite of qualitative tools such as USAID's Agribusiness Commercial Legal and Institutional Reform (AgCLIR) diagnostic that was designed to assist policymakers identify the root caus-

AGRI TOPICS & INDICATORS



- Trading Agricultural Goods
- Obtaining Seed
- Obtaining Fertilizer
- Accessing Rural Land
- Accessing Finance
- Starting and Operating a Farm
- Enabling Contract Farming

In any given year, **Bangladesh registers 3x more seed varieties than Nepal.**



es of any administrative inefficiencies or critical gaps in legal protections that may be holding famers and agribusiness back.

AGRI will not be administered on a recurring basis or scaled to global annual data production. However, as a finished and publicly available methodology, it can be

easily self-administered by policymakers, donors, or the private sector using the Index in its entirety or in part. And it can be combined with deeper qualitative analysis tools such as AgCLIR to generate a broad understanding of the political, economic, and social context and design stakeholder-driven solutions.

Benchmarking Agriculture: Refine and Scale

The Enabling the Business of Agriculture (EBA) Index

GETTING BIGGER AND BROADER

The AGRI pilot paved the way and inspired confidence by the G8 to commit funding for the development of a larger-scale index under the aegis of the World Bank.

In 2015, the World Bank piloted the methodology to “measure and monitor regulations that affect the functioning of agriculture and agribusiness,” initially for 10 countries.⁴ In January 2016, the World Bank released its first full edition of the Enabling the Business of Agriculture (EBA) report.

Drawing on the foundation of its sibling, the Doing Business Index, and leveraging research and lessons learned from AGRI, EBA sharpens the focus on regulations that impact firms throughout the agribusiness value chain.

EBA currently scores 40 countries in seven regions with plans to expand to 60 countries. Notably, all of the Feed the Future countries will be included by next year. While not comprehensive, the broader scope of coverage begins to enable comparisons among countries within and across regions and across varying levels of income and development.

ADVANCING METHODS FOR SCORING AGRICULTURE

EBA analyzes the laws and regulations on the books and how they function in practice from a “user” perspective through standardized firsthand data collection. The index covers a full spectrum of government requirements that agribusinesses will encounter in their operations, including approval for inputs, compliance with product standards, regulation of product transport, or permits for selling goods in the marketplace.

Specifically, six aspects of agribusiness (“topics”) were scored in this year’s report: seed, fertilizer, machin-

⁴ World Bank, Foreword, *Enabling the Business of Agriculture 2016: Comparing Regulatory Good Practices*, 2016, <http://eba.worldbank.org/~media/WBG/AgriBusiness/Documents/Reports/2016/EBA16-Full-Report.pdf>.



EBA TOPICS & **INDICATORS**

- Seed
- Fertilizer
- Machinery
- Finance
- Markets
- Transport
- ICT
- Land
- Water
- Livestock
- Gender
- Environmental Sustainability
- Access to Information
- Nondiscrimination



ery, finance, markets, and transport. The indicators measured for each of the six topics run across three dimensions of the legal and regulatory environment: regulations governing operations, regulations governing product quality control, and regulations governing trade in inputs or agricultural products.

EBA measures quality based on a reading of the law, as well as de facto or “time and motion” indicators that reflect the efficiency of the regulatory environment such as the number of procedures and time and cost for agribusinesses to complete those procedures. The report presents detail on the scoring methodology for every indicator included. The report also



LATIN AMERICA

Bolivia, Chile,
Colombia, Guatemala,
Nicaragua

MIDDLE EAST/ NORTH AFRICA

Jordan, Morocco

AFRICA

Burkina Faso,
Burundi, Cote d'Ivoire,
Ethiopia, Ghana,
Kenya, Mali,
Mozambique,
Niger, Rwanda, Sudan,
Tanzania, Uganda,
Zambia

reviews the agribusiness regulatory environment with an eye toward issues that affect women and environmental sustainability. Four additional aspects of agribusiness—information and communication technology, land, water, and livestock—are under development and will be scored in the 2017 EBA report.

DEVELOPING COMPARABLE METRICS

Every country's context is different, but what EBA data demonstrate is that there is no inherent tradeoff between efficiency and quality of regulation. Countries that performed well on regulation of agribusiness operations also scored well for having strong laws governing quality control. Countries with high scores

on regulation of agribusiness operations also tended to have effective and streamlined trade requirements.

