

## FEED THE FUTURE ENABLING ENVIRONMENT FOR FOOD SECURITY PROJECT

### PRIVATE SECTOR VOICES TECHNICAL LEARNING NOTE

This Technical Learning Note summarizes the key findings and recommendations of the Feed the Future Enabling Environment for Food Security report, “**Private Sector Voices: Building an Enabling Environment for Investment.**” To access the full report, click [here](#).

#### How the Enabling Environment Impacts Private Sector Investment and Growth

- The regulatory environment often shapes the form of the investment, particularly for foreign investors. Faced with high taxes, restrictive work permit policies, or lengthy and cumbersome registration procedures, investors often shift the risk of regulatory compliance to a local partner, which decreases costs but also impacts efficiency and quality control.
- When scaling, the ease of doing business factors much more prominently in investors’ calculations. Investors look for markets with similar operating environments, including market structure and language, as well as cost factors, such as transport and whether the legal environment supports their business model.
- Investors shy away from countries with a high degree of corruption, as the uncertainty of the operating environment makes it impossible to sufficiently anticipate costs.
- The enabling environment is frequently a chief factor in the decision to exit a market or cut an existing business line. Faced with repeated losses due to policy changes, procedural delays, or a deterioration in the rule of law, the company is far more likely to refocus energy and capital on markets where doing business is easier and more secure.

#### Key Enabling Environment Constraints and Enablers of Private Sector Investment

Common Constraints	Policy Enablers
<ul style="list-style-type: none"> <li>• Lack of sustainable and affordable access to finance</li> <li>• Unstable market policies</li> <li>• Unpredictable duties and import procedures</li> <li>• Burdensome and unpredictable tax policies and procedures</li> <li>• Lack of a clear regulatory framework for new technologies and business approaches</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of start-up funding sources: business incubators, grant programs, and impact investors</li> <li>• Government policies and programs supporting market entry</li> <li>• Proactive development of the regulatory framework for new industries</li> </ul>

#### Private Sector Approaches to Reform the Enabling Environment

- Almost all businesses interviewed engage policymakers individually, whether through closed-door policy discussions, the establishment of a dialogue process for a narrow issue, or independently arranging a public seminar to address the specific challenge faced.
- Cross-sectoral associations for exporters or manufacturers or value-chain inclusive platforms, such as the Kenya Flower Council, were viewed as more effective, whereas organizations representing

narrower constituencies, such as a fertilizer dealers association, often become self-seeking or myopic in their understanding of policy issues and are unable to effectively collaborate for larger reforms.

### **Private Sector Perspectives on Policy Platforms and Dialogue Mechanisms**

<b>Common Weaknesses</b>	<b>Characteristics of Effective Platforms</b>
<ul style="list-style-type: none"> <li>• Lack of platforms for cross-ministerial engagement, particularly involving customs</li> <li>• Lack of high-level government participation</li> <li>• Broad-scope conferences and seminars that lack concrete action on specific issues</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of a full-time secretariat</li> <li>• Provides relevant trainings</li> <li>• Capacity to produce evidence</li> <li>• Cross-sectoral or whole-of-value-chain representation</li> </ul>

## **The Role of USAID in Supporting Private Sector Investment**

### **USAID's Effective Engagement for Enabling Environment Reform**

- Interviewees' primary view of USAID's role in policy reform was one of bringing evidence to the table through data analyses, articles, and policy papers to build the evidence base and provide baseline data for policy dialogue around specific pressing issues identified by the public or private sectors.
- When organizing seminars, conferences, or dialogue forums, interviewees recommended that the subject matter should be narrow and relevant to private sector interests, and that key decision-makers should be present.
- Interviewees see a role for USAID to work with the government and early market entrants to proactively build out a clear policy and regulatory environment for new industries and strengthen the capacity of government officials for its effective implementation.

### **Promoting Sustainable and Scalable Private Sector Investment**

- Grant programs funded by nongovernmental organizations or donors, including USAID, can be critical to the success of businesses, and private sector partnerships represent a pathway to sustainable, scalable market development. A clearinghouse for information regarding business incubators, impact investors, and other donor organizations active in the country would assist investors in identifying funding opportunities.
- USAID works with other U.S. Government agencies to connect investors with U.S. expertise, commercial partnerships, and information on regulatory compliance for the U.S. market that greatly assists private companies wishing to access export markets in the U.S. and Europe.

The **Feed the Future Enabling Environment for Food Security** project is a global support mechanism for Feed the Future focused and aligned Missions and Washington-based USAID offices to address policies, as well as legal, institutional, and regulatory factors that function as market constraints affecting food security.

Launched in September 2015, the project enables the rapid procurement of technical analysis, advisory services, and strategic knowledge management. For more information, contact Lourdes Martinez Romero (COR) at [lmartinezromero@usaid.gov](mailto:lmartinezromero@usaid.gov) or Nate Kline (Project Director) at [nkline@fintrac.com](mailto:nkline@fintrac.com).