

## Research Report

# Creating an Enabling Environment for Agricultural Innovation in Emerging Markets

Idil Ires



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**IWMI Research Report 189**

# **Creating an Enabling Environment for Agricultural Innovation in Emerging Markets**

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## Acronyms and Abbreviations

ACF	Agricultural Consultative Forum
AGNES	African Group on Negotiators Experts Support
ASARECA	Association for Strengthening Agricultural Research in Eastern and Central Africa
CCARDESA	Centre for Coordination of Agricultural Research and Development for Southern Africa
COMACO	Community Markets for Conservation
DFI	Development Finance Institution
ESA	Eastern and Southern Africa
FANRPAN	Food, Agriculture and Natural Resources Policy Analysis Network
GESI	Gender Equality and Social Inclusion
GIZ	German International Cooperation Society (Deutsche Gesellschaft für Internationale Zusammenarbeit)
IWMI	International Water Management Institute
NARES	National Agricultural Research and Extension Systems
NDCs	Nationally Determined Contributions
OECD	Organisation for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
SMEs	Small- and medium-scale enterprises
TA	Technical assistance
UNFCCC	United Nations Framework Convention on Climate Change
WE4F	Water and Energy for Food
WFP	World Food Programme
ZDA	Zambia Development Agency

## Summary

Market is the structure for the development and delivery of innovations that are able to address environmental, societal, and economic challenges. The lack of enabling conditions for market development has resulted in low investment levels and economic stagnation, impacting livelihoods in Africa. Although there have been efforts to implement market-driven reforms, challenges such as inadequate policies, weak legal frameworks, transparency issues and bureaucratic inefficiencies pose significant risks for public and private investments and for their potential to reach the target beneficiaries. This situation also discourages development partners and businesses from investing in the region.

Technical assistance is crucial to improve the investment climate. This paper presents a framework to help governments create a more conducive environment for agricultural market development and the private sector to navigate through the existing challenges. Traditional technical assistance practices have faced criticism for adopting a one-size-fits-all approach that overlooks local contexts. Recently, however, there has been a shift towards more context-based and adaptive assistance, which informs this framework.

This framework emphasizes key elements that contribute to an enabling environment, including institutions, such as policies, regulations, and legal frameworks, as well as clear market and regulatory information that help reduce transaction costs. The framework is theoretically based on new institutional economics and political economy approaches. It focuses on assistance in three areas with three categories of delivery partners: policy support to governments, institutional capacity

strengthening (especially of National Agricultural Research and Extension Systems) and (agri)business acceleration support to small- and medium-scale enterprises. Through such assistance, this framework seeks to help create an enabling environment for the delivery of innovations that offer solutions to emerging climate, societal and economic crises. These solutions, especially those developed and scaled by the private sector, are targeted toward recipients such as farmers (including women and the youth), marginalized groups, displaced communities, refugees and migrants. The framework utilizes value chain and market development as the primary delivery structures. This framework has guided several recent enabling environment assistance practices under CGIAR's International Water Management Institute (IWMI). This paper explores these practices and positions CGIAR as a strong technical assistance partner.

While this framework offers a systematic approach to analyzing the enabling environment, the technical assistance driven by this framework promotes collaboration and co-creation. It actively engages governments, national research and extension offices, farmers and other stakeholders in influencing policies and business transaction advisories that directly benefit them. Furthermore, it aims to strengthen their capacities to diagnose and overcome enabling environment challenges as they arise. By helping to create an enabling environment for the private sector—especially small- and medium-scale enterprises that innovate and scale—and derisking the investment climate, this framework seeks to strengthen agrifood market systems to foster food security and alleviate poverty.



# Creating an Enabling Environment for Agricultural Innovation in Emerging Markets

*Idil Ires*

## 1. Introduction

While agriculture is the mainstay of the African economy and could benefit from market development to reduce poverty, the enabling environment to achieve this remains unfavorable. Agriculture employs more than half of Africa's workforce, and smallholder farmers constitute 60% of the population in low-income African countries (AfDB 2024). Literature indicates that growth in agriculture can reduce poverty better than growth in any other industry; hence, improving agricultural productivity is considered a critical entry point in designing poverty reduction strategies in Africa (Christiaensen et al. 2006; Post et al. 2021). To achieve this poverty reduction effect, market systems within which the low-income population lives and participates in economic activity must be improved. Markets that operate inclusively serve the poor by offering them jobs, opportunities, finance, inputs and agricultural technologies to improve their incomes (Ferrand et al. 2004). Market development interventions mainly occur in agriculture and labor-intensive industries where the poor are concentrated. Moreover, a crucial aspect of market development is increased private sector activity. Studies have shown that it can foster food and income security by improving farming techniques and technologies (Ruiters and Matji 2016; Mangeni 2019). Nine out of ten people in developing countries earn their incomes from the private sector (formal and informal) (DCED n.d.). These demonstrated impacts on food and income security make a strong case for supporting an enabling environment for the private sector and market systems development.

Markets cannot function without government regulation. The government is tasked with creating an enabling environment for market development. The enabling environment encompasses institutions such as norms, customs, laws, regulations, policies, international trade agreements and public infrastructure, which facilitate the movement of goods and services along the value chain (North 1990; USAID 2023). A supportive environment is pivotal for nurturing the growth of market economies by mitigating investment risks, ensuring that both the private sector (investors and enterprises) and the government and citizens maximize their returns in terms of both profits and development outcomes, such as food and income security. The failure to create enabling conditions for market development will lead private investments and such investment returns to remain low (Post et al. 2021). Such failure is the case in Africa. Though most African countries have prioritized market-driven structural

reforms over extensive state ownership and regulation, the lack of an enabling environment has resulted in low agricultural investment in the continent. For instance, in Uganda, only 5% of agricultural investment is funded by the private sector (Bruce and Costa 2019). Across Africa, only Rwanda and Kenya scored well in the World Bank's (2019) Ease of Doing Business Index<sup>1</sup>, ranking 38<sup>th</sup> and 56<sup>th</sup>, respectively, at the top of 190 countries worldwide.

International finance institutions and development partners provide investment and technical assistance (TA) to developing countries to improve their enabling environments, attract private investment and bolster the market economy. Some of this assistance is on a policy level: macroeconomic, investment, trade, industrial and agricultural (Pingali 2007). It uses country-specific economic and institutional analyses to design institutional reforms and poverty reduction strategies (Christiaensen et al. 2006). It also seeks to improve regulatory frameworks, infrastructure and financial access, increasingly in the context of climate change (Teng and Oliveros 2016). Other forms of assistance focus on the firm and value chain levels and provide specialist advice, market information and training to (agri)businesses, introduce new business ideas and technologies, and link different actors in the value chain (DCED n.d.). Since agriculture is known to be volatile, most private investors shy away from investing in agriculture due to the perceived high risks and low returns—a problem that TA aims to address by derisking the investment climate with substantial development impact anticipated in turn.

This paper presents an enabling environment TA framework developed by CGIAR's International Water Management Institute (IWMI) to help countries spur agribusiness and agricultural investment toward food security and poverty alleviation. This framework offers a systematic way to analyze the enabling environment and identify gaps, strengths and weaknesses. Based on this analysis, TA efforts help governments set the right conditions for attracting investment and derisking business, and they also help the private sector make informed business decisions and better navigate through the existing enabling (and disabling) environments. While TA is a billion-dollar industry, its leading paradigm and practices have dramatically shifted from a technocratic approach to one that is nationally owned, stakeholder-driven and politically informed, an approach embraced by IWMI.

<sup>1</sup> The Ease of Doing Business Index ranks economies from 1 to 190, with first place being the best. The ranking of economies is determined by sorting the aggregate ease of doing business scores. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operations (World Bank 2019).

This framework can serve as an initial draft to guide practice and has the potential to be developed further as informed by results.

The framework presented here draws from several recent TA examples under CGIAR initiatives (Box 1). In addition to its research-for-development mandate, CGIAR has assumed a more active role as a partner of governments and the private sector in supporting policy and business acceleration. In terms of private sector support, IWMI has been a TA provider in agribusiness accelerator programs, such as the Food Systems Accelerator under the CGIAR Initiative on Diversification in East and Southern Africa (Ukama Ustawi), the Peace-and-Stability Accelerator through the Initiative on Fragility, Conflict, and Migration, and the Water and Energy for Food (WE4F) project,

supported by the German International Cooperation Society and the United States Agency for International Development (USAID). The enterprises selected under these accelerator programs are small- and medium-scale enterprises (SMEs) that are chosen as recipients of grants and technical assistance based on their demonstrated social and environmental impact, such as employing women and youth, driving renewable energy transitions, providing products and services for low-income groups and filling critical input, financing, knowledge and marketing gaps within the value chain. By offering both a historical review of TA approaches and a critical framework for analysis and assistance guided by examples, this paper addresses a gap in the literature and TA practice in a field where little has been published.

**Box 1. Definition of Technical Assistance.**

In the context of agriculture and market development, most organizations define technical assistance as support provided to the enabling environment for the growth of the private sector, encompassing support to both the public and private sectors. According to the African Development Bank (2024), TA aimed at governments allows them “to create an enabling environment conducive to entrepreneurship, business growth, and job creation.” TA aims to increase local economic opportunities, create jobs and foster public-private dialogue through SME-business linkages, SME access to skills, training and capacity building, SME access to finance, SME value chain development and the preparation of public-private partnership projects. In international development assistance, TA is generally understood as “knowledge-based assistance to governments intended to shape policies and institutions, support implementation, and build organizational capacity” (Cox and Norrington-Davies 2019, 2). TechnoServe’s definition has a more pronounced advisory target at the private sector as “a facility that speaks to business but can also generate development impact; that works with the private sector while being funded by donors to transform agricultural markets and increase food security” (TechnoServe 2020, 3). For this paper, we adopt a definition of enabling environment TA as a facility that provides knowledge-based support to governments and the private sector to improve both the business climate and the broader enabling environment including, government policies, institutions, regulations and organizations to enhance capacity and impact in targeted sectors.

This paper is structured as follows: Subsequent to this introduction section, Section Two provides a brief overview of the historical evolution of enabling environment TA and sheds light on the theories and concepts shaping the core of our framework. Section Three presents a literature review on the enabling environment TA practices in the contexts of development

and climate finance, which similarly influenced the development of our framework. Section Four introduces the framework and its main pillars, providing examples illustrating how it is deployed under various CGIAR initiatives. The paper concludes with a discussion on the way forward for further development and implementation of this initial framework.

## 2. Theory and Concepts of Technical Assistance in Creating an Enabling Environment

TA is a vast industry. In 2016, the aid statistics of the Organisation for Economic Co-operation and Development (OECD) estimated that TA spending could be as much as 25% of total global aid or approximately USD 40 billion annually (Cox and Norrington-Davies 2019), though the exact figure is unknown. According to ActionAid (2011), this figure could be even higher, potentially reaching one-third of global aid. Despite its significant scale, TA is widely criticized for having an intrusive position in assisting countries since TA originally started off as external conditions and strings attached to finance development in low-income countries. This section begins with an overview of TA's historical evolution since the 1970s, which includes the definition of terms frequently used in the field, and then discusses the politically informed, adaptive approach that informs our framework.

### 2.1. Historical Evolution and Critique of Mainstream Assistance Approaches

TA has been part of the development sector since the decolonization period, with objectives that have evolved over time. It has led to three common types of TA: support for individuals, organizations and the institutional environment. While all three types of TA are still frequently utilized today, support to reform the institutional environment has become the most prevalent, especially since the 2000s, and has been further evolving into a more politically informed version increasingly acknowledged as critical yet subject to implementation challenges in donor agenda.

This evolution began with a focus on strengthening individuals in the 1970s and shifted to strengthening organizations until the late 1990s and the institutional environment thereafter (Table 1). Some of the earliest TAs in the 1970s were focused on filling capacity gaps in newly independent countries by training staff and helping to establish and equip new government agencies (Cox and Norrington-Davies 2019). In the 1980s, TA programs recognized that capacity building was not just about enhancing individuals' skills but also about addressing broader organizational and institutional constraints (Reality of Aid 2016). Embedding technical experts within government ministries to develop capacity and support organizational change has become a common practice, especially in conjunction with aid projects to support their design and implementation.

The concept of "capacity building" gained popularity in the core of TA in the 1990s as development practitioners recognized the need for "enhanced capacity to be treated as a goal in its own right, not merely a means for achieving other development objectives" (World Bank 2005). According to OECD (2006), capacity is "the

ability of people, organizations, and society as a whole to manage their affairs successfully." It refers to the ability to effectively and efficiently carry out coordinated action programs in pursuit of formally agreed-upon goals (Cox and Norrington-Davies 2019). In the meantime, capacity building is seen as assistance focused on strengthening the capacity and skills of organizations, from individuals to the entire society. The related term "capacity development" emerged around the same time, and though it is often used interchangeably with capacity building, it acknowledges the agency of the partner country (Cox and Norrington-Davies 2019). This definition arose as a response to critique on "capacity substitution."

Capacity substitution emerged as a critical term to refer to the adverse outcome of many capacity-building efforts that involve placing technical experts in government offices in gap-filling roles, which often serve no long-term results. Traditionally, TA has been technical advice on a specialized subject to inform policymaking, with technocracy being the default (Simson 2013). However, this approach has displaced rather than built local capacity, hindering the development of existing capacities and resulting in insufficient knowledge transfer (CIF 2022) and disjointed project coordination (Land et al. 2015). In addition to substituting local capacities, external experts advising the Global South have widely drawn from international practices, focusing on what reforms succeeded in the Global North and must therefore be implemented in the South—instead of considering how and what outcomes they can possibly achieve in specific contexts (Nastase et al. 2020a; 2020b). However, in some cases, not even governments can devise the right enabling environment for the right technology, knowledge transfers and building skills in the right sectors due to the lack of good governance. That the fix is more complicated than mere advice rightfully raises the question of how external organizations could fix through "technical" solutions what governments themselves cannot or will not.