In various ways, EBA tries to ensure comparability in its assessment of indicators despite the differences in countries' agricultural "portfolios." For example, when measuring agricultural export regulations, EBA uses a combination of product and partner country that represents the highest five-year average export value as its base case. Coffee exports to the United States are utilized for Colombia since coffee is Colombia's top cash crop export and the United States is Colombia's main trading partner. Recognizing these differences should enable meaningful comparisons across countries.



EUROPE

Bosnia and Herzegovina, Denmark, Georgia, Greece, Kyrgyz Republic, Poland, Russian Federation, Spain, Tajikistan, Turkey, Ukraine

ASIA

Bangladesh, Cambodia, Lao PDR, Myanmar, Nepal, Philippines, Sri Lanka, Vietnam

The World Bank's *Enabling the Business of Agriculture 2016* report covers 40 countries in seven regions, a significant leap over the 10 countries covered in the pilot last year. Next year's report will expand to 60 countries, including all of the Feed the Future focus countries.



Agribusiness regulations vary across and within levels of income and agricultural development. What the 2016 EBA data confirm is that high-income and urbanized countries have on average higher-quality regulations for agribusiness than transitioning countries or predominately agriculture-based countries. Applying comparable metrics demonstrates that lower-quality regulation may be negatively impacting agricultural development and economic growth in lower-income countries.

OFFERING A DASHBOARD FOR DECISIONMAKING

Even for complex decisionmaking or project management, companies often use a stoplight color-coded

system to quickly identify what's on track and what needs attention. The EBA adopts this approach to display a snapshot of each country's scores with green indicating a higher number of smart regulations in the topics covered and red symbolizing below-average scores indicates a need for improvement.

Countries can quickly interpret their results and see where they need to focus their attention. In one dashboard, countries can compare their results with others in the index. The dashboard then becomes a useful starting point for deeper analysis, stakeholder consultation, decisions about priorities, and the development of options for reform.

						
COUNTRY	SEED	FERTILIZER	MACHINERY	FINANCE	MARKETS	TRANSPORT
BANGLADESH	●	●	●	●	●	●
BOLIVIA	●	●	●	●	●	●
BOSNIA AND HERZEGOVINA	●	●	●	●	●	●
BURKINA FASO	●	●	●	●	●	●
BURUNDI	●	●	●	●	●	●
CAMBODIA	●	●	●	●	●	●
CHILE	●	●	●	N/A	●	●
COLOMBIA	●	●	●	●	●	●
CÔTE D'IVOIRE	●	●	●	●	●	●
DENMARK	●	●	●	N/A	●	●
ETHIOPIA	●	●	●	●	●	●
GEORGIA	●	●	●	●	●	●
GHANA	●	●	●	●	●	●
GREECE	●	●	●	N/A	●	●
GUATEMALA	●	●	●	●	●	●
JORDAN	●	●	●	●	●	●
KENYA	●	●	●	●	●	●
KYRGYZ REPUBLIC	●	●	●	●	●	●
LAO PDR	●	●	●	●	●	●
MALI	●	●	●	●	●	●
MOROCCO	●	●	●	●	●	●
MOZAMBIQUE	●	●	●	●	●	●
MYANMAR	●	●	●	●	●	●
NEPAL	●	●	●	●	●	●
NICARAGUA	●	●	●	●	●	●
NIGER	●	●	●	●	●	●
PHILIPPINES	●	●	●	●	●	●
POLAND	●	●	●	N/A	●	●
RUSSIAN FEDERATION	●	●	●	N/A	●	●
RWANDA	●	●	●	●	●	●
SPAIN	●	●	●	N/A	●	●
SRI LANKA	●	●	●	●	●	●
SUDAN	●	●	●	●	●	●
TAJIKISTAN	●	●	●	●	●	●
TANZANIA	●	●	●	●	●	●
TURKEY	●	●	●	●	●	●
UGANDA	●	●	●	●	●	●
UKRAINE	●	●	●	●	●	●
VIETNAM	●	●	●	●	●	●
ZAMBIA	●	●	●	●	●	●

● Top performing countries, defined as those with topic scores above 85, indicating a high number of good practices in place as measured by EBA.

● Countries with a score above the sample average in a particular topic.

● Countries with a score below the sample average in a particular topic.

● Countries with topic scores below 30, indicating a low number of good practices.

Table 1.1. World Bank, *Enabling the Business of Agriculture* 2016.

