

## **How to make public policy and expenditure work for the poor**

### **Summary**

This summary sets out the principal issues raised by contributors according to the following main themes:

- Direct Budget Support (DBS) - implications for agriculture
- Reforming ministries of agriculture
- Political economy for change
- Shaping public policy on agriculture and widening participation
- Shaping future DFID policy

#### **Direct Budget Support (DBS) - implications for agriculture**

A number of contributions were received raising concerns over the increasing trend for donors to move towards DBS, and the negative consequences that this poses for agriculture.

The concern is that the shift towards DBS results in a diversion of public funds that otherwise would have been allocated to agriculture. Contributors felt that while DBS strengthens ownership by recipient governments over resource allocation decisions, it distances donors from their responsibilities in implementing effective strategies to reduce poverty. This issue is especially relevant to DFID, as DFID is one of the leading bilateral donors promoting DBS as an aid instrument.

DBS inevitably results in a shift in decision-making processes and resource allocations that work against ministries of agriculture. Ministries of agriculture are often one of the weakest sector ministries and the least capable of making a convincing case to central finance ministries for scarce budget resources. Also, many ministries of agriculture maintain a production-oriented view of their role - a view that is inconsistent with the current emphasis upon poverty reduction.

Overall, the adoption of DBS has reduced investments specifically targeted towards agriculture. Without targeting resources to agriculture it is difficult to ensure that the sector receives the resources needed to stimulate growth. It is also makes it difficult for donors to provide effective technical support to ministries of agriculture to target poverty reduction. Technical assistance previously 'bundled' with agriculture sector investment projects is hard to target in isolation.

Whilst spending in sectors such as health and education is a priority, financial resources allocated to the development of agriculture remains crucial for growth and poverty reduction. In this regard the livestock sub-sector was highlighted as an important area for pro-poor growth where sustained public funding is required.

Ultimately however, securing increased public funding for agriculture requires a strengthening of the bargaining power of ministries of agriculture. This points towards political economy considerations and reform of ministries of agriculture.

## **Reforming ministries of agriculture**

The weakness of ministries of agriculture, particularly in Africa, is seen as an obstacle to agriculture fulfilling its potential as a driver for growth and poverty reduction. As already noted, in many countries ministries of agriculture remain production-oriented, with little consideration for poverty. This makes it difficult for them to justify increased public funding to the sector.

Contributors suggested that reforms are needed in a number of areas:

- Capacity building to ensure that key strategic documents (PRSPs etc) accurately reflect the role of agriculture in growth and poverty reduction;
- Increased attention to the provision of public-funded services that are targeted towards the needs of smallholders;
- Adoption of innovative approaches to service delivery, involving closer interaction between public and private service providers;
- Restructuring of ministries of agriculture to reflect decentralisation processes and the need to respond to locally identified priorities; and,
- The need for governments and donors to demand greater accountability from ministries of agriculture.

One contributor posed a question as to whether it was realistic to expect hierarchic ministries of agriculture, mostly starved for funds, to be transformed into delivering services demanded by the poorer factions within communities. Perhaps a faster track in empowering deprived rural communities would be through support to local government, or through community organisations and NGOs.

## **Political economy for change**

A number of contributors highlighted the importance of politics and ideology in determining government and donor approaches to agriculture. An important aspect here is the need for donors to be realistic when it comes to setting targets for poverty reduction in other countries. The principal responsibility for poverty reduction rests with the people and governments of developing countries and we cannot set meaningful targets for what they will do.

A number of points were raised:

- Renewed discussion is needed of the political dimensions of smallholder farming as the driver for rural poverty reduction.
- Liberalisation of agriculture has yielded few positive results. One contributor commented that in Tanzania there is little political demand for more liberalisation (of export agriculture), but there is a need for increased state intervention to correct for instances of 'market failure' - the trouble is that much current state intervention exacerbates rather than attenuates market failure (through patronage, inefficiency, and corruption).
- Pressures of disbursement and the need to keep the local government and bureaucracy 'on side' often compromise the effectiveness and sustainability of donor support to agriculture.
- Diverse, ad hoc, and uncoordinated donor interventions to agriculture continue to be part of the problem.