External support provided to fill or replace local capacity gaps has often been a response to donor pressure to show short-term progress and results at the output level (Alari and Thomas 2016). When underlying policy and capacity challenges are not addressed and knowledge transfer is insufficient, systems revert to their previous state once temporary donor support is withdrawn, leading to a lack of sustained success (Tilley 2014; CIF 2022). Moreover, "capability traps" have been common as a result of TA expectations and targets being unrealistic and not aligned with a state's existing technical and institutional capacities, often yielding counterproductive outcomes (CIF 2022). This has perpetuated ineffective cycles in which governments of developing countries repeatedly adopt reforms to ensure continued external financing flows yet fail to improve their implementation

(Andrews and Bategeka 2013)—a significant problem to date. Furthermore, TA has also been criticized for contributing to a culture of dependency, reducing incentives for government officials to develop their own skills and perpetuating the notion that developing countries are incapable of self-management (Reality of Aid 2016). Also, TA in the 1980s and 1990s utilized a strategy called "policy conditionality" or "policy-based lending" to push for structural adjustments in developing countries. This strategy involved providing

financial assistance to recipient governments with conditions attached, such as addressing macroeconomic imbalances, reducing budget deficits, liberalizing markets and privatizing state-owned enterprises (Cox and Norrington-Davies 2019). These conditions have been widely criticized, particularly by Stiglitz (1998), as they were seen as imposing externally mandated policy reforms on recipient countries in exchange for urgently needed funds, thus undermining their national sovereignty.

**Table 1.** The evolution of technical assistance from the 1970s.

Period	Focus	Dominant Ideas	Areas of Capacity Development	Technical Assistance Mode
1970s	The individual	Counterparts and gap filling	Degree-level training; skills acquisition; tools and equipment	Scholarships, line positions, on-the-job training, developed country training, manpower reviews
1980s—mid-1990s	The organization	Business management	Reforming organizational structures: building and strengthening systems for policymaking and analysis, for managing people, information, cash and assets; processes and activities that produce goods and/or deliver services	Organizational audits, restructuring, twinning; job evaluation and grading; technical cooperation advisors and consultants
Late 1990s—2010s	The institutional environment	The 'old' New Institutional Economics (rules of the game): exit, voice, loyalty and compliance	Incentive structures within (1) formal organizations (pay, discipline and performance management in human resources management) and (2) the wider institutional environment (accountability, accessible and responsive government, the legal and judicial framework)	Setting the incentive framework for sector or whole budget support; public expenditure management; performance management; empowerment and accountability

Source: Author's compilation based on Cox and Norrington-Davies (2019)

In the 2000s, there was a shift toward promoting nationally owned and developed policies and strategies, rather than externally imposed ones. International financial institutions (IFIs), responding to criticism about imposing conditions on policies, reduced the number of conditions attached to financial assistance and focused on promoting national ownership (Cox and Norrington-Davies 2019). The prominent approach has become "policy advice," where TA efforts focus on helping countries draft their own policies and strategies, providing technical input, making recommendations based on studies and stakeholder consultations and assisting with data collection. This support has evolved to include a focus on evidence-based policymaking that takes into account national needs, priorities and preferences, using case studies and public consultations. The aim is to create a broader knowledge base through networks within and

outside governments, including research organizations and nongovernmental organizations, to produce, disseminate and utilize policy-related knowledge and evidence.

Despite this shift toward nationally owned and demand-driven approaches in policy advice, implicit policy conditionality remains a challenge. Most donors support policies they approve of and external funding opportunities still influence national policymaking. Governments, aware of donor priorities, often reform their enabling environments and design national strategies to align with these priorities in order to receive development assistance. Aligning agendas increases the likelihood of securing funding. However, this also partially drives the problem of agricultural policies and programs often following popular jargon and institutional blueprints

without specifying how they will be achieved in specific national contexts and deliver actual results. This situation perpetuates capability traps, where governments appear to have the necessary knowledge, skills, institutional and political alignment, and governance structures to execute policies, when, in reality, they do not. At the same time, it has been shown that decisions made at donor headquarters often ignore or overrule nationally determined priorities, which undermines local ownership of reforms (Land et al. 2015; Cox and Norrington-Davies 2019). This creates a risk that TA projects reflect the priorities of the donor rather than the recipient, which undermines their effectiveness.

Mainstream TA approaches have begun facing criticism for being based on oversimplified assumptions and attempting to solve what are often political problems with purely technical solutions (Cox and Norrington-Davies 2019). However, the paradigm has been shifting in the last decade. On the one hand, development practitioners now widely agree that TA must encompass a focus on all three: individuals, organizations and institutions. Successful TA initiatives go beyond the enabling environment yet remain critical for its successful transformation, often incorporating a variety of practices, ranging from training programs to on-the-job coaching and mentoring; financial and technical support for crosscutting public sector reforms; flexible TA facilities; and “triangular cooperation,” where donors facilitate knowledge exchange between developing countries, such as South-South cooperation (Cox and Norrington-Davies 2019). On the other hand, traditional concepts such as “best practices” and “capacity building” are increasingly seen as inferring one-size-fits-all reforms that pay little attention to ground realities (Simson 2013). Institutional failures have driven a new paradigm to emerge, synced with the growing interest in the politics of development, which understands these failures in terms of power and politics rather than mere capacity gaps (Cox and Norrington-Davies 2019). These politically informed and adaptive approaches increasingly used by TA are discussed in the following section as part of this paper’s background.

## **2.2 Theory: The New Adaptive and Politically Informed Technical Assistance**

The framework presented in this paper to assist in creating enabling environments builds on a combination of new institutional economics (NIE) and political economy theories. The popular theory supporting TA in this field draws from transaction cost economics, which is closely linked to new institutional economics and gained prominence in the 1990s. NIE studies and emphasizes the role of institutions in regulating economic decisions and interactions (North 1990; Acemoglu and Johnson 2005). In theory, transaction costs are “the costs of specifying and enforcing contracts that underlie exchange” (North 1984). In the context of agricultural value chains and

agribusiness transactions, most transaction costs arise when making product and production decisions and enforcing them (Williamson 1971; 1985; Wysocki et al. 2003). Three categories of transaction costs in this regard are as follows: (1) search and information costs, which arise during searching for the desired quality and quantity of the product obtainable at the desired price for mutual gains between buyers and sellers, and costs of gathering information about markets where producer and trader enterprises have an advantage; (2) bargaining costs associated with negotiating the terms and conditions of exchange between actors, time spent at meetings and for communications, and uncertainties preventing them from making and accepting the most profitable decision for themselves; and (3) enforcement costs related to ensuring all parties within the transaction follow the exchange agreements, deliver the agreed quality and quantity of a commodity on time and make payments mutually decided upon as per price determination.

The center of an enabling environment is in the establishment of well-defined and sanctioned institutions to reduce transaction costs in a market economy. Institutions serve as the rules of the game, defining the actions required, prohibited or permitted in transactions (North 1990; Ostrom et al. 1994). While institutions can be both formal and informal, those that are well-defined and sanctioned improve the effectiveness of market transactions by reducing transaction costs (North 1987). They are critical to preparing the growth of market economies before transactions by derisking the investment environment and maximizing investment returns both to the investor and enterprises on the one hand and to the government and citizens on the other.

The central role of power in development practice and assistance has influenced mainstream economic theory to evolve from the “old” new institutional economics (based on North) before 2009 to a “new” new institutional economics (mainly based on Acemoglu, Robinson and North) after 2009, gaining a political economy twist. Acemoglu and Robinson (2000) agree that there are winners and losers in the political process of institutional reforms that do not always seek to create an equitable enabling environment for all parties to enter and compete fairly in a market economy. Institutions are also the rules of the political game, not only in terms of economics, and devolve and distribute power asymmetrically by authorizing, enforcing and restricting actions, often at the cost of social and economic progress. Institutional failures must therefore be understood in terms of power and politics instead of weak capacity. As institutional change will have winners and losers, enabling environments can be “disabling” for some while enabling others. The institutional structure and economic policies at the heart of the enabling environment are often shaped by economic opportunities and constraints that politically powerful groups face (Acemoglu and Robinson 2000). This idea was also backed by North (1981), who spearheaded the “old” theory and yet argued that those

with political power might not choose beneficial policies because they did not maximize their revenues. The nature and extent of politics involved in the government buy-in of TA will vary but it is rarely absent (Land et al. 2015).

The politically informed theory also acknowledges that technical knowledge is rarely the primary constraint to development; rather, the lack of political will and good governance often inhibits reform implementation and delivery. Acemoglu and Robinson (2000) argued that agents who have political power and fear losing it—for instance, when new technological innovations are introduced—may want to block them, even if doing so hinders economic progress that would be in the nation's best interest. For example, one of the underlying reasons for countries to fail in adopting new technologies and succeeding in energy transitions that could help their country advance in reaching its climate mitigation targets is sometimes not the associated financial aspects but rather the existing powerful interest groups, such as economic monopolies, blocking their introduction to protect rents. The lack of political will and competing interests sometimes also influence people in positions of power to avoid developing the capacity that TA programs seek to improve and actively undermine the process (Cox and Norrington-Davies 2019). As the 2017 World Development Report demonstrated, some African elites actively undermined capacity building in the national research and statistical systems based on their belief that high-quality data would be used by the opposition to audit their performance. They sabotaged improvements in the system by deliberately hiring weak and partisan statistical officers instead of skilled experts (World Bank 2017). Technical knowledge can drive economic and technological advances only if there is government buy-in and such self-serving groups are defeated.

Corruption is another example of the complex political realities for which TA has thus far failed to offer a quick fix. Scholars argue that many countries perform poorly in controlling corruption, which hinders effective public administration (Zoogah et al. 2015; Downe et al. 2016; Post et al. 2021). Public spending in these countries often appears excessive, and yet it is diverted away from public goods that could foster social welfare in favor of private benefits (Perry 2015; Lassou et al. 2020). Local governments commonly allocate money to areas of personal interest (Oluwatobi et al. 2016). Many examples show such corrupt distribution of funds by African governments, such as the Fifth Burundian Five-Year Plan, which allocated 98% of its fixed gross capital to areas immediately surrounding the capital and to the home province of the country's elite (Kasara 2007; Post et al. 2021).

To understand and design feasible enabling environment support through these political complexities, several working groups have recently emerged. For instance, the Doing Development Differently community of practice formed in 2014 suggests three principles toward

effectively considering the political context: (1) Addressing the underlying problems in each context instead of importing external solutions, (2) the process of identifying solutions must be led by those impacted by them, and (3) politically informed approaches require testing, learning and adjustment—an adaptive process (Bain et al. 2016). The Thinking and Working Politically group, established in 2013, similarly emphasizes the importance of politics for institutional change and advocates using the political economy analysis to understand the enabling environment. The Drivers of Change approach of the former Department for International Development (DFID) (currently FCDO) understands the way development happens or does not happen as being shaped by the political context (Nash et al. 2006). Other organizations, such as the World Bank and OECD, have also formed their internal political economy working groups to support new ways of thinking and working (Faustino and Booth 2014; Cox and Norrington-Davies 2019).

Still, this new political thinking has not sufficiently translated into practice for various reasons. Although political economy analyses help understand complex problems rigorously and systematically, scholars point out that these problems remain challenging to address easily (Cox and Norrington-Davies 2019). As Unsworth (2009) argues, thinking of development as a technical problem that requires a straightforward technical solution is already deeply ingrained in practice. Building on decades of traditional practice, most donors are inflexible and bureaucratic in their nature when it comes to adapting their rules and procedures. Inflexible and overly technocratic designs and program management tools (e.g., log frames) lock programs into set deliverables. Often, the deliverables are tailored for quick and visible results based on predetermined inputs, coupled with tight restrictions on management overheads, which limits the opportunity for learning and understanding the ground realities required to support new ways of working (Booth and Unsworth 2014). Politically informed ways of thinking still seek solutions, but since these are not predetermined and are formulated with flexibility based on ground realities, they have a better prospect of driving substantive change. Moreover, the pressure to spend money efficiently and justify spending, especially during times of austerity, and achieve lower unit costs also often works against such experimental approaches. As Global Partners Governance (2014) put it, “If you know you are going to be measured against activities you said you were going to do, then you [...] make sure you stick to them, ignoring whether or not they are actually working.” This makes processes more important than outcomes. The shift from traditional approaches thereby remains challenging for now, with technocracy being the default, which creates disincentives for TA practitioners and implementers to innovate.

Critiques of TA have been instrumental in shaping its evolution, while politically informed TA approaches are promising yet remain experimental. From the literature

review provided in this section, a few guiding principles for a better TA practice can be derived. These principles also shaped the core of our framework and are as follows:

**Problem-driven.** Our TA begins with an understanding of the problem and why it is present rather than pushing for predetermined reforms as solutions. We focus on promoting good practice rather than efficient delivery of predetermined outputs and making small investments driving catalytic change rather than looking to deliver results at scale.

**Co-creation: Enablers rather than doers.** The literature suggests that TA providers support institutional reforms based on local practices, with strategies co-designed by stakeholders (Nastase et al. 2020a). We act as brokers, partners and dialogue facilitators to stakeholders together and encourage them to take the lead in identifying problems and designing solutions. We expect the government to lead the process and reform plan, with TA supplementing existing capacities (e.g., competencies, organizational capacity and the enabling environment).

**Building on the institutional capacities and contexts.**

We prioritize working with local partners to make the current policy framework deliver benefits and public services, even if imperfect. Advisers must act as enablers of change rather than changemakers (Nastase et al. 2020a). They should adapt to political changes, seizing opportunities and showing flexibility when needed and stepping back when needed. It is important to understand the shifting dynamics of governance and interests and focus on enhancing existing institutional capacities rather than replacing or bypassing them.

**A flexible and adaptive approach.** When supporting institutional reforms, which are often messy, unpredictable and prone to setbacks, it is important to take a flexible and adaptive approach, learning from failures and making gradual improvements (Cox and Norrington-Davies 2019). We aim to scale back activities that are not working well or seem too costly compared to the returns and focus on making gradual improvements and creating space for analysis, learning, evaluation and adaptation, starting with an experimental TA framework.

### 3. Practice of Technical Assistance for Market Systems Development

Technical assistance (TA) for an enabling environment is a type of non-commercial support to develop the capacity and effectiveness of the enabling environment to allow nations to grow and prosper. It frequently complements financial resources and organizational efforts to maximize development impact, contributing to achieving the United Nations' Sustainable Development Goals (SDGs)—to create a better world for all (Proparco 2022). This is also crucial for achieving national policy goals, particularly in areas such as food security and nutrition, poverty alleviation, social equity, climate change adaptation and environmental sustainability in agriculture (Díaz-Bonilla et al. 2014). This section offers a categorical overview of how the enabling environment TA is applied to the contexts of development finance as a form of support provided to governments to reform the institutional environment and agribusiness acceleration to assist with business strategy and growth.