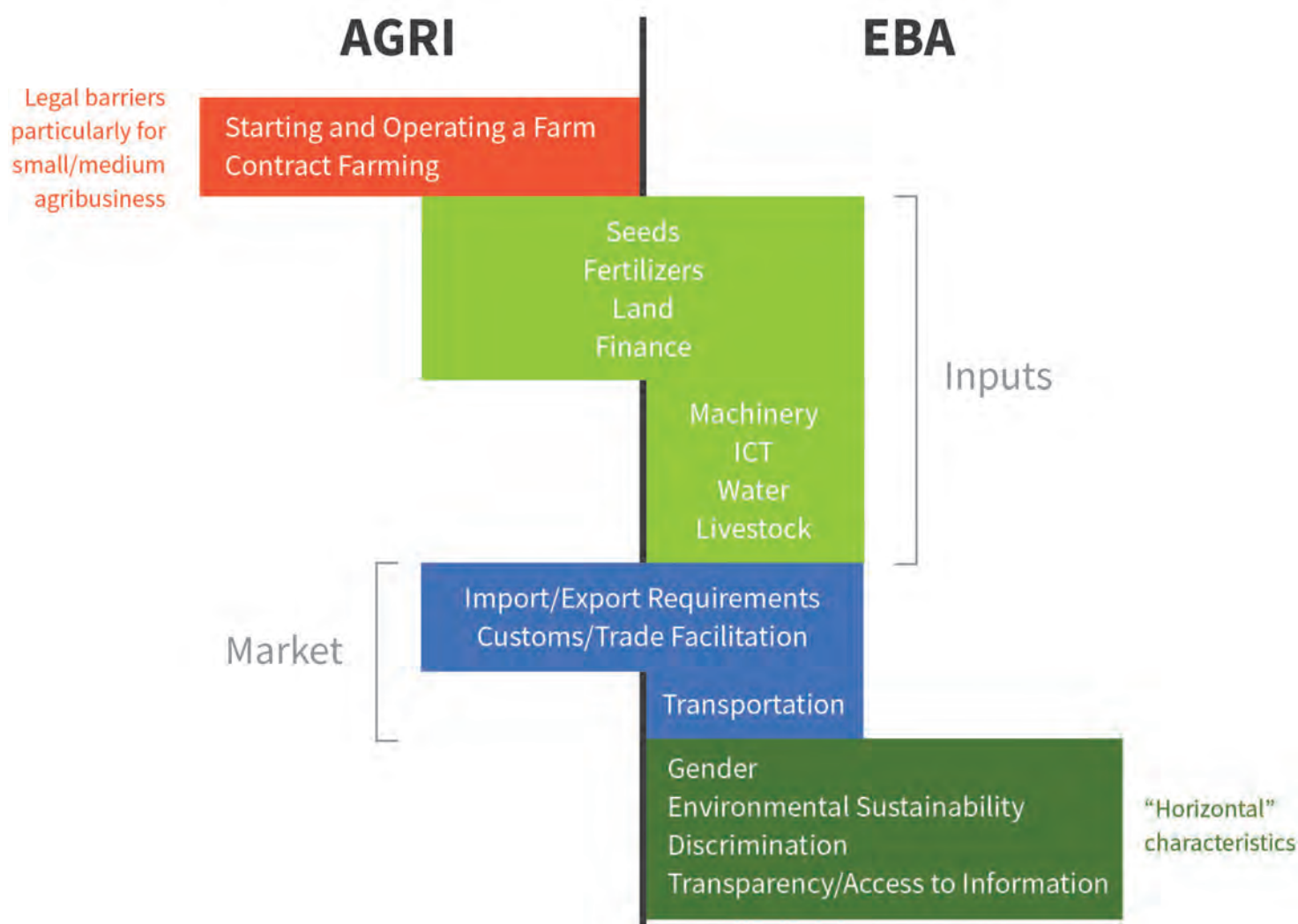
IDENTIFYING “GOOD” PRACTICES

Agricultural regulation can be complex for important reasons, but the sheer volume of regulations—whether high or low—is a poor indicator of efficacy.

Good regulations achieve appropriate safety and quality control while promoting efficient regulatory processes that support agribusinesses.

The World Bank notes in its EBA report, “Extensive

Commonalities and Differences between **AGRI 2015** and **EBA 2016**



literature focuses on the existence or quantity of regulations, but few studies look at the quality of those regulations.” Beyond providing a way to quantify how regulations affect private economic activities, the EBA also offers observations from the data on approaches that constitute good regulatory practice.

