

## Consideration of Elements of the Draft Strategic Framework and Medium Term Plan -

### Revised formulation of Strategic Objective G – Enabling environment for markets to improve livelihoods and rural development

#### Executive Summary

As requested by COAG, Management has prepared a revised formulation of SO G that strengthens the treatment of issues related to small producers and rural development. The attention of the Working Group is also drawn to mechanisms to focus on rural development issues across the Strategic Objectives through the Impact Focus Area on support to the CFA – smallholder farmer food production, and the Core Functions on capacity building for rural institutions and articulating policy and strategy the options and advice.

#### Scope of document

1. During its examination of the Strategic Objectives at its twenty-first session (Rome, 22-25 April 2009), the Committee on Agriculture (COAG) discussed Strategic Objective G “Enabling environment for markets to improve livelihoods”. The Committee noted: *“that the issues related to smallholder farming and rural development should be adequately addressed and strengthened in the Strategic Objective. Following extensive discussion, the Committee recommended that the Conference Committee on Follow-up to the Independent External Evaluation of FAO (CoC-IEE) revisit Strategic Objective G in order to address this issue.”* Accordingly, a revised formulation of SO G is submitted to Working Group 1 for consideration.

#### Revisions to formulation of Strategic Objective G

2. Since the version submitted to COAG, the strategy team comprised of all the FAO units concerned in the implementation of SO G undertook to revise the underlying Organizational Results (ORs) and the primary tools. The team reflected in the revised version, presented in Annex, more tangible contributions to rural development actions in countries, and in particular addressed more fully and explicitly the special requirements of small producers.

3. Due to this heightened attention to balanced rural development initiatives and institutional arrangements in countries to address small producer issues, it is proposed to amend the title of SO-G to read “Enabling environment for markets to improve livelihoods and rural development” (addition underlined). This emphasis is especially evident in OR G1: *Appropriate analysis, policies and services enable small producers to improve competitiveness, diversify into new enterprises, increase value addition and meet market requirements* and OR G2: *Rural employment creation and income diversification are integrated into agricultural and rural development policies, programmes and partnerships*. It may be noted that achievement of the latter OR is being led by the Gender, Equity and Rural Employment division.

4. While the realization of OR G3: *National and regional policies, regulations and institutions enhance developmental and poverty reduction impacts of agribusiness and agro-industries*, and OR G4: *Countries have increased awareness of and capacity to analyze developments in international agricultural markets, trade policies and trade rules to identify trade opportunities and to formulate appropriate and effective pro-poor trade policies and*

*strategies* is necessarily dependent on progress in taking full advantage of market opportunities across all sectors, due account will be taken of the constraints experienced by small producers, both in the provision of advisory services to countries and in capacity building activities.

5. For all ORs, the indicators have also been revisited to seek to assess the effective impact on the small producers and poorer population groups in relation to attaining broader national rural development objectives.

### **The diverse dimensions of FAO work in support of rural development**

6. Whereas the implementation of SO G is expected to make quite concrete contributions to rural development efforts and initiatives in countries, it is important to dispel any impression that it will be the only form of such action at the disposal of FAO.

7. In the first instance, as highlighted in another paper on Impact Focus Areas (IFA) submitted to Working Group I, the IFA-CFA will support aspects of the implementation of the UN system-wide Comprehensive Framework for Action (CFA) relating to smallholder farmer food production. The IFA-CFA will provide for a focus of such action under thirteen ORs across seven SO's, including three OR's of SO G.

8. An example of another key FAO instrument to support rural development at national level is core function e) *Providing technical support to build capacity, particularly for rural institutions*. In fact, Working Group 1 considered a draft strategy related to capacity building at its meeting of 18 April 2008. Core function d) *Articulating policy and strategy options and advice* will also support national rural development objectives, based on specific country conditions and problems, across the strategic objectives.

