



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

**DAC Network on Poverty Reduction**

**ROOM DOCUMENT N°3 for its meeting on 2-3 June 2003**

**AGRICULTURE AND PRO-POOR GROWTH**

*The attached note provides a revised terms of reference, proposed by USAID, for POVNET work on this theme. It has already been circulated to Members for comment.*

Contact person: William Nicol - Tel: (33 1) 45 24 91 37  
Fax: (33 1) 44 30 63 33 - E-mail: [william.nicol@oecd.org](mailto:william.nicol@oecd.org)

**JT00145030**

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format

## **Agriculture and Pro-Poor Growth Revised Terms of Reference**

*United States Agency for International Development, USAID*

1. A significant number of members of the POVNET including observers commented on the initial draft of the TOR. Overall, there was significant continued support for the activity and interest in moving forward. Also, the DAC SLM supported the activity at their meeting in December 2002.
2. There was a shared desire for the focus of the activity to find an appropriate position between too narrow a TOR on agricultural production per se and too broad an activity that would preclude meaningfully precise enough conclusions to give pragmatic guidance to agriculture users of the product. While there were some suggestions to expand the view to a broader perspective, such as rural development, after discussion and exchanges most people seemed to agree that a key is to have this activity coordinated with other critical ongoing initiatives, such as the World Bank Rural Development Strategy, that have already dealt, or will be dealing with many of the larger issues. The key is to create well expressed connections between the particular focal concerns of this activity and other related POVNET activities such as the new health reference paper; the DFID work on rural livelihoods; the POVNET private sector work; etc.
3. In discussions on the terms of reference, there was a general interest in a need for getting a shared overview of the emerging global agricultural situation and its potential effects on development programming, much as there was an interest in a coping exercise when the first TOR were drafted. At this point, people feel the need is to concentrate on identifying key issues and providing guidance on how to deal with them while avoiding pre-determined positions.
4. Many of the suggestions were in terms of “particular concerns” that Members were interested in assuring were handled across any final specific themes of focuses. These included: gender; private, public and non-profit roles; trade; millennium goals; environmental sustainability; equity; efficiency; health and nutrition; good governance; conflict; corruption; food security.
5. The SLM decision to have the present POVNET work continue in the form of “reference documents”, either as a Task Force or as an activity within the POVNET, provides clarification on the activity’s objective, that of informing the donor/host country deliberations in support of pro-poor agriculture related strategies. The goal is significant awareness of emerging critical issues and factors rather than pre-determined, pre-mature or overly generalized proposed solutions. Rather, the reference documents would be a major resource to bring sophisticated and knowledgeable donor and LDC expertise together to bear directly on ongoing deliberative processes, from PRSPs to specific sector and program strategies.

6. After consulting with others, there arose an alternative suggestion to the effect that the activity take a more imaginative approach of focusing on a few key emerging issues that are of particular importance to pro-poor agriculture policy and practice and planning – in terms of both constraints and opportunities. This approach would allow us to respond to the felt need for a not too narrow perspective by choosing emerging issues that encompassed larger but still definable issues that directly address pro-poor agriculture.
7. As a result of the above we are suggesting a reconfiguration of the proposed activity around three or four focal clusters under which there are a series of identifiable emerging issues that are of: (1) of critical significance to recommend careful consideration in future agriculture sector – pro-poor policy, planning, and implementation; (2) on which there is already sufficient information for taking a critical look and providing initial guiding understanding; (3) on which the participating donors can access and provide access to expert understanding; and (4) which are amenable to meaningful donor as well as LDC response.
8. Proposed focal clusters and issues include:

<u>Focal Area</u>	<u>Emerging Issues</u>
Assets and Poverty Traps	Remittances Increasing internal investments Safety nets Input markets
Markets and Products	Global supermarkets Changing commodity markets New production realities Future of the small farm Taking “poor” markets seriously Environmental services, growing pharmaceuticals, and other new products and services Identify preserved commodities
Labor and Technology	Changing labor demographics Rethinking producer group dynamics New technologies and technology infrastructure
New Regional Dynamics	Developing mega cities Changing relations between city and countryside Role of growth corridors

