

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

DAC Network on Poverty Reduction

DRAFT FRAMEWORK FOR ENABLING PRO POOR GROWTH THROUGH AGRICULTURE

(Note by the Secretariat)

OECD, Paris, 13-14 November 2003

This document is the output of the brainstorming event in Florence on 7-9 November 2003 task team on Agriculture and Pro Poor Growth. It will be discussed at the upcoming POVNET meeting.

The task team recognizes that further discussion will be necessary to identify specific areas of focus, an appropriate division of work and timelines for product delivery. Since participants in all three brainstorming meetings (agriculture, infrastructure and private sector) have voiced interest in a POVNET discussion on products, audience and linkages, there will be room in the agenda to discuss these cross-cutting issues at the upcoming POVNET meeting.

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I. Introduction and issues for guidance

1. This document sets out a framework for the POVNET working group on pro poor growth and agriculture. It seeks to clarify the purpose of this work, the concepts and definitions, and presents an analytical framework of emerging issues that have the potential for enabling and/or constraining pro poor growth in agriculture. Finally, it suggests modalities for co-ordination of activities of the working group and other actors as well as deliverables/products.

2. Guidance is sought from the POVNET on the following issues:

- Priority areas of work- access to assets (e.g. water, land), access to markets (e.g. trade, supermarkets).
- Work products, e.g. conceptual document and best thinking papers.
- Next steps e.g. workshops or small task groups- and when?
- Responsibilities - who is doing what?

II. Goal and purpose

3. The overall purpose of this work is to develop a shared understanding among member governments and development agencies as well as their partners in development of emerging issues such as trade liberalization, competition for water and global supermarkets, underlying the role of agriculture in pro poor growth (PPG). Improving the effectiveness of development assistance in achieving the Millennium Development Goals remains the overarching goal.

4. This work should provide insight on the national and international processes and structures by which agriculture links into rural development and even more broadly into the overall development agenda, for example through national poverty reduction strategies, planning and consensus building activities, or international initiatives such as the Global Platform for Rural Development and NEPAD.

III. Background

5. This work is guided by the mandate of the DAC Network on Poverty Reduction (POVNET) to:

- Focus on the multidimensionality of poverty and on the relationship between inequality, economic growth and poverty reduction in developing countries;
- Provide a forum for the exchange of experience and best practice on pro poor growth, i.e. involving the poor in generating growth and benefiting from growth and globalisation;

- Address, from this perspective, strategies and policies in areas such as infrastructure, agriculture, trade and investment capacity building, information and communication technology, the role of the private sector and public-private partnerships;
- Promote the pursuit of the Millennium Development Goals and a central role for broad-based growth and its determinants within the strategic framework of national Poverty Reduction Strategies.

6. The POVNET will involve other stakeholders in its work, including partner countries and development organisations beyond the DAC Permanent Observers (World Bank, IMF, UNDP). It will interact with other DAC bodies, including the Networks on Gender Equality and on Environment and Development Co-operation, whose Chairs will be invited ex officio to take part, whenever justified by the agenda, in POVNET meetings. The POVNET will take account of ongoing research and interact with other OECD policy communities, as appropriate, to strengthen the development dimension of their work and promote policy coherence for development. The POVNET will determine the appropriate modalities for implementing its work programme (June 20th Revised Mandate for POVNET).

7. The DAC Guidelines on Poverty Reduction provide an important point of departure. The work of this group builds upon this important reference document.

IV. Framing the Issues

What is poverty and who are the poor?

8. The DAC Guidelines on Poverty Reduction provide conceptual clarity on the widening meaning of poverty and who the poor are. Poverty is perceived in several dimensions, especially by poor men and women themselves. It relates to different kinds of personal and household capabilities that are interrelated, yet useful to distinguish for analysis and policy action. Poverty reduction requires close attention to gender equality and environmental sustainability.

9. There are several sources of data on poverty, but more and better information is needed. Poverty analysis involves country-specific identification of social categories using such attributes as gender, age, ethnicity, religion and culture, location and livelihood status as well as the type of household (size, age, generational distribution and gender of its head). More details are found in the DAC Poverty Reduction Guidelines (OECD, 2001, in particular pp 37-38).