- Donors need to focus much more on encouraging reform in institutions and tax regimes that improve the environment for private sector investment in agriculture.
- In relation to UK contributions to multilateral agencies involved in agriculture, DFID should: (i) seek to maximise the value of contributions; and (ii) encourage these agencies to shift away from the hiring of academic high flyers to staff with practical experience.

### **Shaping public policy on agriculture and widening participation**

We need to be more effective in engaging the poor in the policy process, and more systematic in the way that policy research is disseminated and used. The mechanisms to allow effective participation by the poor in all stages of the policy process, whilst well known, are rarely used effectively. Even when policy research is relevant to the needs of the poor, it rarely informs policy design and implementation.

A number of contributors highlighted approaches that have proved effective in widening participation by the poor in the debate on agricultural policy. For example 'citizen juries' in India and Brazil have enabled poor farmers to actively participate in debating policy issues and shaping sector interventions by local and state governments. Other forms of participation that have been successful include participatory video diaries and participatory assessments. These examples show that civil society organisations can offer policy solutions in addition to their traditional role as implementers.

The need for government accountability is central in establishing and sustaining policy measures. Experience from India shows that participatory budget analysis can be an effective tool in improving governance, and in holding governments more accountable for their actions. The budget is a critical entry point for numerous issues and can encourage widespread and constructive dialogue, and local ownership of policy processes.

One contributor highlighted the need to consider poor farmers when considering market liberalisation and the reform of rural serviced delivery. Such reforms are often regarded as providing a mechanism for poverty reduction, yet the rural poor are rarely able to respond to market change with the speed and innovation of better-off farmers. It is important that reforms are inclusive of the poor and support is targeted to enable the poor to take advantage of new opportunities.

### **Shaping future DFID policy**

Many of the contributors made suggestions on shaping future DFID policy on agriculture policy. The main proposals are as follows:

- DFID should encourage open and inclusive policy debate about the role of agriculture (especially smallholder agriculture) in economic growth and poverty reduction. The debate should be evidence-based and focussed around an understanding of the political economy for change, and public and private roles in making markets work.
- DFID needs to consider the implications of DBS for agriculture. In countries where DBS is the principal instrument for DFID engagement, but where governments are failing to deliver pro-poor agricultural growth, a twin-track

approach should be considered involving DFID support for interventions specifically targeted towards agriculture.

- There is a need for DFID to establish firmer linkages between agricultural policy and hunger eradication. DFID's current Public Service Agreement (PSA) exerts authority on aid management instruments and DFID policy over the period 2003-06. The PSA states as a primary objective the eradication of poverty and extreme hunger in developing countries through achieving the MDGs by 2015. However, the PSA has no mention of the elimination of hunger anywhere else in the document. Hence, while hunger appears to hold as much importance as poverty eradication, it has been given no priority in DFID's medium-term strategy. Furthermore the word 'agriculture' is also excluded from the PSA and its relevance in alleviating poverty and affecting key indicators is only implied indirectly.
- DFID should engage more proactively in supporting the development of pro-poor agriculture policy and programmes in developing countries – for example, through the Comprehensive African Agricultural Development Plan (CAADP). In 2003, the UK government made a commitment to be a champion for the developing world, yet (for some contributors to this forum) this rhetoric has not been translated into meaningful action. While CAADP may perhaps not be perfect, it is surely the UK government's best chance of supporting the continent's efforts. The forthcoming UK presidency of the EC is an ideal opportunity to promote these issues more widely within the EC.
- DFID needs to promote agricultural policy reforms that are inclusive of the poor and that account for gender implications (for example, supporting public policy in agriculture that support the endeavours of women farmers).