For example, the EBA report suggests making available online an official seed variety catalog updated after each cropping season, streamlining import procedures for fertilizers and machinery, and balancing oversight of microfinance institutions to ensure both reliability and availability, among other good practices.

AGRI was the forerunner to EBA and remains a useful tool that countries or regional economic communities can use and modify to assess their own performance on a recurring basis. However, because AGRI data are not regularly updated or published annually, the remainder of the paper focuses on how three sets of stakeholders—governments, private-sector actors, and donors or development institutions—can use and incorporate current and future EBA scores and analysis into policy and decisionmaking.

How Governments Can Use Agricultural Indices

Index scores are not an endpoint for evaluation; they are tools for continuous improvement. Their data can be used by governments to set priorities and policy objectives, and to measure the impact of policies over time.

Three Ways to Measure Progress

Using an index, a country can **benchmark against itself** to determine the impact of its policies over time.

A country can **compare the impact of its policies against other countries** based on its comparative ranking.

And some indices enable a country to **benchmark against the “frontier”** or countries that are determined to have the most successful policies. Benchmarking against the frontier enables governments to chase the best performance being achieved right now, though EBA does not currently envision including this component.

No matter how a country chooses to measure its progress, the index is most useful if standardized and used over time.

Although EBA strives for comparability when compiling its scores, countries need not solely benchmark against similar markets with similar agricultural

production and trading profiles. Private companies study best practice in their own industries, but the best ones also look to innovators in other industries to gain insights. Countries can do the same.

Setting Smart Goals

Policy goals cannot be set without first diagnosing the constraints to growth. The EBA provides data critical to assess policy gaps or weaknesses, and to identify opportunities and paths for improvement.

The EBA scores can be used in conjunction with the results of other indices to see where constraints in agriculture hinder growth in other areas (e.g., openness to trade and investment) and vice versa (e.g., poor connectivity to ports).

in·dex

An indicator,
a measure of
something.

For example, the World Bank maintains a separate index called the Logistics Performance Index. If a country scores poorly on logistics, what impact does that have on the ability to bring agricultural products to local and international markets?

Inherent in the indicators are questions that assess the underlying features of good governance such as use of administrative best practices, nondiscrimination, regulatory coherence, transparency, inclusive regulatory decisionmaking, and access to information. Improving scores on the agricultural index necessarily entails setting goals in each of these areas. For example, in addition to good practices for evaluating and registering new seed varieties, it's desirable to maintain up-to-date national seed variety catalogs published online or otherwise made accessible to the public. In this way, transparency promotes greater inclusion, access, and effectiveness of registration procedures.

Determining What to Do Next

In Nicaragua, it costs \$15,265 to register seed, much higher than most countries surveyed. The EBA offers Nicaragua this comparison for benchmarking purposes, and may provide some clues based on the components of its score, but EBA doesn't offer an explanation of why the process to register seed is costly in Nicaragua. The index thereby provides at least a portion of the "what" but it doesn't answer the question "why."

Governments will naturally want to review those aspects where it received lower scores. The EBA is intended to enable governments and other stakeholders to review the indicators and examine the underlying components of their score. For each indicator, the EBA provides a description of what is measured. For example, in the category of electronic money, the indicator measures operational requirements for non-bank e-money issuers, looking at whether they are required to keep a minimum of liquid assets to safeguard customer funds. In this example, governments gain insights into the type of requirements the World Bank considers good practice based on their inclusion and weight in the scoring.

EBA identifies "good regulatory practices" in each topic area based on the practices of high scoring countries. Examples from the Machinery indicator include:

- Streamlined import procedures
- Appropriate testing to ensure imported tractors suit country conditions
- Tractor registration and appropriate after-sales service
- Compliance with national and international performance standards
- Enforcement of safety standards

GOVERNMENT USES FOR INDICES



Goals



Priorities



Measurement



Institutional Reform

EBA includes **three indicators** for fertilizer:
**registration procedures, import requirements,
and quality control regulations.**



Trade-offs abound. In some countries, registration need only be done once, but costs more. Some countries require importers to register and many require import permits.

Applying good practices to ensure streamlined and affordable requirements can achieve balance between quality control and availability.

*% of GNI per capita

Implement and Measure Outcomes

Implementing policy reforms requires significant outlay of time, resources, and political capital. But it's not enough to have appropriate regulations on the books; they have to be implemented with procedural efficiency. Outcomes provide the most relevant measure of whether reforms are working.