#### 3.1 A Categorization of Assistance in Agribusiness Acceleration and Development Finance

Figure 1 illustrates a systematic thematic categorization of TA services for market development based on a

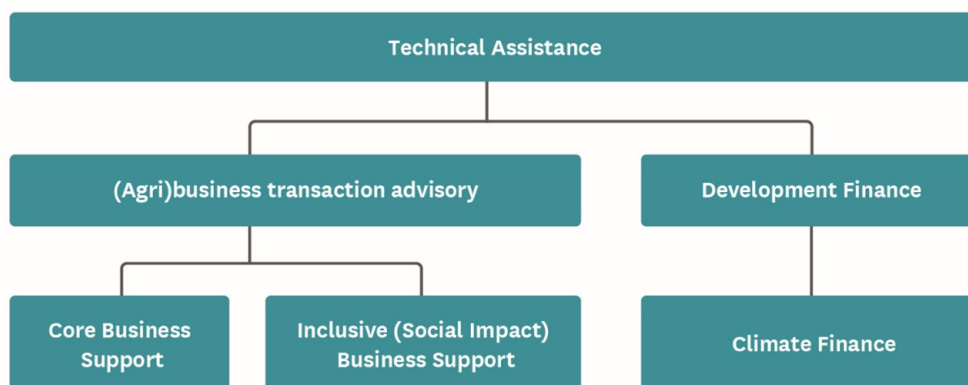
comprehensive literature review of TA service provisions, which has informed and guided the development of our framework. Broadly, on the first level of the framework, enabling environment TA, targeted at market development, has two primary arms that fall under development finance and business transaction advisory.<sup>2</sup> On the one hand, the TA in development finance, also called 'investment climate support,' is rooted in development assistance and provided to governments to strengthen private sector activity through legal and regulatory reforms (CIF 2022). It seeks to derisk nascent markets and create incentives for the private sector to grow and build a robust innovation ecosystem. Under development finance, climate finance is a specialized area, and TA, in this context, seeks to create and stimulate markets for innovations that contribute to climate change mitigation and adaptation. On the other hand, TA in the form of transaction cost advisory is provided to the private sector and public entities, such as commercial public banks operative in private transactions, to enhance their strategies and business models, create products and facilitate specific transactions (CIF 2022). It is facilitated as catalytic support complementary to investment and loans for business acceleration. Business transaction advisory is divided into two parts: (1) core business support designed to reduce risk and strengthen the

<sup>2</sup> These are also called upstream and downstream efforts: Upstream efforts aim to improve the enabling environment for business and downstream efforts refer to post-transaction TA to strengthen the private sector (Runde et al. 2020).

fundamental capacity of enterprises and (2) inclusive business support to enhance direct impact around investments, specifically toward low-income communities (TechnoServe 2020). The two TA activities targeted at market development are intertwined.

The range of TA services development finance institutes (DFIs) and aid agencies offer in the context of development finance often differs. As discussed

below, based on Runde et al. (2020), aid agencies usually seek to improve the legal, policy and regulatory environments driving public sector reforms and seek to build research and implementation capacity nationally. In the meantime, DFIs and multilateral finance institutes usually offer TA linked with a specific project and investment for their success to complement commercial and blended capital to maximize their development impact.

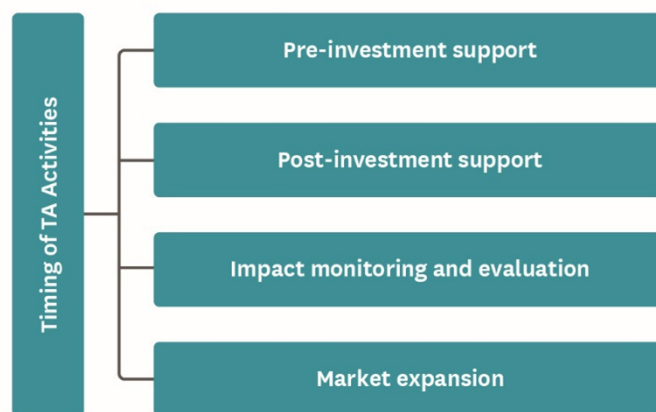


**Figure 1.** Thematic categorization of enabling environment technical assistance areas.

Technical assistance offered by development aid agencies	Technical assistance offered by development finance institutes
<p><b>Policy, regulatory and institutional reform:</b> Tailored advice to enhance a country's policies and regulations. This advice acts as a mechanism to promote the implementation of policies in areas such as compliance with environmental standards, ethical business practices and sustainability initiatives, among others.</p> <p><b>Research and data collection:</b> Gather critical data and statistics, perform research and impact studies and bolster organizations such as the National Agricultural Research and Extension Systems (NARES) engaged in similar efforts. Providing evidence-based research aids governments in making informed decisions, potentially heightens transparency and accountability and fortifies the nation's measurement and performance systems.</p> <p><b>Capacity building:</b> This support often targets designing and implementing research and leadership training programs and organizing staff exchanges for the public sector.</p>	<p><b>Feasibility studies:</b> In planning an investment through an infrastructure project, assessments are performed to evaluate the project's technical and engineering aspects, along with the significant social, environmental, economic and financial risks. This helps identify potential impacts and balance the risks with the benefits.</p> <p><b>Environmental and social impact studies:</b> Such studies are necessary at the back end of the traditional feasibility studies before proceeding to project financing.</p> <p><b>Market analysis and special industry studies:</b> These are assessments conducted for certain sectors to understand better the competition, and areas of growth and risks and include gathering detailed quantitative and qualitative information.</p> <p><b>Legal guidance:</b> This includes legal advice and capacity building for governments and companies on vulture fund lawsuits, complex commercial negotiations and associated sovereign transactions. This service is especially advantageous to small- and medium-scale enterprises and crucial for public-private-partnership negotiations, which necessitate advisory services for the government (e.g., the African Legal Support Facility).</p>

Another approach to classifying support for private sector strengthening is by the timing of the TA activity as pre- and post-investment TA, as suggested by Runde et al. (2020) (Figure 2). Pre-investment TA is crucial for supporting high-risk segments in developing markets, such as SMEs and agriculture value chains, thus preparing future investee businesses for investment (i.e., enhancing their investment readiness). This includes sound business plans and improving current governance, financial management and operational processes, as well as refining the investment project for maximum economic and developmental impact through market assessments, support to demonstration farms and facilities, and baseline measurement for social and environmental impact. TA in the pre-investment phase

does not guarantee that all supported agribusinesses will receive investment if they are not investment-ready. In the meantime, post-investment TA aims to improve the implementation of the investment project and mitigate the overall risks. In agriculture, this could involve training small farmers working with investee agribusinesses (such as large-scale processors that source crops from them) to promote financial literacy and the uptake of climate-smart agricultural practices. Another example is supporting microfinance institutes in creating customized loans to facilitate the purchase of clean energy technologies, such as solar irrigation systems, by farmers. This support plays a crucial role in enhancing the development impact of these investments.



**Figure 2.** Categorization based on the timing of technical assistance (TA) activities.

Source: Based on TechnoServe (2020)

Two further prevalent TA activities are support provided for impact monitoring and evaluation, and market expansion. In monitoring and evaluation, TA validates the investment project’s impact data (as reported, for example, by implementing partners and end customers) while also complementing the evaluation with alternative data sources (such as satellite imagery of cultivated terrain and qualitative surveys conducted among beneficiary farmers). Meanwhile, market expansion support involves identifying possible new investment deals through evaluations, feasibility studies, analyses of different agricultural markets and value chains, and potential collaborations and partnerships. TA typically does not cover all four categories, as activities are usually limited by time and available resources, among other factors, and support areas are prioritized.

TA provided by DFIs is frequently offered before investments (pre-investment TA) and is often in-house. For instance, the International Finance Corporation

offers pre-investment TA to address key market gaps and develop markets. Among bilateral DFIs, the United Kingdom’s British International Investment (BII) (formerly the Commonwealth Development Corporation) provides training sessions to improve working conditions, manage risks in supply chains and develop toolkits on environmental, social and governance standards. BII has a technical assistance facility called BII Plus, funded by the Foreign, Commonwealth & Development Office, which seeks to identify and create opportunities beyond the scope of returnable capital and contribute to five SDGs—no poverty, gender equality, decent work and economic growth, reduced inequalities and climate action (BII n.d.). However, unlike others, some DFIs, such as the United States’ Overseas Private Investment Corporation (OPIC), are less interested in derisking direct investments and commercial sustainability (Leo et al. 2013). OPIC, unlike many others, offers TA through external organizations. For instance, it partnered with Global Communities to provide technical support to SMEs in Malawi to increase

food production and with USAID, under the African Technical Assistance Initiative, to provide TA to African SMEs, allocating small grants to entrepreneurs to improve financial management, install accounting systems, conduct business consulting and perform feasibility studies and evaluations (Runde et al. 2020).

All types of TA provisions remain highly limited in agriculture. Although the investments and TA provisions remain low, most DFIs mainly invest in developing countries, which characteristically pose higher risks but have higher growth prospects than high-income countries. Agriculture, in particular, is considered a volatile sector but is known to have the greatest social impact when investments reach the lowest-income groups in rural areas and contribute to food and income security. Most private investors shy away from investing in agriculture due to the perceived high risks and low returns—a gap increasingly filled by DFIs due to such anticipated development impact. Despite this increase, DFI investments in agriculture are still not very high, with an average of only seven percent of their portfolios, while only one-third of their TA spending goes into agriculture (TechnoServe 2020). The following subsections elaborate on and distinguish these TA subcategories based on TA activities, specifically in agriculture, and the gaps and barriers they seek to address to create the right enabling conditions. The focus under climate finance is on climate adaptation sectors (agriculture and water), while business transaction advisory is focused on core and inclusive (social impact) agribusiness advisory.

### 3.2 Technical Assistance in Climate Finance

In climate finance, TA for the enabling environment is recognized to help address critical gaps that prevent low-carbon and climate-resilient investments, thus contributing to achieving these goals (Stadelmann et al. 2015). These gaps are classified as policy and regulatory, knowledge, risk and viability gaps. TA can build awareness of climate risks and the national capacity to develop policies and strategies that enable climate change mitigation and adaptation, thereby addressing knowledge gaps and creating markets and a conducive environment for sustainable enterprises that can contribute to this. Also, it can help address risk and viability gaps by derisking investment, for instance, by driving public policies that incentivize investment (e.g., establishing renewable energy feed-in tariffs that provide a guaranteed long-term price for renewable energy at or above market rates, encouraging producers to make initial investments) and through concessional finance, which reduces costs and risks. By creating a conducive environment and derisking investment, TA bundled with financial support in development assistance can mobilize additional climate finance, including public and private finance, to help keep global warming below 2 degrees Celsius and help developing countries achieve their nationally determined

contributions (Stadelmann et al. 2015). To devise such enablers, we must understand the specific challenges in the adoption and transfer of technologies (e.g., renewable energy).

Technology adoption and transfer are critical areas for climate impact mitigation and adaptation. Along the entire pathway from technology development and adoption, the private sector is usually the leading actor and addresses both short- and long-term technological needs, as pointed out by the United Nations Framework Convention on Climate Change (UNFCCC 2022). This role in scaling technological innovations signifies the importance of the enabling environment in the context of climate finance. Technologies differ in adaptation and mitigation sectors: adaptation sectors are agriculture and water and mitigation sectors are energy and transportation, as per the UNFCCC definition. Some examples of adaptation technologies are hydropower, rainwater harvesting and solar-powered irrigation systems for agriculture, while mitigation technologies include fuel-efficient cars and renewable energy systems. UNFCCC has emphasized various enablers for adaptation based on challenges identified globally and specifically in Africa, which deserve attention in guiding TA and investment efforts in adaptation sectors—the focus of this paper.

The underlying challenges hindering adaptation in water and agriculture sectors concerning technology adoption and transfer are reported by 83% of Parties to the UNFCCC as financial and 61% as related to (the lack of) information and awareness (UNFCCC 2022). Challenges related to technical issues are reported by 57% and legal and regulatory frameworks by 55%. Challenges in the economic and financial category—the most frequently reported for both adaptation and mitigation technologies—include the high installation costs of technologies despite technological improvements and decreasing prices, limited access to loans, uncertainties related to returns on investment and a general lack of financial resources. High initial costs and high interest rates on loans for solar technologies hinder the wide adoption of solar photovoltaics, with additional operating and maintenance costs posing substantial challenges, especially for small-scale, decentralized and off-grid solar photovoltaic projects. Aligned with this global finding, the most dominant challenges, specifically in Africa in both mitigation and adaptation sectors, are reported to be financial (85%), technical (58%), legal and regulatory (52%), and related to information and awareness (52%).

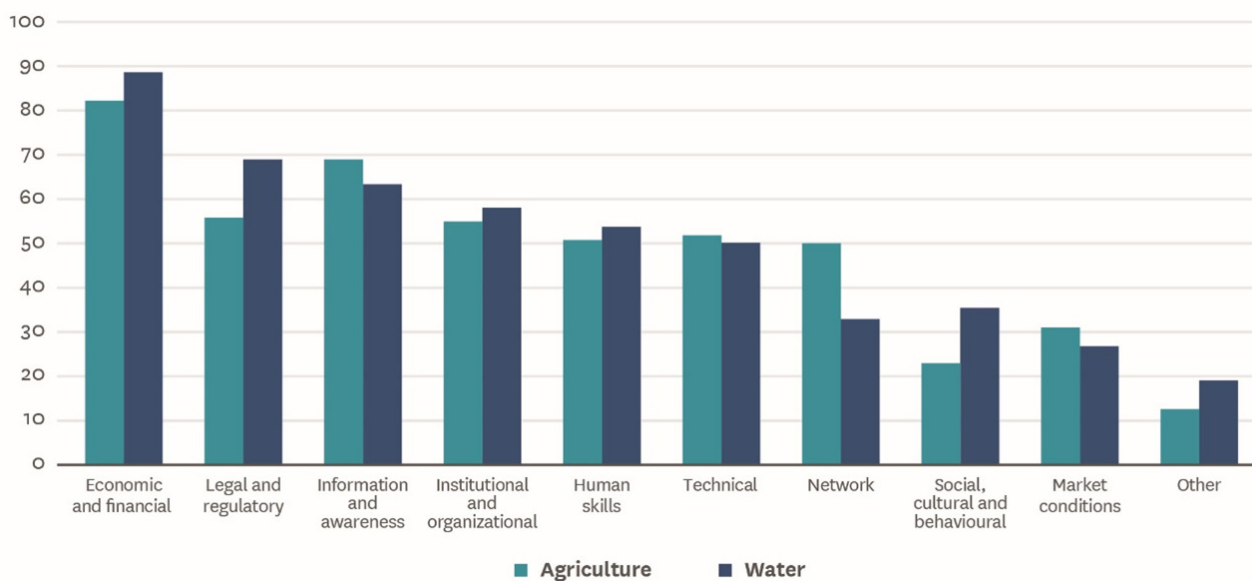
Specifically, in Southern Africa, UNFCCC Parties highlighted various financial and information challenges related to energy-efficient technologies—particularly in lighting, air conditioning, transformers, motors and refrigerators, which they deemed the most important. The economic and financial challenges included limited support for preparations for renewable energy and energy-efficient technology investment projects and limited access to finance. Among legal and regulatory

challenges, inadequate and generally lacking enabling domestic policies and regulations for increasing market stimulation limited the uptake of these technologies. The private sector largely lacked the necessary economic and financial incentives, such as market opportunities, investment procedures and profitability, for both technology providers and recipients to implement these technologies, which required upfront capital investment. Regarding information challenges, the Parties voiced a lack of awareness among stakeholders regarding the technical and economic potential and the positive social and environmental impacts of adopting renewable energy and energy-efficient technologies. This lack of awareness leads to a lack of demand in the market and encourages the purchase of “business-as-usual” options, further deterring renewable investment decisions. Other reported information challenges include a shortage of skilled technical personnel and insufficient knowledge at vocational and university levels, which necessitate training and capacity-building programs.

