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Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

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

DAC Network on Poverty Reduction

POVNET AGRICULTURE CONSULTATION

Draft Annotated Agenda

20-21 September 2004 - OECD, La Murette, room 1

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BACKGROUND NOTE FOR POVNET AGRICULTURE CONSULTATION

Introduction

The DAC Network on Poverty Reduction (POVNET) was established in 1998 to help bilateral aid agencies sharpen the focus and impact of their poverty reduction efforts. POVNET, under its previous mandate, developed the DAC Guidelines on Poverty Reduction which synthesize state-of-the-art good practice and set out a vision for working with development partners and stakeholders towards poverty reduction. Recognizing that the quantity and quality of growth in the productive sectors will have an important bearing on achieving the Millennium Development Goals, POVNET was tasked with a new mandate in June 2003 on using aid effectively to promote economic growth and poverty reduction. This led to a decision to organize three Task Teams to focus initially on Agriculture, Infrastructure and the Private Sector and their contributions to pro poor growth¹.

The Task Team on Agriculture, led by the United States, aims to *develop a shared understanding of emerging issues underlying the role of agriculture in pro-poor growth*. The focus on agriculture is based on the recognition of the important multiplier effects from agricultural growth. While economic growth reduces poverty, recent evidence² shows that it is the direct and indirect effects of agricultural growth that account for the largest share in this reduction.

The work by the Agriculture Task Team is framed by adaptations of the concepts of sustainable rural livelihoods and three rural worlds³. To focus the task teams' work, two framework papers were commissioned concentrating on *access to markets* and *risk/vulnerability*. From these followed work on key emerging issues for a New Agenda for Agriculture. With this initial work now taking shape, we consider it opportune to consult with our partners for a "reality check" with a view to allow for adjustments in the direction of work and outputs where necessary. The draft *hot topic papers*, which form the basis of this consultation, synthesize broader emerging issues so far discussed by the task team. Annex 1 provides an overview of what a publication (work in progress) of the Agriculture task team may look like. The papers have been drafted as a basis for effective dialogue with partner countries, other POVNET task teams, OECD bodies and DAC networks.

Purpose of this workshop

Against this backdrop, the overall goal of this consultation is to obtain feedback from our partners on the direction and specifically the relevance of the hot topics of the New Agenda for Agriculture from a developing country perspective and to determine whether donors "have it right". More specifically our objectives for this consultation are to address the following questions:

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1. For further information about the POVNET Agriculture Task Team and documents from past meetings please access the POVNET website at: <http://webdomino1.oecd.org/COMNET/DCD/PovNet.nsf>
 2. in particular, see John W. Mellor, *Faster More Equitable Growth: The Relation Between Growth in Agriculture and Poverty Reduction*, CAER II Discussion Paper No. 70, May 2000
 3. The framework of the Three Rural Worlds has been articulated by IIED. It distinguishes between the rural poor and helps to identify appropriate policies for different groups. Rural World 1 includes competitive market oriented farmers who are mainly producing cash crops, while Rural World 2 includes landowners who are able to balance the production of food and cash crops. Rural World 3 includes producers who are least connected to markets, as well as subsistence agriculture and agricultural labourers.

- Do these papers accurately reflect the constraints and opportunities to pro-poor growth in these three areas?
- What are the agriculture, rural economy and related policy implications of these topics?
- What interventions should be introduced at the level of partner government, donors, the private sector and civil society (producers and associations) in order to enable pro-poor growth through agriculture? Do these interventions need to be differentiated by Rural Worlds?
- How should policy changes be introduced within the present development architecture?

Structure of consultation

The consultation will be held on 20-21 (am) September 2003. It will start and close with a plenary session, with break out group sessions in-between. The opening session will set out the objectives and provide background to the POVNET discussions on agriculture and pro-poor growth. Three break-out groups will then focus on each of the hot topics, drafted by the United States, the World Bank and United Kingdom, providing an opportunity for in-depth discussions of the hot topic and its policy implications. Key issues and some policy questions for each of the three groups are laid out below.