Countries and regions can have similar regulation with very different outcomes. EBA cites many examples. In registering new seed varieties, firms in Latin America and the Caribbean pay a much higher cost than firms in the Middle East and North Africa to comply with similar rules and standards. Companies in South Asia spend more time than those in East Asia and the Pacific to meet similar requirements for registering fertilizer products. In general, the lowest performers on the EBA suffer from failures to operationalize laws and regulations.

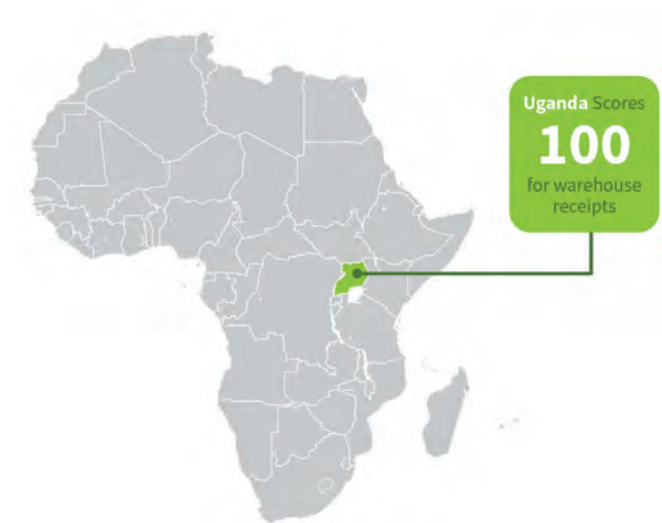
Strengthening Institutions

In March 2015, USAID released a cross-country study examining components of the policymaking process such as the effectiveness of policy coordination across ministries, the degree and quality of stakeholder consultation, and use of evidence-based analysis in policymaking. In its assessment of 16 countries, none achieved a strong score for the use of evidence-based analysis. Many of the countries studied said they based policy development on broad economic data, citing a lack of quality data and limited capacity to perform independent analysis.

While there are other significant and critical components to successful policy reform, the EBA can begin to address the data gap cited by many governments. The scores provide a useful starting point for deeper, country-specific diagnostics while providing detailed insights on other countries' regulatory processes.

Validated by data from the index, governments can engage and engender the confidence of their domestic and international constituencies, secure improved alignment across line ministries, and work to garner the right resources for efficient administration of agricultural sector regulation.

More broadly, where common policy frameworks exist, such as CAADP, the index data can be integrated to support evidence-based planning processes, to focus and align diverse stakeholder interests around common goals, and to inform the design of integrated programs at the local level.



Not to be underestimated, positive external reinforcement for good policy decisions can beget more good policy decisions. For example, 15 countries in the EBA implement laws to enable and regulate the use of warehouse receipts for collateral. Of those, five countries score 100 out of 100 on the warehouse indicator: Ethiopia, Uganda, Zambia, Turkey, and Ukraine. The report details Uganda's approach to offer a glimpse of what "good" looks like.

SUMMARY

Government Use of Agricultural Indices

Establish goals to achieve greater transparency, nondiscrimination, regulatory efficiency, and inclusive decisionmaking.

Analyze scores on sub-indicators in areas that require improvement beginning with reds and yellows on the scorecard.

Incorporate index scores into policy evaluation to assess progress over time and to compare results with other countries.

Utilize index scores to illuminate institutional gaps in capacity, to galvanize interministerial alignment, and reinforce policies producing results.

How the Private Sector Can Use Agricultural Indices

The private sector has a two-way relationship with indices as both a producer of the data and a consumer of the results.

A Source of Critical Feedback

The indices themselves are informed by interviews and exchanges with for-profit and civil society stakeholders in addition to public-sector representatives. The World Bank collects data through standardized questionnaires offered to local practitioners and expert respondents selected from a wide range of organizations including firms, farmer organizations, professional associations, nonprofit organizations, and academia.

In this way, the indices give voice to those who are impacted positively and negatively by agricultural policies, validating and balancing diverse perspectives through breadth of inquiry, encompassing large and small, local and foreign enterprises, whose experiences are all reflected in the scores.