Enablers for climate adaptation corresponding to these outlined challenges are reported to be predominantly economic and financial, noted by 83% of Parties as significant in the agriculture sector and 89% in the water sector (see Figure 3 below). Put differently, improving the economic and financial ecosystem will largely enable the adoption and transfer of technologies that foster climate adaptation. In agriculture, the second most important enabler relates to information and awareness (69%), followed by legal and regulatory (55%) and institutional and organizational factors (55%). Meanwhile, for the water sector, legal and regulatory factors (69%)

rank second in importance for enabling the transfer and adoption of adaptation technologies, followed by information and awareness (64%) and institutional and organizational (58%) enablers. This shows a greater need in the water sector to enhance the legal, institutional and regulatory frameworks than in agriculture, while the agriculture sector requires more information and awareness to drive technology adoption. For instance, strengthening a country’s early warning systems for droughts as a technological innovation will allow farmers to make informed farming decisions, especially for rainfed farming, thereby potentially driving adaptation to climate change and variability in both agriculture and water sectors. Specifically, in the Africa region, the most frequently identified enablers (for both mitigation and adaptation sectors) are economic and financial factors (89%), followed by information and awareness (66%), legal and regulatory factors (59%), and technical factors (55%) (UNFCCC 2022).

Considering these findings, the UNFCCC highlights priority areas to improve the enabling environment for technology transfer and adoption toward climate adaptation and mitigation. Governments play the most critical role in addressing these challenges and creating enabling conditions for both domestic and international technology transfer. By designing and implementing policies to financially incentivize technology adoption, for instance, through seed funding, subsidies, financial guarantees, tax exemptions and low-interest loans, governments can create the essential incentive structure for the private sector to invest in climate technologies.



**Figure 3.** Enablers identified in the adaptation sectors of agriculture and water.

Source: UNFCCC (2022)

Addressing the currently poor institutional linkages between the public and private sectors through a more integrated governance structure can also create incentives and extend the role of the private sector in implementing regulations adopted by governments. These incentives can reduce uncertainties and increase profitability for the private sector, encouraging investment and the development and scaling of technologies. Moreover, governments need to provide financial support for research and training. Coordinated efforts with TA entities and academia can drive the development of technological innovation, foster awareness-building and create demand in the market. These linkages especially matter, considering that almost half of the developing countries worldwide emphasized the importance of technological innovation and research and development in achieving their climate objectives in their Nationally Determined Contributions (UNFCCC 2022). Support for an enabling environment in partnership with governments, NARES and academia, among other entities, is useful in creating economic and financial incentives and addressing various legal, regulatory, institutional and information barriers.

In the broader context of climate finance, a few priorities can be highlighted to strengthen TA as an instrument to support governments and other partners in addressing these challenges, based on Climate Investment Funds (CIF 2022). Donors play a particularly important role in incentivizing TA activities by setting up investment criteria, calls for proposals and other mechanisms to allocate soft funding (e.g., loans, grants, subsidies, financial guarantees and derisking mechanisms) to key TA areas. In designing TA for market support, an integrated view must be taken to concurrently address supply and demand constraints related to kick-starting sustainable green markets. This draws attention to the constraints faced by financing institutes in providing credit, firms in supplying goods and services and various groups of users (e.g., rural and urban, different income classes, women and marginalized groups) in creating and stimulating demand. Moreover, TA can influence partners to create and scale innovations that respond to evolving challenges and uncertainties, especially in underinvested areas in climate mainstreaming and just transition. Finally, TA can be tied to monitoring, evaluation and learning (MEAL) programs to support designing criteria and developing metrics to measure enabling environments and socioeconomic results; there is a gap in measuring these results systematically. These criteria are to specifically consider local and short-to-medium-term results, such as job and livelihood creation and impact on food and household-level energy consumption prices, particularly for local low-income and marginalized communities, beyond long-term benefits arising from climate investments, such as keeping global warming below two degrees Celsius and reducing the global probability of food insecurity through climate-smart agriculture.

While enabling environment TA to governments is often bundled with investment, it can also indirectly mobilize finance by supporting the creation of favorable policies and market conditions. For instance, by strengthening capacity and institutions, TA can create a supportive environment for climate-resilient and low-carbon investment, proving that emerging markets are profitable (Stadelmann et al. 2015). Development assistance has already been instrumental in mobilizing additional public and private climate finance within developing nations and is anticipated to maintain its significant role in the future, particularly given that much of the low-carbon investment will need to occur in rapidly developing economies (IEA 2014). However, since the assisted enabling environment takes time to stabilize and prove conducive, and its impact prevails over a long period alongside other key drivers, this indirect mobilization effect is complex to quantify (Stadelmann et al. 2015). TA entities are well-positioned to offer initial funding for development programs that, in turn, can attract such co-financing from donors, governments or the private sector.

### 3.3 Core and Inclusive Agribusiness Transaction Advisory

Enabling environment TA for agribusinesses, especially for small- and medium-scale enterprises (SMEs) in developing countries where the enabling environment is less developed, is critical. Most SMEs in these countries operate in volatile markets and are subject to substantial risk due to various factors, such as seasonality, commodity price fluctuations, political interventions and adverse weather events (TechnoServe 2020). Worldwide, there is a persistent lack of support for SMEs, resulting in a significant SME finance gap,<sup>3</sup> which currently totals USD 5.7 trillion and increases to USD 8 trillion when informal businesses are considered (IFC 2024). This gap is a problem for economic development, considering that SMEs are associated with significant development impact: they represent over 90% of all firms and typically account for about 70% of total employment and 50% of the global Gross Domestic Product (IFC 2024). Additionally, agri-SMEs are often locally owned and operate in even the most isolated rural areas. They source from and distribute critical inputs and services to smallholder farming communities, fostering productivity and potentially increasing income toward poverty alleviation. However, many SMEs and financial institutions face business challenges that hinder their ability to grow and thus diminish such potential impact.

SMEs face challenges on different levels, for which transaction cost advisory is essential. According to Runde et al. (2020), on the macro level, these challenges relate to the policy and business environment, as well as access to finance and human

<sup>3</sup> Finance gap is estimated as the difference between current supply and potential demand, which can potentially be addressed by financial institutions (IFC 2024).

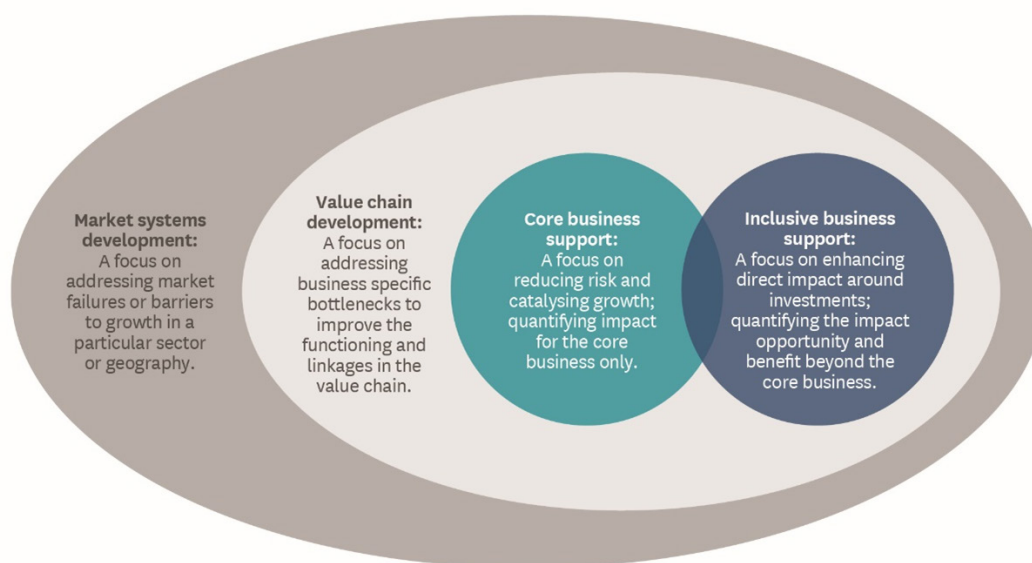
capital. At the meso and micro levels, corresponding to the industry or firm levels, firms may lack the know-how or experience, especially when entering a new market, developing a new product or process and structuring an investment, and thus face significant transaction costs. Development finance institutions (DFIs) are often interested in strengthening SMEs by helping address these gaps and challenges through TA provision since they have the expertise and funds needed and can contribute to the growth of the private sector while promoting more sustainable businesses in developing countries.

TA provided to SMEs to address these challenges is often called transaction advisory support and takes two forms, (1) core business and (2) inclusive business support, as detailed below:

**Core business support:** This TA focuses on reducing risk and catalyzing business growth, quantifying impact for core business only. Put differently, it promotes the growth of investee businesses by providing functional support aimed at improving their operational capacity (e.g., strengthening business-related aspects such as institutional strategy, finance, marketing, human resources, etc.), with the overall goal of catalyzing the growth of the investee business and mitigating the investment risks incurred by the fund that TA is bundled with. As noted by TechnoServe (2020), this support seeks to address the problems of new businesses, such as start-ups, that are usually still in scale, may still have inexperienced management and lack basic systems critical for their correct functioning (e.g., financial accounting), which may impede the business growth. All of these constitute potential risks for investors, which core business TA seeks to address.

**Inclusive business support:** This support focuses on enhancing the social impact of investments, especially for the benefit of low-income groups, and quantifying these benefits beyond the core business. It aims to promote the uptake of more inclusive, cost-efficient business models, often developed together with local and low-income groups. The engagement of the “bottom of the pyramid” in TA interventions, i.e., the vast network of small-scale producers, traders, retailers and other marginalized actors that the investee business interacts with and impacts, is critical to this TA model. Its goal is to expand the ways the investee business can create economic opportunities and improve livelihoods for these communities at the local level. This can still result in substantial core business benefits, such as more reliable sourcing networks, a higher average quality of the sourced crops and other produce, fewer instances of contract default and side-selling, and increased economies of scale resulting from better aggregation models (Benni 2024).

A third category, which cuts across the core and inclusive business support, is advisory targeted at value chain development, and a fourth category, market systems development, encompasses all three (Figure 4). Business transaction advisories sometimes seek to address specific business bottlenecks with the aim of improving the overall functioning and linkages between various segments in the broader value chain. This type of advisory tends to be considerably more costly and larger in scope and scale than interventions focused on business development. These activities, altogether, are embedded in the overall market system as a specific TA area (regulatory, infrastructural, institutional) shaping the investment climate, usually carried out by development agencies, governments and civil society organizations, among others, as discussed in the previous section.



**Figure 4.** Crosscutting categories of transaction advisory activity.

Source: Based on TechnoServe (2020)

While still prompting business growth, core business advisory can sometimes create direct social impact, although this is not their primary focus, like inclusive business advisory does. This happens especially in sectors such as agriculture, which employ low-income groups that these SMEs generate employment and income for and provide the markets (for farm inputs, services and selling crops) they need and thus address some of the most pressing rural challenges. Commercial and developmental impact is maximized when shared value exists.<sup>4</sup> Thus, whether the focus of the TA is on the business level (to ensure viable and impactful inclusive model design and implementation) and/or focused on low-income groups (e.g., smallholder or micro-enterprise capacity building, access to finance or market linkages), TA driven by this principle will foster both business growth and social impact (TechnoServe 2020). From a gender equality and social inclusion (GESI) lens, the intersection of youth, women and often neglected and marginalized groups as beneficiaries widens such impact. Based on this shared value, TechnoServe expects agriculture investments and TA provisions in agriculture to rise and reach the lowest-income groups. Still, because such impact is not the main objective of the core business TA, it is often not measured and remains unaccounted for.

Besides, despite its promised value, inclusive agribusiness orientation sometimes disincentivizes investors due to the additional costs and uncertainties incurred for the core business and the anticipated competing business priorities. Given the already high-risk nature of agricultural investments, agribusinesses and investment managers often prioritize financial performance over impact (TechnoServe 2020). Often, inclusive TA is not viewed as urgent, with priorities being the agribusiness's survival and the livelihoods dependent on it. Investment

and fund managers are often less equipped with the skills and interests to design social impact agribusinesses. The additional costs and challenges are sometimes associated with creating, managing, measuring and reporting impact. This perception is reinforced by the limited availability of strong evidence pointing to the value of inclusive TA on commercial and development metrics, which, if available, could have driven resource allocation toward it. Nonetheless, sufficient evidence of the usefulness of TA is lacking for both core and inclusive business advisory, and this tends to affect limited investment in both overall.