Group 1. Supermarkets: Smallholder Participation in the Global Value-Chain

The issue of *Supermarkets: Smallholder Participation in the Global Value Chain* has received a great deal of attention, both as regards bulk commodities which are characterized by oversupply, declining prices and demand inelasticity, and higher valued (often "niche") products where there are strong hopes for upgrading/restructuring of markets. Private sector strategies are moving fast in this area and could be an impediment for pro-poor growth strategies. The ability of small producers to benefit from rapid changes in a context of corporate concentration and increasing consumer demands for traceability and high quality of products is being challenged. If policy is to anticipate and respond positively to these changes, more needs to be known about global production and supply trends and their impacts on rural producers and consumers.

- Do commodity markets need to be re-regulated? What other options exist for addressing the commodity oversupply and decline in prices without overly distorting the market?
- What information/data gaps should be addressed (corporate concentration, standards, etc) for better informed policy/programming interventions in this area?
- With increasing demands for traceability of foods and proliferation of privately set standards and certification requirements, what role should donors play? Can they help producers take part in the standard setting process upstream? Or should they focus more on information and compliance?
- Should donors be working with business to make "fair trade" a corporate standard rather than a consumer choice?
- What is the highest value-added for donor engagement, i.e. in strengthening producer associations, facilitating dialogue between producers and supermarkets or advising government in monitoring/re-governing commodity markets?

Group 2. Diversified Livelihoods: Linking Rural Households to Urban Communities

This topic focuses on economic diversification of households and its implications for pro-poor agricultural policy. An important form of diversification is migration in its various forms (rural-urban, rural-rural, seasonal, circulatory, permanent, commuting etc). Migration allows labourers to escape unfavourable rural labour markets and provides a routine livelihood strategy, but is often perceived as negative. The relationship between migration and poverty goes both ways, while migration can worsen

poverty by depleting household labour; remittances also stimulate land markets and increase family consumption.

- In what situations is it appropriate for governments to stimulate or facilitate the internal movement of people?
- In what contexts should governments promote informal sector activity (while providing some regulation related to standards and quality)?
- What are the conditions that stimulate the productive use of remittances and how can policy interventions promote these conditions?
- How should mobility (i.e. migration) be addressed in PRSPs and other national plans?

Group 3. Incorporating Risk and Vulnerability into Agricultural Policy

This topic responds to concerns that efforts to reduce risk and vulnerability within agriculture policies are diminishing or static at a time when the 'riskiness' of agricultural production and marketing is increasing. It proposes that risk reduction is not just a matter of social protection, but has important 'production' dimensions and so can and should be addressed by agriculture departments. However, risk is multifaceted, and the suggestion is made that strong coherence is also needed with departments dealing with "higher level" matters such as foreign trade and fiscal/monetary management, and with those dealing with related sectors such as small enterprise and infrastructure. The fact that money is transferred within the household to tackle the latest shock or stress, whether in domestic or productive spheres, is a further challenge, and raises questions of whether and how risk reduction can be addressed coherently across these two spheres.

- What are the options for reducing risk and vulnerability when they are driven by globalization, liberalisation and corporate sector penetration of markets?
- Do agriculture departments indirectly promote risk when they are "driven by growth"? What risk-reducing measures do they promote?
- Would stronger introduction of risk-reducing measures face opposition within agriculture departments/ministries or other departments (e.g. foreign trade, macroeconomic management)? If so, how can this be overcome?
- What can be done to reduce shocks and stresses coherently as between domestic and productive spheres in relevant institutions (i.e. banks and microfinance)?
- What factors are relevant in getting risk and vulnerability reduction onto the "new aid architecture" agenda of PRSPs, direct budgetary support etc?

Workshop participants

We will have wide participation at this workshop, including public sector officials (both national and regional), private sector participants as well as civil society from both developing and developed countries. Other participants to the workshop will include members of the Agricultural Task Team, members of the Infrastructure and Private Sector Task Teams as well as other OECD representatives and DAC networks.

**POVNET AGRICULTURE CONSULTATION
DRAFT ANNOTATED AGENDA**

*20-21 September 2004, Paris
OECD – La Muette – room 1*

Chair: Ms. Emmy Simmons, POVNET Chair

Monday - 20 September 2004

Session 1: Plenary – The New Agenda for Agriculture, Pro Poor Growth and Smallholder Opportunities.