A Voice in Policymaking

When the most innovative companies benchmark performance, they often construct a picture of their

PRIVATE SECTOR USE FOR INDICES



customers' experience with their service or product. Through a customer or user point of view, they can examine their full value delivery system. This is the essence of "design thinking," but it is not a process that governments always use to design policies that affect agricultural and other public stakeholders.

The agricultural indices, however, are constructed in the form of a "customer journey," only in this case it's the journey of a farmer, a trader, or a food retailer. Review of a country's score therefore sheds light on where and how policy gaps affect agricultural producers and consumers.

Stakeholders in many developing and emerging economies are still relatively unorganized and lack the ability to effectively collate views into informed policy positions. They also lack the means to effectively communicate those positions to governments notwithstanding increased opportunities to do so. The process of providing input for the indices may begin to increase the capacity of the private sector to become more directly engaged in future policy. As well, the results of the indices enable stakeholders to root their policy recommendations in data rather than anecdotal evidence. After some experience with the EBA survey process, private stakeholders may be in a better position to question whether, from their perspective, the right questions are being asked.

AN INFORMED INVESTOR

One of the biggest challenges for both domestic and foreign private-sector stakeholders in agribusiness is access to information about policies and laws that regulate their economic activity and that confer rights and protections. Access to institutions and policymakers with whom they must interact for registrations or certifications is often constrained.

The agricultural indices offer information about business processes that can serve as a guide for smallholders and provide grower associations with information for members, providing a broader basis for understanding the context of their own experi-

ences. The indices provide a window into the experience of their competitors in other markets and ideas for how to improve theirs.

For larger investors who may also face the challenge of collating diverse data points for evaluating investment opportunities in agriculture, the indices offer business ready snapshots of the operating and legal environment. The scorecard system with stoplight indicators aligns well with the methodology many companies use for assessing and comparing business opportunities.

A Partner in Development

The local and multinational private sector is an important partner in agricultural development for its perspective, expertise, and resources. Where business interests and foreign assistance or national development priorities intersect, meaningful partnerships can be forged along the agricultural value chain. Partnerships may take many forms such as collaboration in research, execution of extension training, product design to meet the particular needs of developing countries, investments in improved infrastructure, or collaboration to improve quality and safety controls.

The use of agricultural indices can help inform the process of designing partnerships that address market constraints and offer private-sector partners a way to evaluate the impact of the partnership on their broader operating environment.

SUMMARY

Private-sector Use of Agricultural Indices

Get involved in providing feedback: Respond to questionnaires but also provide feedback on methodology—are the “right” questions being asked?

Leverage the process of developing input for the index to increase local capacity to engage governments in the regulatory decisionmaking process

Utilize index score information about policies and laws that impact investment decisions and compare with opportunities to invest in other markets

Incorporate index metrics into the design and evaluation of partnerships and country development programming

How Donors Can Use Agricultural Indices

Deciding Where to Spend Donor Funding

The donor community breathed new life into funding for agricultural development and nutrition over the last decade, bolstered by commitments to increase national investments in agriculture and by the entrance of private funding and foundation support. But continued or increased funding is not assured, and donor organizations are seeking ways to better measure the returns on their investments.

The EBA could serve to focus attention on what needs to get done (i.e., how to spend funds) and

could help produce agreement on partnerships that are designed around country priorities, which may be informed by the data. The EBA can help identify gaps or weaknesses and savings that could be achieved and/or income earned by the agricultural community through programming designed and targeted to address those needs. Donors could thereby have reassurance about how the priorities were developed and see the potential for measuring results over time using the same set of indicators. Use of a common data set could also foster agreement among donors around initiatives that can be undertaken in collaboration to achieve scale.

DONOR USES FOR INDICES



Decisionmaking



Evaluation



Program Design



Research

An Example from the **Millennium Challenge Corporation**

The MCC requires its partner governments to demonstrate a commitment to good governance as a prerequisite for assistance, in part because they view the engagement as a partnership with a focus on local implementation. Therefore, MCC partners must have the management capacity to lead implementation and operate in a policy environment that increases the likelihood the MCC investment will have appreciable impact.

The MCC is legislatively mandated to evaluate a country's policy performance as part of its assessments of country eligibility. They do this by creating a scorecard comprising 20 of the "best available objective and quantifiable indicators" as proxies for a country's commitment to good governance. The scorecard is a composite of indicators drawn from widely used sources such as the Worldwide Governance Indicators, which measure rule of law, control of corruption, regulatory quality, and other key governance factors, the International Monetary Fund country reports on fiscal policy, and the International Finance Corporation's reporting on Gender in the Economy.