What do we mean by agriculture?

10. Agriculture includes households that are engaged in farming, herding, livestock production, and fishing/aquaculture. Other producers and/or individuals employed in cultivating and harvesting of food resources from salt and fresh waters and cultivating trees and shrubs and harvesting non-timber forest products are also included as well as processors, (small-scale) traders, managers, extension specialists, researchers, policymakers, and others who are engaged in the food, feed and fibre system and its relationships with natural resources. This also includes processes and institutions (incl. markets) that are relevant to the sector (USAID, 2000).

What is pro poor growth?

11. According to the DAC Poverty Reduction Guidelines, “economic growth is crucial in reducing poverty and both its pace and quality matter- its composition, distribution and sustainability are particularly vital. The general links between economic growth and poverty reduction are significant; both the average

incidence and the depth of poverty tend to fall with growth. Economic growth can create opportunities for poor people, but poverty will decline only if the conditions are in place for them to take advantage of those opportunities. Effective pro poor growth strategies and policies differ between countries depending on resource endowments, levels of technology and human capital, institutional and socio-economic context”.

What makes growth pro poor?

12. When it

- is a means to poverty reduction rather than an end objective.
- enables/empowers the poor to participate in and benefit from growth opportunities.
- addresses obstacles faced by the poor groups in realizing their potentials and benefiting from their own comparative advantages.
- empowers the poor to deal with markets, e.g. through organization of poor producers to gain access to communication services and up-to-date market information.
- is based on an equitable distribution of resources and assets.

Why is agriculture important for pro poor growth?

13. Six characteristics make agriculture critical for successful poverty reduction:

- It is important to the livelihood of $\frac{3}{4}$ of the absolute poor who live in rural areas, i.e. growth in these areas tends to benefit the poor (IFAD, 2001 & 2003).
- Similarly, improving the livelihood of the rural poor tends to enhance economic growth and sustainable development.
- Agriculture represents the economic core of most poor countries- it is an important source of food security and the most likely source of significant growth.
- Broader (diversified) economic growth and development is almost always preceded by growth in the natural resource sector (i.e., economies diversify to other activities not away from agriculture)
- In most low income countries, the smallholder sector (small farmers, herders, fishers, etc.) produces a large part of the country’s food output, exports and provides employment (incl. self employment) to the bulk of the people.
- Agriculture is “multi-functional”. It allows women and marginalized groups to participate in and reap the benefits of economic activities

When is agricultural growth pro poor?

14. Main findings of policy-oriented research show that the following factors play a key role for pro-poor agricultural growth:

- The initial distribution of land and other natural resources is equitable.

- Policies and public investments do not discriminate against small farms.
- There are cost reducing technologies, including technologies that reduce the workload for women in subsistence farming.
- Agricultural services and markets work for all.
- There are reasonable rural infrastructure, education and health services.
- Rural finance is available to all.

V. Enabling pro poor agricultural growth: An analytical framework approach

15. The adapted version of the Sustainable Rural Livelihoods Framework will be used to guide the work on agriculture and pro poor growth, first by presenting an analytical diagram and, second by translating this diagram into a specific work programme through a matrix approach.

16. This framework features the main factors that influence people's livelihood, and the typical relationships between them (DFID, 1999). We will adapt this framework so that it highlights the policies, institutions and processes that enable or constrain the agricultural sector in achieving pro poor growth.