Despite the significant potential benefits of transaction cost advisory for (agri)businesses, particularly SMEs, in terms of both society and business growth, only a limited proportion of DFIs' investments is allocated to TA: 73% is directed toward core agribusiness support and a mere 27% is designated for inclusive agribusinesses (TechnoServe 2020). In the broader TA network, which encompasses both DFIs and non-DFIs, expenditures on inclusive businesses are notably higher, at 42%. A report by CIF (2022) argued that integrating core and inclusive business advisory services with long-term financing enhances the likelihood of commercial viability by facilitating the creation of new markets. Consequently, such integration is particularly crucial for interventions aimed at private financing institutions that are receiving funding intended to initiate lending for targeted activities, including climate finance and support for SMEs. Thematically, the three largest DFIs, namely the International Finance Corporation, the Asian Development Bank and the Dutch Development Bank, allocate the majority of their agricultural TA budgets toward initiatives that promote productivity increases. Nevertheless, TechnoServe suggests that financing for SMEs, when coupled with TA, will benefit both core and inclusive agribusinesses, and, in general, the demand for TA in the agriculture sector is expected to rise.

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<sup>4</sup> Creating "shared value" is defined as generating economic value in a way that also produces value for society by addressing its challenges. A shared value approach reconnects company success with social progress. Firms can do this in three distinct ways: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations (Porter and Kramer 2011).

## 4. A Framework for Analyzing and Strengthening the Enabling Environment

Technical assistance (TA) to address the enabling environment gaps and demands must be built on a robust analysis of this environment. This section outlines a framework based on the theory and practice discussed in the previous section. This is a valuable endeavor since, although TA has historically been a giant industry, there is a lack of published comprehensive yet thematically focused frameworks and reports around market development in agriculture that can guide the practice. The framework presented here aims to fill this gap and guide TA practitioners in governments, donor agencies and research organizations.

Nevertheless, its scope is limited to mainly market development in adaptation sectors (agriculture and water). Moreover, although this framework can be applied globally, most examples that guided its development are drawn from Africa under the CGIAR's Initiative on Diversification in East and Southern Africa (Ukama Ustawi) and the Initiative on Fragility, Conflict, and Migration (FCM).

### 4.1 Enabling Environment Thematic Areas

The enabling environment TA approach presented in this paper expands the thematic areas suggested by the International Labor Organization (ILO 2022), as illustrated in Table 2, which allows a comprehensive analysis and understanding of the enabling environment. Accordingly, six areas constitute the central tenets of the

analysis: (1) access to information, (2) market linkages, (3) governance, (4) regulations, (5) legal frameworks and (6) special business resilience mechanisms in crisis and conflict-affected contexts. Improvements in these areas can address policy, institutional and regulatory constraints, improve the ease of doing business and enable the development and scaling of innovations driven by the private sector. Firstly, the lack of information is one of the biggest factors driving transaction costs. Clear information provision about markets, regulations, policy impact on firm performance, existing competition and economic incentives is essential for individuals and enterprises to make informed investment decisions. The second analysis area on market linkages requires an examination of customs and regulations specifically governing market access, production and distribution networks, and productive linkages with larger multinational enterprises (i.e., vertical coordination). The third, governance, calls for attention to informal institutions, accountability and transparency at public offices, and public-private partnerships that may help address bureaucratic bottlenecks, the availability of clear regulatory information and improve the operations of small firms. The fourth category, regulations, encompasses business registrations, fiscal and licensing procedures, customs and tariffs, red tape and sectoral and local regulations. The fifth is legal frameworks, including property rights to productive resources, such as land and water, which are often essential for the management of these resources and influence access to agricultural finance, as well as rules for contract enforcement for legal protection and conflict resolution.

**Table 2.** Enabling environment thematic areas.

Areas of Interest	Specific Areas	Activity Areas
Access to information	Market information	Access to market and regulatory information to drive business expansion and market awareness.
	Policy impact on firm performance	Policy impact on decisions to invest; Distortions in the allocation of resources and prices; Specific barriers faced by women entrepreneurs.
	Competition	Competition factors affecting firm formation and growth and the creation of decent jobs.
	Incentives	Review and targeting of fiscal incentives available such as tax exemptions for sustainable enterprises.
Market linkages	Access to markets, inputs and networks	Regulations and regulatory requirements governing market access, production and distribution networks; Products and services; Special access to productive resources and markets for women entrepreneurs.

Continued...

**Table 2.** Enabling environment thematic areas. (Continued)

Areas of Interest	Specific Areas	Activity Areas
	Networks	Productive linkages with larger and multinational firms; Incentives to support the positive contributions that multinational enterprises can make to SMEs while minimizing potential difficulties in their operations.
Governance	Institutional barriers	Efficient settings of entities/offices dealing with SMEs (for transparency and certainty of processes); Constraints to the operational capacity of small firms; Institutional barriers faced by women entrepreneurs, the youth and marginalized actors; Institutional capacity to assess decent work-related deficits and to support the improvement of business operations with a view to generating decent jobs.
	Transparency and accountability	Identifying factors influencing rent seeking and corruption; Enhancing the transparency of public administrative requirements to which enterprises are subject.
	Partnerships	Collaboration between public and private actors to facilitate effective information exchange and interministerial working groups; Fostering advocacy through membership and agenda raising in trade associations and stakeholder groups.
Regulations	Business registration and licensing regimens	Streamlining burdensome and inefficient business registration and licensing processes.
	Fiscal procedures	High costs and complexity of tax compliance, particularly for small firms; Lack of subsidies.
	Access to external finance	Information and procedural constraints to accessing credit; Adoption of policies aimed at expanding access to financial resources.
	Customs and tariffs	Burdensome export and import procedures.
	Red tape/bureaucratic barriers	Other administrative inefficiencies that hamper business activity.
	Sectoral regulations	Sectoral regulation and simplification/removal of regulations that inhibit investment by firms and the creation of decent jobs; Quality standards and labelling.
	Local regulations	Assessment of local business regulations.
Legal frameworks	Property rights	Reforming property rights (e.g., land and water rights) to ensure greater access to resources and markets.
	Settlement of commercial disputes	Inefficient and costly resolution of contractual disputes to ensure contract enforcement.
Special resilience mechanisms in fragility and conflict	Supporting enterprises in conflict-affected and fragile contexts	Emergency support for basic business environment conditions in crisis situations, including conflict, fragility and migration, and motivating governments to design such support.

Source: Adapted from ILO (2022)

Note: SMEs - Small- and medium-scale enterprises

In fragile and conflict-affected settings, as a sixth category, special resilience mechanisms are required to address additional challenges. In addition to long-standing unrest, political instability and crisis in certain regions, several new crises compounded by COVID-19, climate impact and the Ukraine war are devastating private sector growth, exacerbating poverty, inequality and macroeconomic uncertainty, and posing significant threats to agriculture, food security and the environment (Runde et al. 2020). Climate stress and shocks, including heatwaves, floods and storms, have had devastating consequences on farms, houses and infrastructure, and have also led to the spreading of pests and crop diseases, soil salinity, desertification, rising sea levels, conflicts over increasingly scarce natural resources and migration. The situation is particularly dire in areas with long-standing or escalating strife, such as Niger, South Sudan and Ethiopia. Assisting governments to devise protective measures for the affected groups, such as farmers, especially the low-income groups, and agribusinesses, and derisking investment inflows to strengthen their capacities to weather risks and uncertainties has never been so urgent.

In these conflict-affected and fragile settings, the approach presented in this paper primarily focuses on the following pillars of the enabling environment to help understand special resilience support needs (based on ILO 2022):

*Import and export restrictions:* Dealing with measures limiting import and export trade of agricultural commodities, such as farm inputs and food. The COVID-19 pandemic and the Ukraine war severely impacted trade, with the subsequent import and export restrictions leading to fuel and commodity prices skyrocketing worldwide, food and production becoming unaffordable, and constraining basic livelihood subsistence and business growth. These restrictions require adjustment solutions and access to market data.

*Firm indebtedness:* Special measures to prevent or enable businesses to cope with debt resulting from shocks and crisis conditions and the suspension or reduction of market activity.

*Regulatory uncertainty:* Uncertainty about continuing or modifying regulations introduced as emergency and adaptation measures in crisis and recovery conditions. Adaptation measures to new macroeconomic and institutional conditions.

*New environmental regulations:* New regulations to protect the environmental resources under the new crisis and scarcity conditions and enforce compliance.

*External shocks:* Adaptation and restructuring in response to external shocks; supporting hubs and social security coverage, insurance and preparedness.

*New supply networks:* Necessary changes to the operation of spatial economic zones (local, regional), and domestic content requirements through new regulations, policies and incentives for new spatial supply networks and promotion of activities therein.

In response to the peaked challenges faced by low-income countries, particularly in fragility and conflict settings, the political impetus among international organizations to increase their TA interventions in these regions has heightened (Runde et al. 2020). As Runde et al. pointed out, organizations such as the United States International Development Finance Corporation have recently been mandated to focus their investments within these environments and are now equipped with a more extensive array of development finance instruments designed to foster private sector growth and attract private funding. Additional new mechanisms include emergency support, special loan guarantee options and basic business environment conditions tailored explicitly to crisis situations. Despite the considerable risks associated, these investments are regarded as essential, with TA playing a vital role in enhancing the likelihood of success. In these contexts where both the enabling environment for the private sector is feeble and the requisite deal flow is insufficient, there exists an exceptionally high demand for TA (Runde et al. 2020). Governments play an important role in these crisis contexts, but individuals and enterprises must also promptly know what opportunities and remedies are presented to them.

## 4.2 The Analytical Framework

The analytical framework presented in this section provides a structured approach to analyzing diverse issues related to the enabling environment. The framework is based on the idea that TA support, in the form of several activities and outputs tailored to the findings from an analysis of the suggested thematic areas, will lead to a set of outcomes and impacts that indicate whether TA support has been successful or not. Analyzing these outcomes and impacts via monitoring and evaluation allows for the redesigning of TA activities and outputs in a cycle, leading to an adaptive framework. On a theoretical level, this framework combines the premises of new institutional economics and political economy by paying attention not only to institutions but also to the political contexts captured under governance that influence whether and how institutions effectively regulate transactions and their outcomes. This basis allows for the understanding that not all enabling environment challenges are technical and supports contextual and unorthodox approaches to addressing political barriers and strengthening enterprises to cope with them. While the thematic areas for enabling environment analysis are unpacked in the previous subsection, this subsection dives into categories and subcategories of TA activities and outputs tailored to address gaps and weaknesses in these thematic areas. The following subsections provide concrete examples of how this framework is deployed in practice.

The selection and delivery of TA activities to delivery partners entail action plans and instruments. The three delivery partners targeted in this framework are governments, National Agricultural Research and Extension Systems (NARES) and the private sector, especially SMEs. Action plans describe the steps we take to understand the enabling environment and how we seek to assist the delivery partners on this basis. For instance, with SMEs, the first step typically is interviews with SMEs to diagnose the problem in their specific innovation ecosystem (diagnosis phase), followed by the selection of a customized TA activity (action phase). The diagnosis phase involves a research output used to inform the in-house TA team and the field, inform and partner with governments and other organizations in TA provision, and outsource experts such as specialized national consultants in the country of activity to facilitate further data collection if needed. The diagnosis guides the action plans, co-developed with target governments, NARES and SMEs, and their on-the-ground implementation.

The TA activities can be divided into two categories by the scope of support, as illustrated in Figure 5: (1) knowledge and capacity support and (2) direct support. Knowledge and capacity support activities include research-based diagnoses, analytics, assessments, feasibility studies and other types of data provided to support governments, NARES and the private sector with policy, research and investment decisions. This type of support includes advice tailored based on what these partners and other relevant stakeholders agree are feasible and necessary. This support integrates a multidisciplinary research approach. For instance, Foresight, which uses the International Model for Policy Analysis of Agricultural Commodities and Trade (IMPACT) developed by the International Food Policy Research Institute (IFPRI), is combined with empirically oriented social science methods to provide governments with information on changing biophysical,

environmental and socioeconomic trends to help them make informed policy, investment and trade decisions at national, regional and global levels. For NARES' capacity strengthening, we collaborate with NARES and support the development of research and policy management tools, databases and other products owned by them. For the private sector, our knowledge and capacity support include policy, market and risk analyses as knowledge products to inform entities who can influence the enabling environment (e.g., accelerator funders, government partners and supporters) to make decisions in favor of the supported SMEs and their innovation ecosystem. Other knowledge products we directly deliver to these SMEs include information about the enabling environment components, such as markets, regulations and legal frameworks based on the need indicated by them, which aim to derisk transactions by helping them make informed business decisions.

The second category, direct support, involves more active involvement in influencing policy, investment and research decisions than providing advice through knowledge products. For governments, direct support includes acting as partners and facilitators of policy and institutional reforms as part of ministerial technical committees and as TA providers bundled with donor and government investment in development assistance. For the private sector, direct support includes transaction advisory support in a more active form by developing business strategies, linking enterprises with buyers and farmers in the food value chain, driving partnerships and co-ownership, catalyzing access to finance, lobbying for government support and any other steps taken to actively contribute to transforming the business. For NARES, active support drives fundamental changes in how they operate, source their information and financial support and disseminate knowledge across government and farmer networks.