By leveraging data tracked over time and across countries, the MCC employs a transparent and consistent approach to evaluation that helps paint a fuller picture of performance without losing sight of performance improvement or deterioration in particular categories that may have bearing on its projects. Not only does the MCC use the scorecard to make decisions about partnerships, it also uses the scorecard to understand policy performance during the partnership, creating clear expectations for performance and providing a transparent metric to track progress. Although the World Bank EBA is not currently built into the MCC's scorecard, the MCC approach provides an instructive example of how donors can use the EBA.

“Developing a strong framework of agricultural regulations and standards, as well as institutions capable of consistently and equitably enforcing them, provides the backbone for implementation of policies critical to advancing food security.”⁵

INFORMING PROGRAM DESIGN AND EXECUTION

Weaknesses in the regulatory and institutional frameworks can inhibit market functionality, dampen public and private investments, and increase the cost of doing business. Recognizing this, USAID has launched a project to mobilize services available to its missions and offices that include reviews of agricultural laws, assessments of openness to trade, benchmarking of time and cost of regulatory procedures, and other technical analyses designed to help optimize the outcomes of its programming.⁶ EBA data can be folded into and help inform all of these activities.

Data from the EBA can also feed into Feed the Future's learning agenda and the plans developed by USAID Missions in country. Taking this a step further, the data could inform discussions across agencies in the U.S. government so that trade and investment initiatives designed and executed by economic agencies including the Office of the U.S. Trade Representative and the U.S. Department of Agriculture can support the areas of promise and better address areas of weakness in the agricultural markets of our trading partners.

EVALUATING OUTCOMES AND SYSTEMIC REFORMS

Among the core principles of aid effectiveness are mutual accountability for development results by countries and donors, and a shift in focus by countries and donors to measuring development results.

Although it is making important investments in the enabling environment to support Feed the Future outcomes, USAID does not at this time directly link country performance on the EBA to the evaluation of its programs.

⁵ Feed the Future, "Feed the Future Enabling Environment for Food Security," February 2016, <https://agrilinks.org/sites/default/files/resource/files/FTF%20EEFS%202pager.pdf>.

⁶ USAID launched the Feed the Future Enabling Environment for Food Security project in September 2015 as a follow-on to the USAID-EAT project under which AGRI was developed and implemented. The Enabling Environment for Food Security project staff retains the institutional knowledge for continued use of AGRI.

Identifying systemic results attributable to development programming is difficult in practice. While the index cannot provide that kind of data or make such assertions any more credible, it can be used in conjunction with such assessments to make decisions about whether the policy environment will support programmatic outcomes and sustainability.

And if more donors were to incorporate the index into program evaluation, the information could be used to share “what works” within the donor community using a common measure.

MEASURING THE SOLUTIONS, NOT JUST THE PROBLEMS

The donor community has supported the development of common food security indicators to measure the scope and magnitude of the problem. The index is an important new tool to help measure some of the solutions. Leveraging the index as a tool for measuring the impact of agricultural policies on economic activity can help countries and donors shift from country ownership as a guiding principle to put country ownership into practice.

Partnerships such as the New Alliance for Food Security and Nutrition⁷ should incorporate the indicators encompassed in the index as a way both to align the activities of its diverse participants and to reorient

the metrics it currently uses for measuring progress toward outcomes instead of activities.

In its annual progress reports, the New Alliance measures government progress in terms of the degree to which policy commitments were completed, not in terms of the impact of those policies. Donors are measured by the disbursement of funds, not to what effect the funds were used. It may be helpful to assess whether donor investments helped to advance the indicators included in the index and therefore measure whether the “solutions” at the heart of donor programming achieved the desired effect.

DIGGING DEEPER

One concern cited by country program partners is that policymakers may draw conclusions from index data without adequate context, that the “base case” for the data is not relevant for every country’s circumstances, or that the linkages between policies and outcomes in agriculture are insufficiently understood. The index data are a starting point to stimulate the right questions; they do not provide all the answers. Analysts within and outside government can use index data to continue important research into the relationship between specific policies, the enabling environment, and growth in the agricultural sector.

⁷ Under the New Alliance launched in 2012, African governments, their development partners, the African and global private sector, and civil society and farmer organizations agree to a set of concrete actions and commitments, including policy reforms, multiyear funding commitments, and responsible investments, aimed at establishing an enabling environment for investment and accelerating agriculture-sector growth.