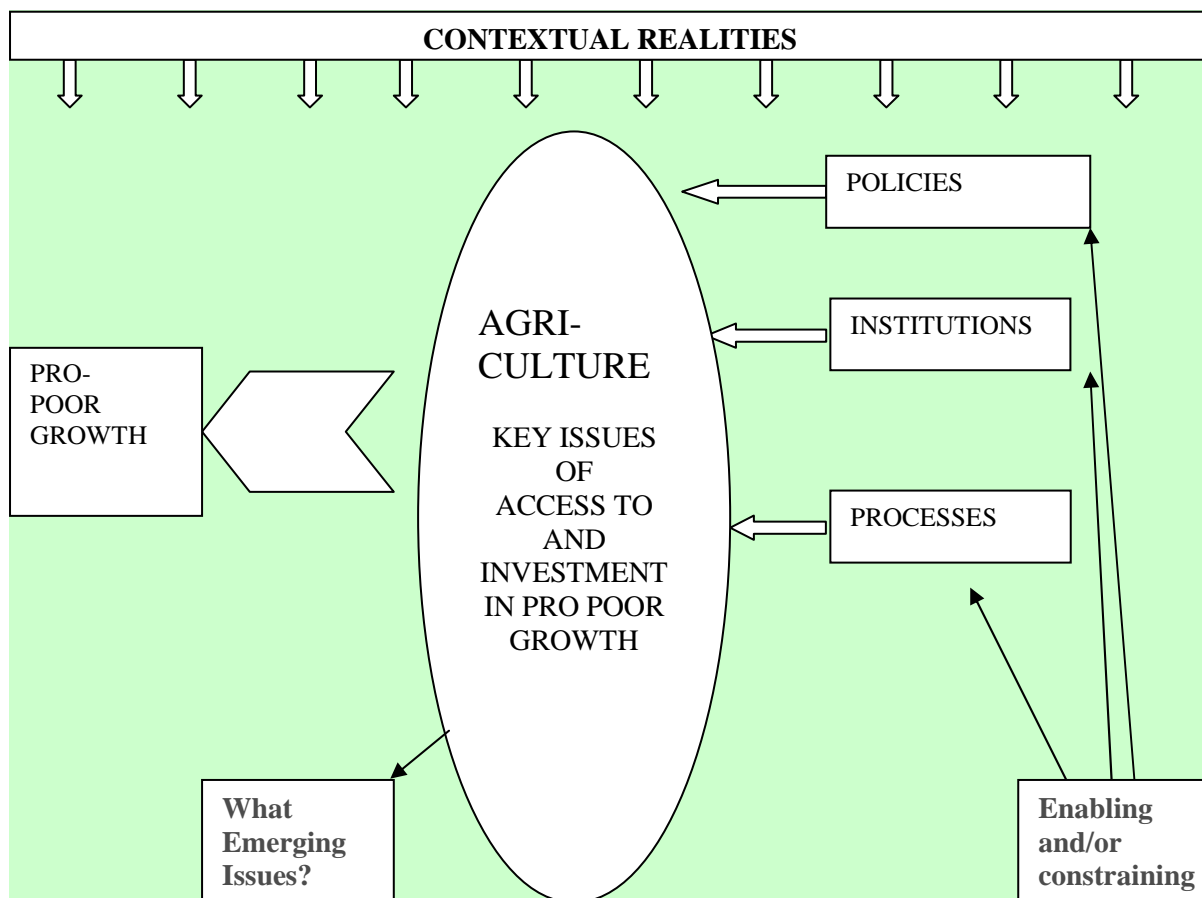
17. The framework, and the work of this group, should be seen in the context of the rural economy, recognizing the multitude of income streams for the rural poor. It includes a full appreciation of the contextual realities of rural development, such as governance, equity, gender, indigenous people, socioeconomic minorities, HIV/AIDS, conflict, failed/failing states, corruption, environmental change (e.g. climate change, biodiversity and desertification), vulnerability, asset distribution, exchange rate structure, trade liberalization and increasing regulation. These contextual realities can also be regarded as a third dimension to the framework below.

18. Arising from the framework we should try to address:

- What are the key emerging issues that influence the agricultural sector in achieving PPG?
- Where is each emerging issue situated (i.e., is it a policy, institution or process issue)
- How do these emerging issues enable and/or constrain PPG?
- Who are the key actors?

19. In order to translate Figure 1 into a specific work programme, the questions above are translated into a matrix which helps to delineate the framework presented and specifically identifies the key emerging issues as they relate to policies, institutions, and processes.

Figure 1. Enabling Pro Poor Growth through Agriculture



20. The policy, institutions and processes dimension¹ of the matrix comprises an economic, social and institutional context. In this context rural households (men, women and children) derive a living from agriculture and construct and adapt their livelihoods. It is our objective to analyze how pro poor growth is constrained and/or enabled within this economic, social and institutional context. The rows of the matrix identify the emerging issues as they relate to access to assets, markets, innovation, and social protection/risk management in the diagram. Access in this context is understood widely and can include control or rights in specific issues.