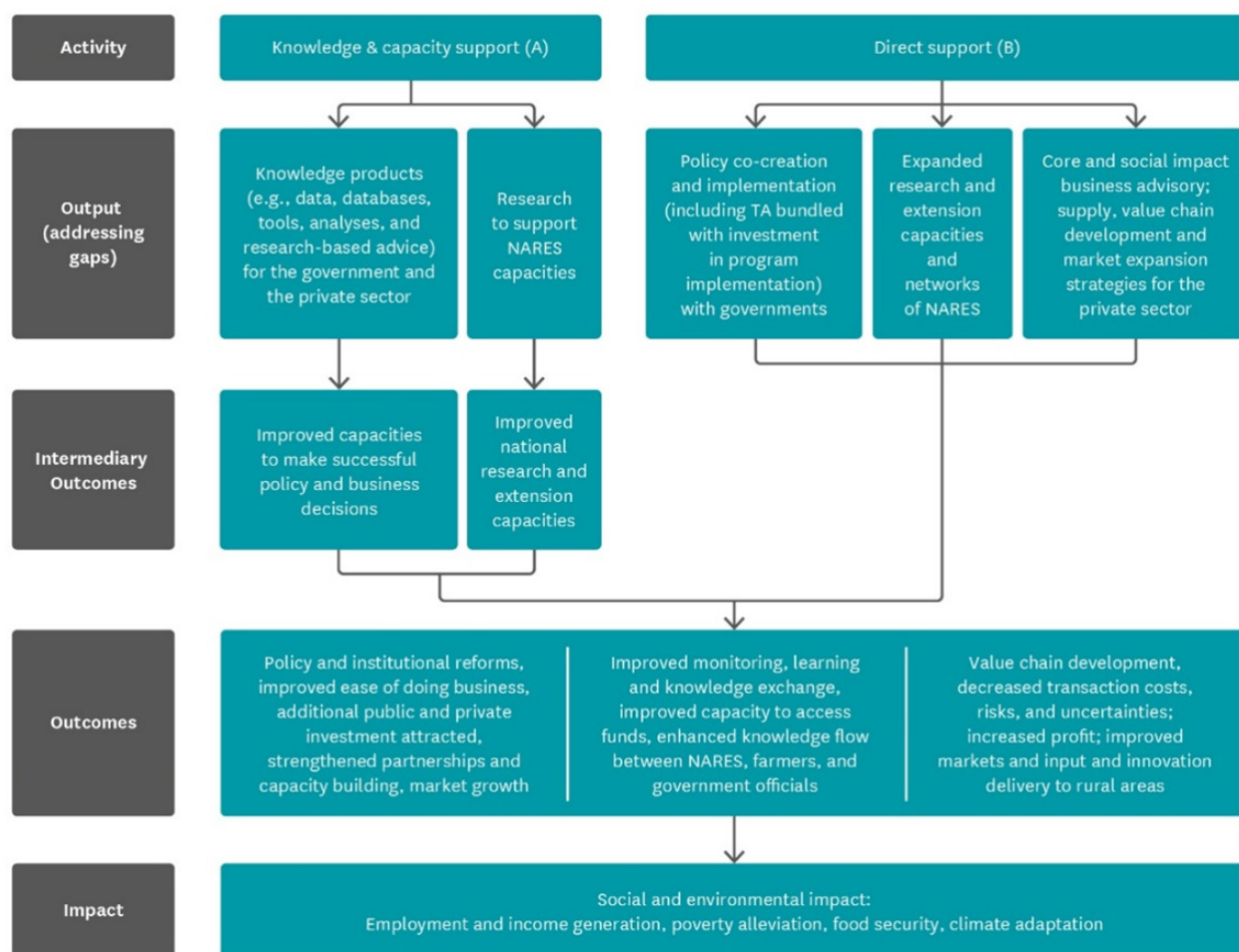
**Figure 5.** Technical assistance by the scope of support.

Notes: NARES - National Agricultural Research and Extension Systems; SMEs - small- and medium-scale enterprises.

While both support categories are demand-driven—requiring the government, NARES and the private sector to indicate gaps and weaknesses and demonstrate a willingness to integrate TA advice—the advice provided in the form of direct support builds on existing buy-in and is implementation-oriented. Knowledge products, such as policy papers and recommendations derived from research and multistakeholder consultations, are similarly based on demand but are not backed by a prior commitment by TA recipients to be mainstreamed into policy, business and other decisions.

These TA activities are expected to improve the environment, generating several outputs and outcomes that will help achieve impacts—primarily food security, poverty alleviation and climate adaptation in agriculture—as outlined in Figure 6. Outputs under knowledge support are mainly knowledge products and aim to influence decision-making by stakeholders toward a meaningful policy and regulatory change and other improvements in the enabling environment. Equipping government and

private sector stakeholders with data, tools and analytics as outputs is essential for informed policy and investment decisions as intermediary outcomes, especially in conflict-affected and fragile settings with high uncertainty. Policy advice seeks to drive policy and institutional reforms. Capacity support for NARES can improve their capacity in supporting policymaking and implementation through research and knowledge tools they have generated and address knowledge gaps; build skills; streamline research, extension services and administrative operations; and foster access to funds, as TA outputs. Outputs for providing the private sector with information related to markets, policy impact, firm performance, competition and incentives may include alleviated risks, increased profit and fostered business growth and expansion. An improved enabling environment with successful outcomes linked with knowledge and organizational capacity support can lead to outcomes such as catalyzing new donor and private investments, business growth, livelihood improvements, innovation adoption and market expansion.



**Figure 6.** Enabling environment support framework.

Notes: NARES - National Agricultural Research and Extension Systems; TA - Technical assistance.

In the meantime, outputs under direct support, unlike knowledge and capacity support, drive a more straightforward change instead of providing the TA recipients with the knowledge and capacity to make decisions leading to that change. Direct support is driven by the principles of co-creation and partnership with public and private stakeholders. For instance, working with governments on customs tariffs, lending and trade policies, and governance around addressing institutional barriers and lack of transparency can create a favorable business environment for both the public and private sectors, enabling the delivery of innovations, technologies and social impact. Further relevant efforts include promoting market linkages and partnerships between public and private sector actors and trade associations. Partnerships with donors and governments also allow the co-creation of strategic priorities and designs for program and policy implementation. Co-creating regulations for the benefit of the private sector may include new fiscal incentives such as new duty and tariff exemptions, subsidies and loans for sustainable enterprises. Second, the outputs of direct support to NARES can include the expansion of research and extension networks and enhancing the structure of how national research and extension staff and farmers' organizations interact to facilitate the effective uptake and use of good agricultural practices. Third, direct support outputs to the private sector include core and social impact business advisory to help alleviate transaction costs and prompt value chain development and market expansion for enterprises. Finally, some of the desirable outcomes of these activities include increased investment, improved ease of doing business, strengthened partnerships, enhanced rural markets and input and innovation delivery in rural areas, market growth, income and employment generation, and driving impacts such as poverty alleviation, food

security, social and environmental resilience and climate adaptation, to count a few. The following sections dive into specific instruments used by CGIAR to operationalize these types of support and provide relevant examples.

### **4.3 Technical Assistance to Governments through Knowledge and Capacity Support**

One instrument that can serve both knowledge and capacity support, as well as direct policy support, is multistakeholder policy platforms. An example is the East and Southern Africa (ESA) Policy Hub established by IWMI on behalf of the CGIAR Initiative on Diversification in East and Southern Africa (Ukama Ustawi) (Boxes 2 and 3). The ESA Policy Hub is a regional network of policy research and advocacy organizations seeking to support policymaking with advice gathered based on research and dialogue with a broader network of policy stakeholders, including farmers. Stakeholders are brought together in national and regional policy dialogues to discuss diverse sectoral barriers and common interests and make recommendations on the steps needed to create an enabling environment for sectoral improvements. IWMI plays a facilitative role, combining dialogue findings with supporting research evidence and seeking to mainstream stakeholder perspectives into policymaking. Moreover, it utilizes a delivery-through-partnership approach, striving to support policy by building on and strengthening existing policy research and advocacy organizations instead of replicating their efforts. The ESA Policy Hub also serves as a platform to gather recommendations on policies and strategies that IWMI has provided direct support for, based on prior government buy-in, while also validating them and collecting feedback.

## **Box 2. Knowledge and capacity support (A): Multistakeholder dialogues for policy advice.**

The East and Southern Africa (ESA) Policy Hub

### **National policy dialogues**

As part of the East and Southern Africa Policy Hub initiated by the International Water Management Institute (IWMI), IWMI collaborated with its partner, the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) in hosting multistakeholder policy dialogues in Zambia and Kenya. In 2022, the Zambia National Policy Dialogue took place in Lusaka in partnership with FANRPAN's Zambia node, the Agriculture Consultative Forum (ACF). The objective was to pinpoint policy gaps, weaknesses and opportunities for food diversification through transitioning from maize to maize-based cropping systems, aiming to enhance national food and income security and climate change adaptation. This dialogue engaged 95 participants, including researchers, government representatives, private sector members, civil society organizations, donors and the media. Given that food diversification requires a cross-sectoral approach and includes various agricultural policies, a stakeholder and policy mapping report provided essential context for the group discussions by reviewing the state of diverse agriculture and food systems-related policies. Findings from the dialogue unveiled financial, administrative and organizational challenges, spotlighted institutional redundancies, pointed out shortcomings in regulations governing plant breeding, fertilizer and feed production, and land use, and underscored strategies for improving coordination among policy-implementing government entities (Nawiko et al. 2022). Recommendations were made for the Ministry of Agriculture, while the ACF ensured their integration into policymaking processes.

The Kenya National Policy Dialogue, held in Nairobi in 2022, was in partnership with FANRPAN's Kenya node, the Kenya Institute for Public Policy Research and Analysis (KIPPRA). It shared the same objectives as the dialogue in Zambia, gathering stakeholder insights on enhancing the enabling environment for diversification. Representatives from the Ministry of Agriculture recognized these recommendations and committed to considering them during planning and implementation phases. Suggested actions included enhancing digital and market information services to mitigate farming risks and boost yields, strengthening the implementation of current agricultural policy, legal and institutional frameworks, integrating research-based climate data into national planning, raising the budget for agriculture and improving coordination across sectors (Laichena et al. 2022).

### **Regional Policy Dialogues**

A regional dialogue was held at the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA)'s Council of Patron Ministers and Scientific Conference in 2023 in Entebbe, Uganda. The event hosted diverse policy stakeholders from government, research, donors and farmers' organizations and sought to understand the key challenges in regional and national policy coordination across government ministries and other organizations. The dialogue identified various challenges related to social, economic and environmental trade-offs. It incorporated a political economy approach to discuss how competing political interests hinder effective coordination. It also highlighted the need for partnerships and collaboration between various policy support organizations and dialogue platforms—such as the Hub for Agricultural Policy Action by the Alliance for Green Revolution in Africa (AGRA) and Uganda's National Food Systems Coordination Committee. By converging their knowledge, experience and resources, these groups can strengthen joint efforts to influence government buy-in for shared policy recommendations, ultimately driving successful policy change and implementation (Ires 2023). It also discussed strategies to improve the existing governance structures to foster better regional policy coherence and harmonization. The output, as knowledge and capacity support, raised an agenda for ASARECA to set priorities in its coordination efforts with ministries and partners, including the East African Community, the Southern African Development Community, and the Common Market for Eastern and Southern Africa. It also highlighted new potential collaborations and identified key strategic steps to be taken by participating organizations, including IWMI and other CGIAR centers, to help address the outlined challenges.

**Box 3. Direct support (B): Multistakeholder dialogues to support policymaking.**

The Central and East Africa Regional Policy Dialogue (through the East and Southern Africa Policy Hub)

Another regional dialogue with ASARECA targeted at direct policy support took place in 2023 in Nairobi, Kenya, and focused on two activities: (1) collecting stakeholder feedback on ASARECA's new Gender Policy, which aims to promote gender and climate responsiveness in agricultural policy and implementation in its member countries to ensure that climate-smart agriculture innovations reach more women and youth and contribute to improving their livelihoods; (2) stakeholder feedback for review and validation of ASARECA's customized Policy Manager Tool for tracking policy formulation and implementation in member countries. Thus, the multistakeholder dialogue approach, as knowledge and capacity support, was integrated into direct policy support. The dialogue findings influenced a regional gender policy, which was later tested for coherence with gender mainstreaming efforts in Ethiopia, a member country of the region. Additionally, the policy tool contributed to NARES and national capacity strengthening, as discussed further in the next section.

## 4.4 Technical Assistance for NARES and National Capacity Strengthening

As another area of activity under knowledge and capacity support, NARES and national capacity strengthening aim to enhance the organizational capacity of NARES to produce quality research and extension services for the agricultural stakeholders they intend to benefit. This may include equipping NARES with research and analytical tools, databases and training to build skills and awareness

around critical needs, such as fostering GESI and improving market linkages in agricultural value chains. Two unique cases initiated by IWMI include support to the African Group of Negotiators Expert Support (AGNES) in developing a Nationally Determined Contributions scorecard and mainly to ASARECA and the Centre for Coordination of Agricultural Research and Development for Southern Africa (CCARDESA) and their NARES network in Central, Southern and Eastern Africa through the co-founded Learning Alliance, as discussed in Box 4.

**Box 4. Knowledge and capacity support (A): NARES and national capacity strengthening.**

### **NDC Capacity Scorecard**

Knowledge tools play a vital role in creating an enabling environment by helping countries pinpoint gaps and weaknesses in policymaking and implementation, leading to informed decision-making. By enhancing this environment, these tools can also attract additional investment through international development and climate financing. An example is the Nationally Determined Contributions (NDC) capacity scorecard, which serves as a powerful knowledge resource. NDCs are crucial to the Paris Agreement, mandating countries to establish and communicate climate action targets every five years, detailing national and sectoral commitments to climate change mitigation and adaptation. By articulating ambitious climate goals and showcasing effective development and implementation of NDCs, countries can secure funding. However, for funding, NDCs must also be enticing to investors. This means they must draw support and funding from both public and private sectors for successful execution. To stimulate private investment, in addition to having clear and ambitious climate targets, four key capacities must be established within the enabling environment: a stable policy and regulatory framework, transparent governance and accountability, integration of climate finance mechanisms, and global consistency and harmonization (Maertens et al. 2021; Fabregas et al. 2022; World Economic Forum 2024). The scorecard defines indicators to evaluate and monitor these capacities, aiming to address weaknesses and stimulate financing.

As the world gears up for the next generation of NDCs in 2025, IWMI, in collaboration with AGNES via CGIAR's Initiative on Diversification in East and Southern Africa (Ukama Ustawi), has developed an NDC capacity scorecard for technical support. This online platform features two primary dashboards that focus on NDC setting and implementation, providing indicators for countries to assess and track their capacities in financial, technical (including monitoring and evaluation) and governance aspects. Developed through an extensive review of existing NDC assessment tools, the scorecard was prototyped and pilot-tested by governments in East and Southern Africa.

This scorecard represents a significant effort, helping countries establish baseline capacities by evaluating and addressing gaps during the processes of NDC setting, implementation, monitoring and reporting. Most existing scorecards concentrate on enabling nations to monitor their advancement toward sector-specific NDCs. For example,

the NDC Scorecard for Waste Management and the NDC Industry Transition Scorecard evaluate specific waste management and industry decarbonization strategies (Jacobs-Mata et al. 2024). Cross-sectoral scorecards, like the CARE NDC Scorecard on Gender and the International Trade Union Confederation Climate Scorecard, examine broader thematic issues such as gender performance and the integration of just transition within NDCs. Our NDC capacity scorecard meets a critical need by assisting countries in identifying their overall capacity shortcomings across sectors, guiding them toward realistic NDC choices and informed tracking of implementation based on their capacities.

By aiding countries in defining and remedying their governance, technical and financial capacity deficiencies, this scorecard will foster an enabling environment conducive to attracting both public and private investments in climate mitigation and adaptation initiatives.