9. **Assets and Poverty Traps:** The poorest of the poor find themselves in perpetual poverty traps. Even if they survive and manage small accumulation, life is inherently composed of periodic crises that rapidly exhaust shallow asset bases (sickness, unemployment, drought,

commodity price collapse, etc). When coupled with modern production that requires advance investments and increased risk, those with shallow asset bases, bob up and down from poverty to subsistence and back. Risk reduction therefore becomes a large component of any pro-poor production and survival strategy and must be addressed in proposed production changes to assist them, both in terms of production practices, and safety nets that cushion any fall into crisis and shorten recovery. Traditionally, agriculture practices of the poor had a variety of risk-adjusted strategies incorporated in them that have fallen to the wayside with new market production oriented crops and financial cycles. Similarly the use of agriculture itself as a safety net for those engaged in other pursuits has been neglected, though for instance in the recent Indonesian financial crises, rural family agriculture operations proved a vital refuge for many newly distressed urban workers.

10. The poor when put in the context of larger networks can still benefit from potentially available new sources of capital. Remittances now estimated at \$30 billion worldwide represent a vast pool of potential capital for productive investment, with spin off potential for increased employment for the rural poor. Internal investment, itself, probably remains the most under treated yet critical input. Significant sums now flow out of developing countries from their own populations. The result is not only loss of capital but also loss of connectivity between important powerful interests and the economic status, progress and sustainability of their own country. Policies and practices that favor increasing such external and internal investments in rural areas are vitally needed; and disincentives, including some development country investment practices that encourage the transfers of ill-gotten gains, need to be erased.
11. **Markets and Products:** Poverty masks another critical reality that the poor have the same need for responsive markets as more prosperous people. Because of their poverty the market, especially markets beyond the local community, under values the potential participation of the poor or extracts a very high premium from them. David Hart, professor of Business at the Keane School, has called this the poverty triangle. He argues that markets address the pyramid of needs from the financially well positioned top down but that in fact the middle and bottom of the pyramid represent a vast market craving cost-effective inputs. For Hart the “poor” are a frontier for new global markets but few global or even regional businesses know how to efficiently serve them. The result is that the poor are served by a spectrum of poor specific business -- pawn shops, repackagers, middlemen -- that are largely ignored by donors but reflect real needs awaiting better market response.
12. Traditional market access is changing for smallholders. Supermarkets are becoming a major component of retail markets not just in developed countries but also in developing countries where they are taking over the most dynamic segments of the food retail markets – the rapidly growing urban areas where incomes are higher -- as well as extending into poor neighborhoods of large cities and towns, including in Africa. Through format adaptation and efficient procurement systems, the new trend is “supermarkets to the poor”, a diffusion and extension of supermarkets away from mere luxury high-end niches to being mass market merchandisers. Two changes are occurring in traditional markets (which includes small shops, public markets and street fairs) – *organizational*, with consolidation and shift to non-traditional wholesalers, and *institutional*, with the

creation of stringent private standards – as a result of the market being taken over by supermarket procurement systems, implying hefty entry requirements and even barriers to many smallholders. Peter Timmer, Dean, University of California, San Diego, estimates that there is a five year window for getting smallholders integrated into this new supply chain. After that, these supply chain markets will be captured and closed with the poor left out.