SUMMARY

Donor Use of Agricultural Indices

Decide where and how to direct funding by using the index to help identify critical policy needs and country capacity to implement policy reforms

Incorporate index results into learning agenda to derive insights and greater alignment on “what works” within the development community

Utilize index scores to integrate more outcome-oriented metrics into program evaluation and apply consistent metrics across stakeholder programs

Investigate and develop a more robust evidence base for the links between policies designed to improve the enabling environment and agricultural growth

Limitations, Caveats, and Opportunities

The EBA is still relatively new. It was designed by experienced practitioners both in the field of agriculture development and with expertise in developing economic indicators. But the business of agriculture is complex and measuring it effectively will require refinement over time based on use and feedback.

The World Bank is entering its third year developing and refining this tool. New topic areas have been added to make the index broader, including ICTs, land, water, and livestock, but it is still not comprehensive. The tool is limited to what the World Bank can measure and compare but its structure already allows for meaningful comparisons.

For some indicators, the EBA may fail to capture the circumstances or input from a large portion of agribusiness conducted in the informal economy. But this deficiency may be counterbalanced by indicators such as access to finance, through which metrics on the lending constraints for microfinance institutions and credit unions, agent banking, and nonbank e-money issuers, throw an important spotlight on the circumstances of smallholders and the need to bring the unbanked into the formal economy.

And while the need for metrics and opportunities to learn from cross-country comparisons is evident,

the EBA should support, not substitute, country-led policy development. The base case scenario for each indicator may not always fit the circumstances of all actors in the market. Will countries take short cuts to improve their index scores, or will the index prompt deeper analysis where it indicates improvements are needed? The private sector is responding to questionnaires developed by the World Bank, but would they ask different questions? The questionnaire cannot replace direct stakeholder engagement and inclusion in policymaking by governments.

The biggest opportunity for all users of the index is to provide feedback so the World Bank can continue evolving the methodology for scoring agricultural regulation and ensure the tool is relevant, credible, and useful not only to policymakers and those who support them, but for those conducting the business of agriculture.

Conclusion:

What Gets Measured Gets Done

Agricultural productivity is vital to the millions of people whose livelihoods depend on it and to the countries where competitive agribusiness sectors help the economy grow. Producing, distributing, and selling food efficiently, safely, and competitively is also the only way to meet increasing global food demand. Regulation in the agricultural sector can enable or inhibit productivity and growth. Measuring its impact is as important as it is complex.

The USAID AGRI Index and the World Bank EBA are capable tools offering meaningful and useful results. What their scores and rankings show is that countries that focus on eliminating discrimination, making regulatory processes transparent, and “right-sizing” their requirements achieve better regulatory outcomes.

The scores demonstrate there is no inherent trade-off between effective regulations to ensure safety and quality and efficient regulations that promote agricultural productivity and growth. Good practices are built on a foundation of transparency and inclusion.

The agricultural index scores reflect the scope of what’s currently being measured in them. As users of the indices gain experience with them and incorporate them into normative policymaking, business decisions, and development programming, stakeholders have an opportunity to provide feedback to shape and render the indices more effective and relevant.

There’s an adage in business that what gets measured gets done. Agricultural indices can help provide the metrics to ensure that efforts to enable the business of agriculture produce results.

Learn more about the indices

Find the **AGRI Final Report** online at agrilinks.org

Find **EBA** online at eba.worldbank.org



“Regulations are the bedrock of a country’s enabling environment. Well-designed laws and regulations—supported by strong institutions and efficient administrative procedures—are necessary for agriculture to prosper.”

—Enabling the Business of Agriculture 2016.

About the Author

Andrea Durkin served as a U.S. government trade negotiator from 1996 to 2004 with the Office of the U.S. Trade Representative and the International Trade Administration of the U.S. Department of Commerce. Ms. Durkin has taught international trade and investment policy for the past 11 years as an adjunct associate professor at Georgetown University's School of Foreign Service, from which she graduated with distinction. She previously managed a global staff responsible for public policy and external relations at an American Fortune 100 life sciences company, prior to launching an independent consulting firm, Sparkplug. As principal of Sparkplug, she advises firms in the life sciences, food, and agriculture sectors on government relations strategies that drive both commercial success and corporate citizenship.



1616 Rhode Island Avenue NW
Washington, DC 20036
202 887 0200 | www.csis.org