### **The Learning Alliance**

The Learning Alliance was established in 2023 by CGIAR with its partners ASARECA, CCARDESA, the Forum for Agricultural Research in Africa (FARA) and AKADEMIYA2063 as a regional network for co-learning through knowledge management and exchange. Knowledge management refers to the systematic collection, organization, evaluation and dissemination of information to enable farmers, researchers and extension workers to make informed decisions. The availability of information does not guarantee effective dissemination and use. Weak knowledge-sharing networks and limited collaboration among stakeholders hinder the flow of information between research institutions, extension services, policymakers and farmers. Platforms for sharing experiences, lessons learned and best practices are needed and could accelerate the adoption and scaling up of innovations in agriculture. The Learning Alliance seeks to address this gap by engaging CGIAR, especially the Ukama Ustawi initiative, with NARES and regional bodies. It seeks to implement the CAADP-XP4 Knowledge Management Framework and foster the dissemination of agricultural research knowledge to NARES extension workers and farmers.

The platform's activities include: (1) strengthening farmer-led knowledge-sharing networks (e.g., farmer field schools, community-based organizations, and cooperatives) through activities such as webinars, field trips and peer assistance; (2) using digital technologies to provide farmers with real-time access to valuable information on climate-smart practices, pest management, market prices and agronomic techniques; (3) facilitating knowledge exchange and a collaborative environment among researchers within CGIAR, agricultural research organizations and national research organizations to drive continuous improvement in the agriculture sector; and (4) ensuring the interoperability of information systems to strengthen learning among partners and countries.

## **4.5 Technical Assistance to Governments for Policymaking**

Both direct support and knowledge and capacity support to governments in policymaking and implementation are central activities under an enabling environment TA and can mobilize investment directly and indirectly. Indirect investment mobilization often happens after establishing a conducive enabling environment: addressing gaps and weaknesses in policy and regulations attracts government, private and donor investments and commitments (Stadelmann et al. 2015).<sup>5</sup> Another opportunity is direct investment mobilization after completing the TA period with successful contributions

to the enabling environment. Investment mobilization can be considered a second phase, with support expanded from policy advice and co-creation to implementation. Such additional investment is sought from DFIs, multilateral development banks and the private sector. An example of this type of two-stage activity is the Tanzania Seed Sector Development Strategy, a collaborative effort between IWMI and USAID to support the Ministry of Agriculture in Tanzania in improving the seed sector toward enhanced food production, which envisions a phase two called the Fertilizer and Seed Security Initiative where investment is sought to design and implement a program to operationalize the seed sector strategy (Box 5 below).

<sup>5</sup> Still, such investment mobilization is often challenging to quantify and associate with TA due to the complex interactions with other investment drivers, and the effects may take a long time to materialize and occur gradually following the activity.

**Box 5.** Direct support (B): Policy advice and co-creation.

### **Tanzania Seed Sector Development Strategy**

In the Enabling the Business of Agriculture report, the World Bank (2019) identified seed as a key sector where regulations profoundly affect agriculture and advocated for the assessment of seed systems. Seed supply emerges as a critical challenge for farmers across diverse income levels, necessitating regulatory improvements in this area. This issue is particularly urgent in Tanzania, where food production is low and suffers from the adverse effects of climate change. Farmers face barriers in accessing improved seed varieties, credit and other essential inputs that could enhance their adaptability to climate impacts and boost crop yields, thus securing their food and income stability. To address these challenges and record improvements in the seed sector, the Ministry of Agriculture (2021) set ambitious targets for the Tanzanian seed sector for 2030 and demanded a strategy toward their realization. The government target includes addressing the gap in fulfilling the domestic demand for improved seeds: while the demand stands at 130,000 tons, only approximately 64,000 tons are nationally supplied. The government aims to raise this supply to 250,000 tons by 2030, envisioning favorable business conditions to establish 12,000 agrodealers nationwide, ensuring a reliable and affordable seed supply, and doubling the area planted with and the number of farmers utilizing improved seeds.

To assist the Ministry of Agriculture in meeting these objectives, IWMI, on behalf of the CGIAR's Ukama Ustawi Initiative, partnered with the USAID Sera Bora Program and the Agricultural Sector Policy and Institutional Reforms Strengthening (ASPIRES) project and drafted the Tanzania Seed Sector Development Strategy 2024. This strategy aims to address sectoral challenges in six categories: seed production, availability, accessibility, utilization, capacity building, and financing, and the supportive legal, policy, regulatory and institutional frameworks as an additional overarching category. This strategy was developed through a collaborative process involving fieldwork and focus group discussions across three Tanzanian regions (Arusha, Iringa and Morogoro), engaging 150 stakeholders, including farmers, seed producers, government representatives, agrodealers and researchers, who collectively identified the urgent needs in the seed sector and proposed possible solutions that informed the strategy. Several drafts of the strategy were shared with stakeholders in validation meetings before the final strategy was submitted to the ministry for approval and launch. As a member of the technical committee, writer and facilitator, IWMI actively supported the government using insights gathered from stakeholders impacted by this strategy's outcomes.

The Fertilizer and Seed Security Initiative (FSSI), as a second phase, is aimed to commence in 2025 to implement the strategy and help achieve the ministry's goals. It targets direct investment mobilization: concessional development finance (with interest rates of about 4-5% and a repayment term of 7-10 years) from donors such as the World Bank, the African Development Bank and the International Finance Corporation, as well as possibly from local banks with extensive agricultural loan options. This initiative plans to launch 150 commercial farms for seed production (including open-pollinated and hybrid varieties), one within each local governmental authority. The targeted overall investment is USD 300 million for 75,000 hectares, with USD 2 million allocated to each of the 150 farms for essential infrastructure investments, including farm machinery, irrigation, storage and processing facilities, and transport. The program envisions increasing the number of agrodealers from the current 3,000 to 12,000 by 2030, ensuring at least one agrodealer is present in every Tanzanian village. Additionally, the implementation is expected to create 20,000 direct jobs, particularly for women and youth, in outgrower schemes, agro-dealership for farm inputs, fertilizer production, food processing, trade, transport, logistics and apprenticeship programs. It also aims to double the output of cereals, pulses and oilseeds from the current 1.2 tons to 2.4 tons per hectare by 2030, fostering surplus food production for regional trade and positioning Tanzania as a central seed and grain hub in the East and Southern African regions.

### **Gender Mainstreaming Guidelines in Ethiopia**

In Ethiopia, both female and male farmers are actively involved in agriculture and livestock production, with women responsible for approximately 70% of food production and constituting over 45% of the agricultural labor force. Despite this significant contribution, women do not make any sufficient gains from their efforts. They face higher illiteracy rates and have restricted access to and ownership of essential resources and services, such as land, credit and agricultural extension services, leading to lower productivity and poorer livelihoods. These gender-based disparities are largely rooted in persistent patriarchal social norms within the communities.

Tackling gender inequality is crucial for reducing rural poverty as a whole; however, many initiatives aimed at boosting agricultural productivity often neglect the strategic obstacles posed by entrenched gender inequalities. Acknowledging the considerable gender gaps and the corresponding impacts on production, the Ministry of Agriculture developed a

Gender Equality Strategy for Ethiopia's agriculture sector in 2016 and reviewed it in 2023. A key recommendation was for the ministry to revise existing gender mainstreaming guidelines to align with the new strategy.

On behalf of CGIAR's Ukama Ustawi Initiative, IWMI collaborated with the Ministry of Agriculture to provide both technical and financial support for the revision of the Gender Mainstreaming Guidelines, launched in July 2024. The guidelines assisted the Women and Social Affairs Implementation Executive in facilitating the gender mainstreaming process and in advocating for women and youth empowerment within the agriculture sector. At the regional level, IWMI offered technical assistance in developing the Gender Policy and Implementation Plan by ASARECA, a framework guiding gender mainstreaming efforts nationally across Central and Eastern Africa. ASARECA participated in the launch event for the Gender Mainstreaming Guidelines in Ethiopia and presented an action plan outlining how it intends to support Ethiopia as one of its member states in implementing these guidelines and achieve coherence between the regional and national-level gender policies. This action plan includes steps such as collaborating with NARES focal points to create national work plans for integrating gender-focused research, enhancing the leadership and negotiation skills of women and youth within NARES and the ASARECA Secretariat, and improving existing data collection, analysis and reporting systems to bolster national capacities needed to address gender-specific issues and promote gender equality.

#### 4.6 TA to the Private Sector (Agri-SMEs) for Agribusiness Acceleration

The enabling environment TA for the private sector mainly targets agri-SMEs through transaction advisory support. Transaction advisory TA can take significantly varying forms depending on funding, time and other resources available for TA. Specifically, the examples provided in this section are drawn from two currently active accelerator programs run by CGIAR and its partners: (1) the Food Systems Accelerator and (2) the Stability-and-Peace Accelerator. The Food Systems Accelerator is part of the CGIAR Initiative on Diversification in East and Southern Africa and seeks to accelerate start-ups with grants bundled with TA in this region. It is operated by CGIAR centers (The Alliance of Bioversity International and CIAT, IWMI, Pan-Africa Bean Research Alliance [PABRA], International Institute of Tropical Agriculture [IITA], CIMMYT and WorldFish) in partnership with its operational partners, the International Fertilizer Development Center through 2SCALE and Rallying Cry. The Stability-and-Peace Accelerator under CGIAR's Initiative on Fragility, Conflict, and Migration is led by IWMI and is integrated into the Innovation Accelerator of the World Food Program (WFP), which is a partner. The WFP provides USD 30,000 equity-free grants for each of the winning innovations, bundled with a technical assistance facility called the Sprint Program, which offers cutting-edge research, data-driven solutions and further best practices to drive food systems innovation, food security, sustainable resource management and climate security (Dahl et al. 2023; WFP 2024). Geographically, this collaboration spans fragile and crisis-affected settings in Africa and the Middle East. In 2023—24, 20 SMEs were selected under the Food Systems Accelerator from seven target countries (Kenya, Malawi, Rwanda, Tanzania,

Uganda, Zambia and Zimbabwe) and 4 under the Stability-and-Peace Accelerator (Kenya, Nigeria, and Jordan).

As Figure 7 illustrates, CGIAR's accelerator programs offer five types of enabling environment assistance to agri-SMEs, which align significantly with the widespread practice discussed in Section 3. The first four types are mainly core business support. The first, value chain transaction advisory, seeks to support the core business by establishing productive linkages with farmers and other value chain actors, thereby simultaneously contributing to value chain development. The second, research and mapping, are knowledge products, such as diagnostics, to help agribusinesses better understand the enabling environment, encompassing the policy, institutional and regulatory environments in their innovation ecosystems and seek to reduce transaction costs through institutional and regulatory changes. The third is market and business expansion support, which is marketing-oriented and is a form of direct support that actively seeks to establish linkages for agribusinesses to expand into new domestic and export markets. The fourth, partnerships, encompasses establishing formal and informal linkages with both the public and private sectors for continuous support to agribusinesses, especially in lower value chain nodes, such as production, through co-ownership and cost-sharing (e.g., vertical coordination), as well as continuous provision of clear regulatory information. The last, institutional reform and advocacy, promotes working with governments and industry associations to prompt policy, institutional and regulatory changes that favor agribusinesses and the broader market development for their innovations. Such change typically requires one or multiple years and often exceeds the usually short accelerator technical assistance timeframes; nonetheless, it offers immense value.



**Figure 7.** Technical assistance for agribusiness acceleration.

The scope of the enabling environment TA is significantly limited by the TA period under accelerator programs. The first four types of enabling environment assistance for core business support illustrated in Figure 7 above can be offered in the short- to medium-term (three to nine months), aligning with the TA period of most accelerator programs. Short TA periods are the case under CGIAR accelerators (e.g., three to six months), which create pressure to deliver results. Some of the enabling environment TA under CGIAR accelerators, therefore, sought to offer research and mapping (e.g., around regulatory guidelines, expanded partnerships and networks with public and private entities, and market expansion roadmaps) and value chain transaction advisory, considered “low-hanging fruits.” When accelerator programs have long TA periods or allow support to run through an extended period thereafter, the TA can be designed to drive policy and regulatory change that benefits not only the accelerated SMEs but also their entire innovation ecosystem by creating demand for innovations in the market and making them more economically viable. This is achieved through the last, institutional reform and advocacy, which typically is a long-term support (from nine months to several years) with higher returns, which we consider a “high-hanging fruit.” An example is lobbying for tax exemption for renewable energy SMEs, which takes lengthy negotiations with governments and burdensome bureaucratic steps to be realized. Such an institutional change process is daunting and entails significant uncertainties regarding government buy-ins of suggested adjustments, yet very rewarding in transforming the market systems if successful. Several examples of short- and long-term enabling environment assistance are provided in Box 6.

Even though the transaction advisory support provided under CGIAR accelerators is primarily business-growth-oriented, it also amplifies social and environmental impact since the businesses selected develop and scale sustainable innovations proven to nurture such impact. For example, under the Food Systems Accelerator, agri-SMEs are selected based on their impact potential in four priority innovation areas: (1) irrigation and mechanization (innovations to improve water use efficiency through improved agricultural water management and farm machinery to reduce labor-intensive farming), (2) nutrition-sensitive climate-smart agriculture (innovations to make farming climate resilient and produce nutritious food throughout the agricultural value chain), (3) agricultural risk management (innovations to minimize risk through risk advisory services, digital solutions, and financial insurance, lending and credit guarantees) and (4) conservation agriculture (innovations supporting practices such as integrated soil fertility management and integrated pest management promoting minimum soil disturbance, crop diversification and biodiversity). They offer tools, technologies and markets to derisk agricultural investment, especially for smallholder farmers, and to sustainably diversify food production toward improved food, nutrition and income security. Moreover, most of the selected SMEs are founded by women and youth and generate income and employment for them, offering an extended impact potential. Nevertheless, in our approach, gender and social inclusion constitute part of the enabling environment, and CGIAR has a dedicated gender and social inclusion (GESI) team providing TA, which explicitly seeks to amplify SMEs' social impact directly.<sup>6</sup>

<sup>6</sup> In addition to the enabling environment and GESI, SMEs under CGIAR accelerators receive TA in investor readiness, and impact measurement and management.