13. **Labor and Technology:** Several major dynamics are increasingly effecting the role and relationship of labor to the agricultural production of the poor. The very demographics of agricultural workers are changing. In many places, women already predominate as the majority of poor agriculturists. However in many countries the HIV/AIDs pandemic is now fundamentally altering the available time and energy of effected households as well as decimating adult populations per se. (HIV/AIDS effected production is lessened by 30-60% depending on crop type). Not only is more labor passing to younger people but also it is estimated that within ten years there will be more than 25 million AIDS orphans in the world. Many of these will be from poor agriculture families who in losing their parents lose not only their nurturing but critical assets, often passed to others, and mentoring in agriculture production. This comes at a time when market realities increasing call for more sophisticated cooperation between farmers as they respond to more demanding markets in terms of guaranteed quality, quantity and timing. Lastly to use new technologies per se, let alone the potential of poor producers to refine and adapt them to best serve their needs, requires increased education capacity. In fact the old triad of land, labor and capital as the key to production is being displaced. Capital is increasingly going global following the best investment opportunities wherever they are and ignoring others even if near-by. Technology is replacing land as the key to production capacity (one can grow crops on water alone and breed varieties for poor soils); and brain (knowledge) not brain (labor muscle) is increasingly what is sought for long term employment opportunities even for new technology dependent low level jobs.
14. **New Regional Dynamics:** Historically, trade activity and cultural similarities linked the populations of rural, mountain, or coastal villages together. The modern development of nation states, however, created somewhat artificial boundaries that prevented many of these adjacent groups from trading and interacting freely. As capital cities developed and traded among themselves, the once cooperative outlying towns became isolated from each other and more dependent on their national capitals for permission to travel and trade on a regional basis. There is a growing interest in the idea of promoting new intra and inter country regional trade links and some countries are now jointly developing their border areas. This not only creates new industrial and commercial efficiencies, but also new markets, generating growth in less developed areas that lie far from national capitals.
15. New regional activities recognize the importance of regional trade in pro-poor economic growth. Organization of American States members are promoting the development of trade corridors. Trade corridors are geographic areas with undefined boundaries containing natural resources, economic and social infrastructure, and settled populations. The Maputo Development Corridor in Southern Africa supports regional infrastructure upgrading with related provincial development programme. In Southeast Asia, growth triangles represent a transnational economic endeavor in which economies with very

different endowments of factors of production share services, labor, capital, component goods, natural resources, and marketing efforts, according to the efficiencies and strengths within their individual borders. Growth triangles involve cooperation among villages and provinces from the nations involved instead of among entire nations, so they bring different political, investment, and regulatory structures to bear on any given economic activity. Their administration is informal in nature, composed of multilateral memoranda of understanding and working groups that identify the most suitable production locations and facilitate the movement of capital and labor.

16. There are two other critical areas that need to be considered within this work programme, link areas and cross-cutting issues. Link areas are secondary to focal areas, but have consequences that affect and are affected by the focal areas. Activities in link areas need to be harmonized to ensure aid efficiency.

17. Proposed link areas include:

<u>Link Area</u>	<u>Emerging Issues</u>
Resource Competition and Sustainability	Changing demographics Changing consumption patterns Assuring resources rights of the poor Options for marginal areas
Health and Nutrition	Morbidity (HIV/AIDS, malnutrition) Diet adequacy Agriculture-related environmental health (water borne diseases, pesticide exposure) Occupational safety

18. Cross-cutting issues are of critical concern and need to be given adequate consideration in each focal area. Many of the cross-cutting issues are handled by other DAC groups or OECD Secretariats. As the work programme progresses it will be necessary to link with these groups.

19. Proposed cross-cutting issues include: gender; private, public and non-profit roles; millennium development goals; environmental sustainability; equity; efficiency; good governance; conflict; and corruption.

20. **Harmonization:** Donor coordination and harmonization is absolutely vital for any hope of substantially address these issues.

i) The sheer size of the problem demands both more resources than any one donor can supply and the optimal use of them in activities that are directly and operationally supportive of each other to ensure a final a system response approach to controlling real market demands.

- ii) Key decisions have to be made as to technology and trade. Even more debilitating than any particular set of policies could be the burden of competing and conflicting policies that trap poor agriculturists between the conflicting demands of different stands and inappropriately matched technologies and supporting policies and institutions.
  - iii) The need for major infrastructure development means that the bilateral donors and the IFIs need to establish better sharpened investment packages that clearly reinforce each other. Meanwhile, all producers are desperately in need of replaced and updated infrastructure from roads to power to communications.
  - iv) Within donor programs crosscutting concerns must be increasingly strategically integrated from concept to operations.
21. Next Steps: In mid-April 2003 (could be as early as mid-March 2003) there should be a significant meeting of all those concerned. This should be a general meeting of POVNET members along with other interested partners. This would provide an opportunity of POVNET to refine the expression of the formal clusters, suggest additional emerging issues under each cluster, and identify additional cross-cutting concerns.
22. The mid-April 2003 meeting would be followed by a two-three day workshop in June/July 2003 to discuss the identified clusters with expert presentation on each of the focal areas' emerging issues. This would serve as a quick but hopefully effective scoping session.
23. A small working group of those who wish to be actively engaged could meet for a day following the workshop to reassess where things stand on each focal area and issue and determine who would take the lead in developing a draft document on each cluster for presentation at the next POVNET meeting, probably in September 2003.