- 9:30 -11:00 a) Welcome (5 min)
 b) Objectives and roadmap for the meeting (5 min)
 c) Framing the New Agenda for Agriculture and -key concepts (20 min)
- Livelihoods/Three Rural Worlds
 - Entry points - Markets and Risk/Vulnerability
 - Smallholders and Pro Poor Growth
- Open discussion on the framework and concepts (1 hour)
- 11:00-11:30 Coffee
- 11:30-13:00 d) Presentation of hot topics
- Framing the issue and questions to be addressed in break out sessions (20 min each)
 - Guidance for break-out sessions (10 min)
- 13:00-14:30 Lunch (a cold lunch is provided)

Session 2: Breakout Sessions on the *hot topics* for the New Agenda for Agriculture

- 14:30 -18:00 The three hot topic papers present a short, policy focused synopsis of different work streams that have been discussed so far in the task team. They have been drafted for a more effective dialogue. Short interventions will be followed by an in-depth discussion. Break out groups should address issues highlighted in the background note for their group focussing in particular on the following questions:
- Do these papers accurately reflect the constraints and opportunities to pro-poor growth in these three areas?
 - What are the agriculture, rural economy and related policy implications of these issues?

- What interventions should be introduced at the level of partner government, donors, the private sector and civil society (producers and associations) in order to enable pro-poor growth through agriculture? Do these interventions need to be differentiated by Rural Worlds?
- How should policy changes be introduced within the present development architecture?

Group 1: *Supermarkets: Smallholder Participation in the Global Value-Chain*
Reference:DCD/DAC/POVNET/A(2004)5/RD1

Group 2: *Diversified Livelihoods: Linking Rural Households to Urban Communities*
Reference:DCD/DAC/POVNET/A(2004)5/RD2

Group 3: *Incorporating Risk and Vulnerability into Agricultural Policy*
Reference:DCD/DAC/POVNET/A(2004)5/RD3

Tuesday - 21 September 2004

Session 3: Plenary – Reporting back and policy implications

- 9:00 – 10:15 a) Reports from three break-out sessions are to address the following (20 minutes per topic):
- The papers' accuracy in reflecting constraints and opportunities to pro poor growth
 - The policy implications for agriculture, rural economy etc.
 - Appropriate interventions for partner government, donors, the private sector and civil society.
 - How these can be introduced in the present development architecture?
- 10:15-10:45 Coffee
- 10:45 – 12:30 b) Discussion on policy implications
- To what extent are donors aware of these hot topics and their policy implications?
 - Are donors using appropriate policy interventions to address them?
 - Which policy or operational interventions would be most appropriate?
- 12:30 – 13:00 c) Conclusion of the consultation

PLEASE NOTE: There will be an Agriculture Task Team meeting in the afternoon of 21 September 2004 from 14:30- 17:00 in Room 1. This meeting will focus on “what next”, i.e. clarifying immediate and longer term next steps for the Agriculture Task Team.

ANNEX 1

The New Agenda for Agriculture Draft Outline of Publication

Section A: Overview and contextual framework

As part of the contextual reality discussed at and since Florence, this section should include references to gender, HIV/Aids, key policy and institutional prerequisites for pro-poor growth, importance of organising small producers, current agricultural trade regime, etc. It should also identify links between the different issues/themes and show how they impact on pro-poor growth.

Chapter One: Introduction (New draft by Felicity Proctor, NRI – take into account comments on labour, input and land markets)

Chapter Two: Rural Worlds and Household Livelihoods (To be drafted by USAID with materials from John Thompson and John Farrington’s presentations at Florence)

Chapter Three: Smallholders and Pro-Poor Growth (Peter Hazel paper, Helsinki meeting)

Section B: Enabling Pro-Poor Growth through Agriculture – Scoping of Entry Points

Chapter Four: Making Agricultural Markets Work Better for the Poor (David Orden, et al paper, March/April meetings)

Chapter Five: Social Protection and Livelihood Promotion in Agriculture: Towards Operational Guidelines (Farrington paper – March/April meetings)

Section C: Emerging Issues of the New Agenda

Chapter Six: Constraints and Opportunities for Smallholders in Global Food Chains (Vorley paper, Helsinki)

Chapter Seven: Increasing Diversification of Rural Livelihoods (Priya’s paper, Helsinki, input from Neil Macpherson)

Chapter Eight: Recognising and tackling risk and vulnerability constraints to pro-poor agricultural growth. (Farrington- Helsinki)

Section D: Implications for Agriculture Policies (work in progress)