21. Emerging issues may be played out at the local, national and international level. Each issue will determine which level(s) is being addressed.

22. *Assets* include physical capital such as natural resources (land, water, forests and coastal regions and other common property resources), human capital (nutrition, water, health and education), financial capital (investments and credit), social capital (infrastructure services, institutions, research and extension) and political capital (inclusion and empowerment).

23. *Markets* include input markets (e.g., seeds, fertilizers, water, labour and capital), output markets (local, regional, global), as well as issues affecting market performance (e.g., regulatory, trade).

¹ As such it embraces quite a complex range of issues associated with participation, power, authority, governance, laws, policies, public service delivery, social relations (gender, caste, ethnicity), institutions (laws, markets, land tenure arrangements) and organisations (NGOs, government agencies, private sector) (DFID, 2003).

24. *Innovation* includes science and technology research, technology adoption and transfer, dissemination of knowledge and training, as well as the organization of innovation. It should also include I.C.T and I.C.M.

25. *Social protection/risk management* includes the provision of adequate health services and protection for illness and injury, old age, crime and domestic violence, unemployment, widowhood, and family cycle. In addition it includes ways of insuring (both formally and informally) against environmental and market related risk, such as harvest failure and basic commodity price fluctuations.

26. Questions that help to identify emerging issues include: What could happen in the next 10 years in agriculture? What effect could it have on the rural poor and their enabling capacity and livelihood systems? Where are the opportunities and problems/constraints?

Table 1. Matrix of Emerging Issues Constraining/Enabling Pro Poor Agricultural Growth^{1 2 3}

Access to/ investment in.	Policies	Institutions	Processes
ASSETS	<ul style="list-style-type: none"> - land (land titling, land policies, equitable access and utilization of land, integration of land issues into PRSPs). -water (water laws, water policies/regulations). -Public service reforms. -natural resource management, -emerging market economies property systems -global public goods -decentralisation -urban/rural integration -rural financial services -taxes 	<ul style="list-style-type: none"> -farmer/producer organisations/associations community associations -land register; -water boards; -financial institutions (formal & informal) -dispute resolution bodies -local authorities -ministries and technical bodies 	<ul style="list-style-type: none"> -land reforms, -decentralisation, -soil degradation, -remittances -competition for natural resources -poverty mapping -agricultural labour force (e.g., feminization, casualisation) - local and community development, human resource development, -empower/enable the regions poor - civic society education & dialogue -capacity building and institution strengthening -land information systems -community management of natural resources
MARKETS	<ul style="list-style-type: none"> -entrepreneurship, -regulations (regional/national/international) -SPS -grades/standards -input subsidies - the poor, taxation & market development - “reconsideration” of international trade and access to markets -regional and sub-regional integration -transport/infrastructure -agricultural transformation/ competitiveness/ market openness/ risk 	<ul style="list-style-type: none"> -market information, -trade liberalization (e.g., WTO, regional trade organizations) - producer associations and federations & market access. -market authorities -certification authorities (health, veterinary, plant protection, quality) 	<ul style="list-style-type: none"> -liberalisation, globalisation, rural-urban linkages -diversification -global supermarkets -consumption -identify preserved -eco services -commodities -small/medium urban centres -growth corridors - promoting local and regional markets -market information systems -certification -ethical and fair trade -stakeholders participation in trade negotiations -access to developed countries markets

Table 1: Matrix of Emerging Issues Constraining/Enabling Pro Poor Agricultural Growth^{1 2 3} (continued)