**Box 6.** Examples of enabling environment assistance to agri-SMEs by IWMI.

*Value chain transaction advisory:* Forest Africa, selected under the Food Systems Accelerator Program, is a Zambian SME that buys African wild fruits, such as baobab, medlar and monkey bread, from low-income farmers who aggregate and sell these fruits as a secondary source of income. The fruits are pressed into juice with a long shelf life and sold mostly in Lusaka. This SME indicated that it faced challenges in securing financing due to high interest rates of up to 33%. Such rates have significantly impeded the company's potential to secure working capital to grow its business. Additionally, its operations are encumbered by an excessive number of mandatory licenses, presenting operational obstacles and inhibiting business growth. Lastly, Forest Africa and other local Zambian SMEs face a lack of monetary or fiscal incentives from the government that are tailored to support them. Current incentives predominantly favor incoming foreign investors and companies, placing local businesses such as Forest Africa at a disadvantage.

In helping to overcome these challenges, the enabling environment TA team reached out to the Zambia Development Agency (ZDA) and provided key contacts to Forest Africa for the enterprise to gain access to the Zambia Credit Guarantee Scheme, which can negotiate with financial institutions to secure flexible loan terms and significantly mitigate financial risks associated with loan applications. Moreover, the enterprise was linked with the Ministry of Green Economy and Environment to explore concessional green finance options and investigate funding opportunities from the Citizens Economic Empowerment Fund. Furthermore, a comprehensible summary of the Investment, Trade, and Business Development Act of 2022 was provided to the enterprise to inform it about investment incentives and recommend that it contact ZDA to explore concrete opportunities. This support included research and mapping of the financial environment and assisted the SME with transaction advisory (Dahl et al. 2023).

*Market and business expansion support:* Farm Depot, selected under the Food Systems Accelerator Program, is a Zambian SME that distributes agricultural inputs, including seeds, fertilizers and chemicals for crops and livestock. This SME reported that its operations were inhibited by the Zambian government's Farmer Input Supply Program (FISP), which subsidizes farm inputs. The implementation of FISP poses a serious challenge: government-supplied fertilizers re-enter the market at substantially lower prices, restricting the ability of input-supplier firms such as Farm Depot to compete and increasing the risk of bankruptcy. For instance, Farm Depot purchased a large stock of fertilizer on a loan in 2020, but up until 2023, the loan could not be paid off since the stock could not be sold due to this problem. While it would be unrealistic to address this issue given the complexity of FISP politics, the TA team explored the opportunity for Farm Depot to enter the FISP program as one of the suppliers. Following interviews with government authorities and document reviews, the team informed the SME about Zambia's reform plans for a flexible FISP and offered a strategy for business expansion into provinces and districts designated for this reform to benefit from it. This support included research and mapping, enabling the SME to make informed decisions around political challenges restrictive to business and potentially expand.

*Partnerships:* Farm Depot noted insufficient engagement with the Ministry of Agriculture's local staff, including Provincial and District Agriculture and Fisheries Officers. These individuals are essential for assisting agribusinesses in tackling policy obstacles and accessing critical resources for business growth. To address this issue, we identified and contacted government officials at various administrative levels to offer on-demand support to the enterprise.

Stable Foods, a Kenyan SME within the Food Systems Accelerator, provides irrigation services to farmers, aiming to enhance crop yields and income. This SME expressed a need for information regarding the costs and regulations for water permits related to irrigation. It emphasized the importance of forming connections with government offices to bridge this information gap and obtain necessary support. Furthermore, Stable Foods revealed that certain local officials and guides were attempting to exploit the company's unfamiliarity with the procedures in their operational area, leading to contradictory advice about obtaining permits and their costs. Consequently, this SME had experienced significant delays in securing the essential permits for its irrigation business. To assist Stable Foods in acquiring clear information about the permits and to support its future operations, connections with senior county government officials have been established, who are eager to provide long-term assistance, along with facilitated introductions (Dahl et al. 2023).

*Institutional Reform and Advocacy:* This TA is provided by IWMI for two SMEs under the WE4F (Water and Energy for Food) Program. WE4F is a joint international initiative between the German Federal Ministry for Economic Cooperation and Development, the European Union, the Ministry of Foreign Affairs of the Government of the Netherlands, the Norwegian Agency for Development Cooperation, Sweden through the Swedish International Development Cooperation Agency and the United States Agency for International Development. Through its regional innovation hubs, this program provides financial support bundled with technical assistance to foster the development and

scaling of water-food, energy-food and water-energy-food innovations (Dahl et al. 2023; WE4F 2024). The selected innovations provide inputs, finance, technology and markets for smallholder farmers, foster their climate adaptation and help food companies reduce their CO<sub>2</sub> emissions.

One of the enterprises supported is Lanforce Energy, a biogas producer in Zimbabwe, which drives a shift from traditional energy sources, such as firewood and other crop by-products for cooking fuel, which contribute to deforestation, to biogas. Lanforce reported a lack of financial incentives similar to those the government offers to some renewable energy companies. For example, solar energy suppliers are exempt from import duties and value added tax (VAT) for solar-powered equipment and enjoy income tax holidays. To facilitate similar incentives for this enterprise and other biogas producers, IWMI collaborated with the Renewable Energy Association in Zimbabwe and helped set up a working group for biogas enterprises to lobby for comparable tax exemptions.

Community Markets for Conservation Limited (COMACO) is a Zambian enterprise encouraging smallholders to farm without chemicals, thereby contributing to the conservation and sustainability of organic soil quality and producing products that contribute to wildlife and biodiversity conservation. One of these products is natural and pesticide-free honey, with hives kept in community-protected forests, which provides income and incentivizes the community to protect the wild areas. For Zambian honey, South Africa is an important export destination, but the country enacted an import ban in 2018 due to the detection of a disease in Zambian honey, which caused COMACO to lose one of its major markets. Based on the premise that some Zambian honey, including COMACO's, had met all standard requirements, the TA team gathered relevant authorities from both countries and mobilized a South African committee to Zambia to ensure sufficient testing before such an import restriction disadvantaged all traders. It helped initiate negotiations around necessary inspections and conformity assessments to allow the importation of products of sufficient quality, although import limitations remained unresolved until 2023.

TA in GESI is driven by an IWMI-led framework for Gender Equality and Social Inclusion in Agribusiness (Nortje et al. 2023). This framework seeks to provide TA in a way that enables SMEs to actively engage and empower women and youth throughout the agricultural value chain. This is crucial, as an estimated 100 million young people are expected to join the farm labor force in the next ten years, with women currently constituting more than half of the labor force (Nortje et al. 2023). It is essential to address the gender bias in technological innovations, ensuring that they include women, youth and marginalized communities. The GESI framework encourages researchers and partners to develop and implement agribusiness innovations that address inequalities and remove barriers to inclusive economic empowerment. It also aims to improve the enabling environment for GESI in the development and scaling of technological innovations, as well as in areas such as information, insurance and finance.

The enabling environment unit sometimes outsources consultants with experience in specialized areas and contexts to conduct the TA delivery since the CGIAR in-house staff does not always have the niche expertise or the capacity for the time-intensive TA needs of each business during the relatively short TA period. These experts are added to a small but growing roster to draw from when needed. This approach was tested with the first cohort of the Food Systems Accelerator in Zambia in 2023 and was found to add value to the assistance process:

the consultant had not only substantial contextual knowledge and a grasp of the challenges in the niche field but also a vast existing network to promptly mobilize for assistance delivery, meet with business owners as well as government officials, and facilitate efficient interactions on the ground as needed. Thus, the core enabling environment team took on a supervisory role and could serve multiple accelerator programs across a relatively broad geographic area across Africa and, in the case of the Initiative on Fragility, Conflict, and Migration, reach the Middle East.

A final important aspect is the co-creation of the TA delivery. Relevant beneficiaries (governments and private enterprises) are ensured to participate in all stages of the TA process, from identifying the problem to defining the scope and the delivery method, discussing what kind of expertise and data are required, and finally, monitoring and evaluating the assistance provided as a whole. When supporting institutional and regulatory change, priority is given to aligning efforts with national policy priorities and ensuring that the relevant government authorities and industry associations assume ownership of the co-identified enabling environment support, advocacy and delivery method. Such a sense of ownership is crucial for long-term continuity and the successful impact of the enabling environment support initiated as part of the TA process designed to ultimately benefit them and help achieve their policy priorities.

## 5. Conclusion and Way Forward

The failure to create enabling conditions for market development will lead to low investment and cause economies to deteriorate. This has been the case in Africa. Though most African countries have prioritized market-driven structural reforms and set ambitious visions, the widespread lack of enabling policies, legal frameworks and regulations; the lack of transparency and accountability in their making and implementation; uncertainties; information costs; bureaucratic deadlocks; among others, pose high investment risks. Such disabling conditions often lead global partners and donors to withhold funds from program design and implementation. Businesses that innovate and scale stagnate. Financiers such as national banks are not ready to finance due to the risk of failure. Devising an enabling environment is necessary to derisk the investment climate, catalyze partnerships and create demand and economic viability for sustainable innovations, thus nurturing emerging markets and prompting investment and successful business acceleration. To help set such a climate enabling rather than inhibiting economic progress, technical assistance is a valuable tool.

This paper presents a framework to assist governments and the private sector in creating an enabling environment and overcoming relevant obstacles toward market development in agriculture. Although technical assistance is a million-dollar industry itself, there is a substantial research gap, a lack of frameworks guiding assistance, and a dearth of evidence regarding its effectiveness, especially in the context of enabling environments. The literature has criticized that assistance over the past 30 years has adopted technocratic approaches, enforcing Western institutional blueprints overlooking the African context and available capacities and then substituting local capacities (through external experts) instead of building them. The trend has begun to change recently, shifting gears to a more politically informed, context-based, and adaptive technical assistance, which is reviewed in this paper and informed by the framework presented. This framework is built on a systematic review of what constitutes an enabling environment (norms, laws, regulations and policies constituting the rules of the game), which, specifically in agriculture, includes legal frameworks, economic incentives, import and export policies regulating markets and prices, subsidies and mechanisms for clear regulatory information, among others. The framework combines the theoretical perspectives of new institutional economics and political economy, encouraging an in-depth analysis of the enabling environment and why policies often fail to reach their target beneficiaries. Assistance for policymaking and implementation on this basis can thus be well-informed and more likely to succeed.

The presented framework guided CGIAR's International Water Management Institute to design technical assistance through three pillars, as discussed with

examples in this paper. These pillars are policy support to governments, institutional capacity strengthening of National Agricultural Research and Extension Systems (NARES) and transaction advisory support to agri-SMEs. Our assistance is driven by partnerships, research and co-creation: we partner with governments and donors to co-create policies through participatory processes, mainstreaming findings from field observations and consultations with farmers and farmers' organizations. We partner with NARES to strengthen their research and extension capacities by creating knowledge transfer and exchange platforms where national and international researchers meet farmers and extension practitioners and support activities. Moreover, we work with agri-SMEs under accelerator programs, offering short- and long-term transaction advisory services based on the needs co-identified through interviews. The overall scope of our assistance is focused on strengthening the private sector, specifically national small- and medium-scale enterprises (SMEs), that innovate and scale innovations that address complex agricultural and food crisis challenges under climate impact and in conflict-affected and fragile settings and creating the enabling conditions for them on a policy and regulatory level. Our assistance broadly contributes to market development, supporting commercialization, value chain development and trade, which are the private sector's delivery mechanisms for innovations.

Although most enabling environment assistance practices at CGIAR are recent and partly still ongoing, with the time needed to monitor and evaluate their effectiveness, this initial framework presents a systematic approach guiding assistance and thus also contributes to closing a gap in the literature. Moreover, this paper presented examples of TA that indeed helped governments to address policy gaps and weaknesses through nationally owned and participatory processes and helped businesses achieve clear regulatory information and make informed transaction decisions. This framework will be updated as evidence is collected, shaping the basis of an adaptive cycle. Moreover, it positions CGIAR, beyond its research-for-development mandate, as a strong technical assistance partner with a presence worldwide, offering support based on informed and rigorous research in a niche evolving field.

Enabling environment assistance offers value by helping mitigate investment risks, propel investment, facilitate the movement of products and services along the value chain, create employment, foster agricultural production and prompt the growth of market economies. Setting the enabling conditions can help countries address regulatory, knowledge, risk and viability gaps preventing low-carbon and climate-resilient investments and attract development and climate finance, contributing to climate change adaptation and mitigation. As growth in agriculture can reduce poverty better than any other industry, especially in Africa, where it is the backbone

of the economy and employs most of the population in lower-income brackets, this assistance can contribute to poverty alleviation. It constitutes a key lever to nurture innovation development and scaling and ensure that the

private sector, the government and citizens maximize their investment returns in terms of both profits and development outcomes, such as climate adaptation and food and income security.

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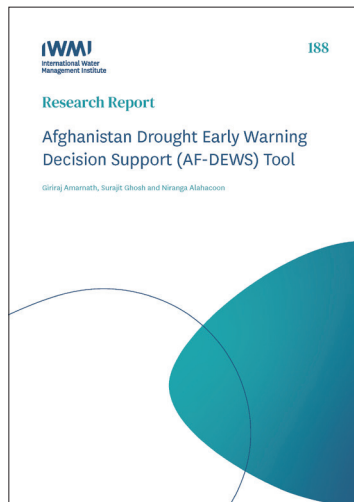
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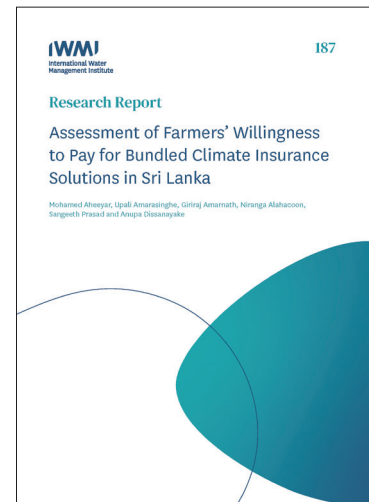
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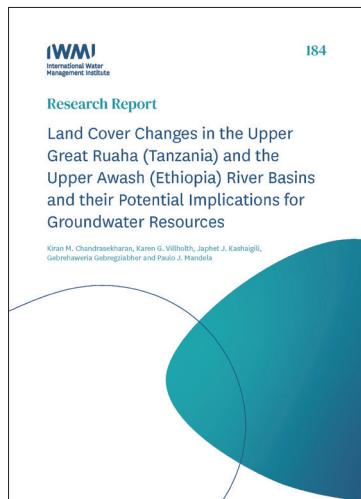
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