INNOVATION	-research policy, biotechnology & IPR regulation -strengthen national research institutions & capacities to design appropriate country technologies - use traditional production & utilization of traditional food stuff and natural resources -public research policies innovation in favour of small farmers and poor HH - policies to reinforce producers association -applied technology/Livestock Services	-research institutions -regional agricultural research centres - demand-driven technical assistance and extensions services - poor producers and their organisations - linkages between extension and research institutions	-integration of local and formal knowledge systems action/participatory and on-farm research -new technologies -long distance learning - demand driven -technical assistance and extension -impact assessment and evaluation of agricultural research
SOCIAL PROTECTION/RISK MANAGEMENT	-food security -food aid -international agreements (WSSD, CCD) - basic services in education and health. -household food security and gender	-insurance -secure savings - local insurance-type systems (e.g. health funds)	-diversification -marginal areas -environmental change (climate, biodiversity, land degradation) -poverty traps -incentives in savings -vulnerability analysis and assessment -livelihoods diversification (income generation) activities -building social capital

Notes:

- 1 Many of these emerging issues cross-cut assets, markets, innovation, and social protection/risk management.
- 2 It was suggested by IFAD to add a third dimension to the matrix showing the different degrees of market openness, risk and vulnerability among farmers. This should be borne in mind in future discussions regarding these dimensions, despite the fact that this is not shown on Figure 1 due to presentational complexity and fear of overloading
- 3 Priority areas identified by IFAD: 1) household food security and gender 2) access to land and water 3) increasing access to rural financial services 4) applied technology (with a special focus on increasing access to livestock services) 5) agriculture transformation, competitiveness, market openness and risk (with a special focus on small holders and West Africa).

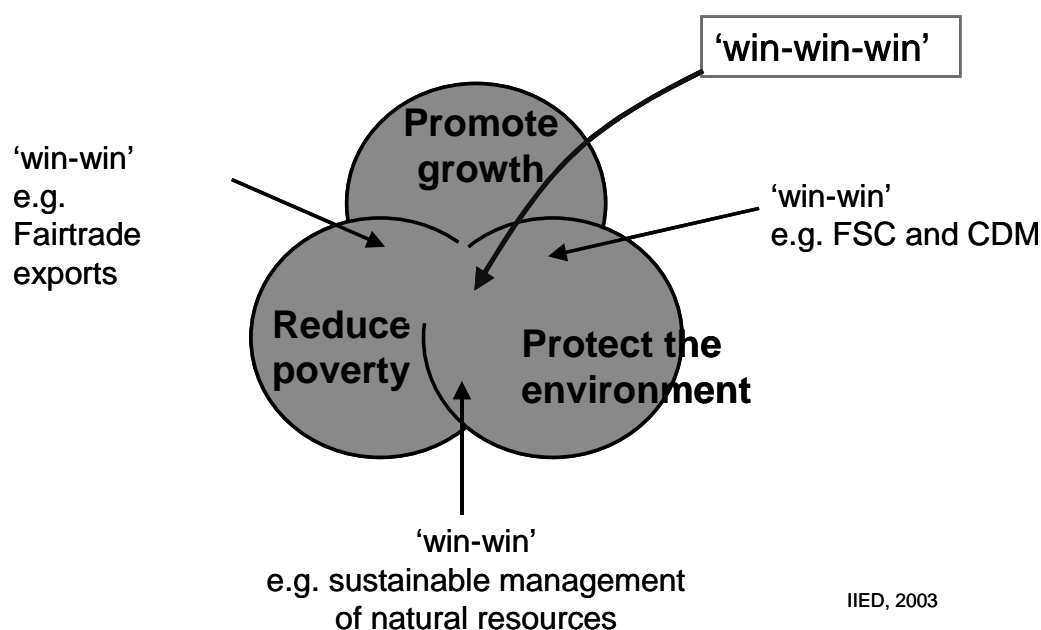
VI. Selection criteria

27. Given the breadth of potential emerging issues that could be considered in this matrix and limited time and resources, the question arises how to agree on the key issues which must be addressed in order to enable pro-poor growth through agriculture. The following selection criteria have been identified.

- Reflect partner country priorities and concerns.
- Identify interventions that maximise the poverty impact.
- Focus on aspects that DAC members can influence.
- Focus on aspects that will lead to greater sustainability of intervention.
- Focus on positive experiences and good practice examples while not forgetting lessons learned from past experience.

28. Figure 2 should be seen as a guiding illustration of possible trade offs in this process, with the ideal being the achievement of WIN/WIN/WIN outcomes and trade-offs representing WIN/WIN results.

Figure 2. Illustration of WIN/WIN Scenarios



IIED, 2003

VII. Targeting our work

29. The following characterisations developed by IIED (International Institute for Environment and Development) and IFPRI (International Food Policy Research Institute) may be useful in order to focus the work regionally and within a certain country context.

30. IIED has developed a socioeconomic hierarchy that builds on the notion of three “rural worlds” differently impacting on poor people, requiring different strategies to meet needs and priorities.

- **Rural 1:** Globally competitive, market oriented farmers, mainly producing cash crops.
- **Rural 2:** Local orientation, landowners, “shrinky/messy middle”, farmers able to balance food and cash crops, and
- **Rural 3:** Fragile entitlements, income and education-trapped, self-exploitation, unwaged family labour, redundant relative to food and fibre production. This rural world includes subsistence agriculture. These are farmers who produce for household needs, only a small part of the harvest is sold to raise cash.

31. The description of these rural worlds will be used to further characterize the agricultural sector defined earlier. Each of these rural worlds embodies a different level of risk and vulnerability. The proposed work will explore policy implications of strategies addressing the needs and priorities of poor people in each of the above “rural worlds”.

32. Secondly, IFPRI has developed a useful typology that illustrates how the potential for pro poor agricultural growth differs according to the context and setting. The questions below identify a country’s contextual location.

- Is the region located in a low or middle income country?
- Has the country liberalized its market and trade policies?
- Does the region have low or high agro-ecological and agro-climate potential for agricultural growth?
- How good are the rural infrastructure, service provision and market access conditions?
- Are wages low and labour abundant or is labour scarce?
- How enabled/empowered are the regions' poor?

The results can be used as a first step in setting priorities in interventions.

Table 2. Typology of pro poor growth potential according to country context and setting

Country Setting/Regional characteristic	Good infrastructure				Poor infrastructure			
	Surplus Labour		Scarce Labour		Surplus Labour		Scarce Labour	
	High Potential	Low Potential	High Potential	Low Potential	High Potential	Low Potential	High Potential	Low Potential
Middle Income Country								
Markets liberalized								
Markets not liberalized								
Low-Income Country								
Markets liberalized								
Markets not liberalized								

Source: Adapted from IFPRI (2001).

VIII. Working group modalities/Process

33. The working group agrees to:

- Identify a point person for each DAC member and communicate this to the OECD Secretariat (ebba.dohlman@oecd.org).
- Identify any other key actors that should be engaged in the working group discussions, workshops and email exchanges including relevant multilateral organisations and NGOs, relevant parts of the OECD secretariat (such as Agriculture and Trade), and DAC subsidiary bodies (such as Environet and Gendernet).
- Maintain an open and flexible process of working together.
- Share information, experiences and working documents on a regular basis, by email, meetings and workshops.

- Identify specific topics which representatives of the group would like to take the lead on and around which working groups on specific areas identified in the matrix can be formed. These topics, their timeframes, follow up arrangements and resource implications could be shared with the POVNET at the time of the next meeting on 13-14 November.
- Explore possibilities of sharing information and concerns through workshops on an ad hoc basis with developing country partners and civil society.
- Identify specific outcomes and outputs for consideration by the POVNET and DAC in the context of the Programme of Work and Budget for 2005-6.

IX. Products/deliverables

34. The working group agrees to the following deliverables:

- A quick mapping of donor activities and strategies in the areas of agricultural development, rural development and rural livelihoods to be prepared by the Secretariat by end 2003 (this will entail a short page questionnaire sent by the Secretariat to be completed by working group members).
- A conceptual document (6-10 pp) could be prepared which 1) expands on the framework 2) provides a common basis of definitions and point of departure and 3) highlights the linkages between growth- poverty reduction and agriculture. This could be seen as the first chapter of any subsequent papers, guidelines or reference documents.
- “Best thinking” papers on a set of emerging issues to be identified by the working group at the next POVNET meeting along with indications of responsibilities and budget implications and followed up with workshops to discuss them.
- A forward looking reference document (with particular emphasis on the targets within the MDGs) as well as a collection of special topic papers and discussions around them to be drawn together by the Secretariat in time for the POVNET meeting at end 2005.

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