9. Besides SO G, at least four other Strategic Objectives of a cross-sectoral nature (F *natural resources*; H *Improved food security and better nutrition*; K *Gender equity in access to resources, goods, services and decision-making in the rural areas*; and L *Increased and more effective public and private investment in agriculture and rural development*) will involve important dimensions of rural development, e.g. strengthening of institutional capacities, ensuring people's participation, providing targeted assistance to disadvantaged groups and making critical and balanced investment decisions in rural areas. Under OR F4, *an international framework is developed and countries' capacities are reinforced for responsible governance of access to and secure tenure of land and its interface with other natural resources*, including follow-up to ICARRD.

10. Moreover, a number of FAO units are mandated to cover specific disciplines relating to key aspects of rural development. This work routinely covers the identification of policy options for the solution of such issues, as well as knowledge dissemination. Major examples include the Land and Water Division as regards land use and land tenure; the Gender, Equity and Rural Employment Division concerning gender and rural employment; the Nutrition and Consumer Protection Division and the Rural Infrastructure and Agro-Industries Division for the improvements in marketing systems and food chains.

### **Action by the Working Group**

11. The Working Group is invited to review the revised formulation of SO G, which aims to address and strengthen treatment of issues related to small producers and rural development.

## **Annex: Strategic Objective G - Enabling environment for markets to improve livelihoods and rural development**

### ***Issues and Challenges***

Livelihoods and rural development are affected by the extent to which small producers exploit market opportunities, and markets and institutions function efficiently in a changing environment. Agricultural producers, workers, traders, processors, input suppliers, exporters, importers and consumers are linked through local, national, regional and international markets. As a result of these multiple exchanges, incomes and employment can be generated and rural development promoted. However, the effective participation of developing country producers, especially small producers, in markets is limited and the efficient functioning of markets is constrained by *inter alia* inappropriate policies, low volumes, limited competitiveness, lack of information, inadequate infrastructure, weak institutions and market power asymmetries. At the same time, markets are evolving as a result of changes in technology, trade rules, structural developments, the proliferation of demanding standards and a variety of other emerging issues.

Stakeholders need analytical information concerning the nature and the implications of such changes for growth, rural poverty, rural development and food security. They also need improved capacity to participate effectively in international fora negotiating international trade rules so that their interests are taken into account. To reduce poverty and meet development and food security needs, policy makers should have the capacity to identify and implement appropriate policies to facilitate the response of the private sector, including small producers, to new market demands and opportunities. At the same time, employment creation in agriculture or through rural enterprise and agribusiness development needs to be accompanied by policies that ensure fair and safe conditions in rural areas.

### ***Assumptions and Risks***

- It is assumed that there is a significant need for assistance to countries, regional bodies and other stakeholders to assess the implications of key developments and to identify market, institutional, policy and legal responses and resource mobilization strategies, paying special attention to the needs of smaller producers, landless and workers. On the one hand, it is assumed that those involved directly in production, processing and marketing activities generally need to adopt a more commercial approach and improve their technical, managerial and marketing skills in order to benefit from remunerative markets. On the other hand, it is assumed that rural people, who are employed, need to be adequately remunerated and protected. Given the globalization of value chains, it is assumed that stakeholders need to be cognizant of developments in international markets and policy and in international trade rules. Analysis and information concerning markets are needed to support the development of appropriate national and international policies. Countries must support policy design and implementation and FAO and its partner organizations should have the capacity to assist them.
- Some ministries of agriculture and other relevant organizations may be ill-equipped to analyze, formulate or implement appropriate policies, regulations and legislation and to develop other aspects of an enabling environment for rural producers, workers, and agribusinesses. Governments may not demonstrate the political will and financial commitment to improve the functioning of national and international markets and other institutions, and infrastructural investments to encourage greater market orientation of small producers may not be in place. There are also exogenous risks. The market possibilities of smaller enterprises may be adversely affected by the power of larger enterprises, including multinational companies. Efforts to create an enabling environment may be compromised by political, economic (including food price volatility), and environmental crises that may transcend national boundaries.

**Application of Core Functions to Strategic Objective G**

| Org Result | A - Perspectives, trend monitoring, assessment | B - Information, knowledge, statistics | C - International instruments | D - Policy advice | E - Tech support, capacity building | F - Advocacy, communication | G - Interdisciplinary approach | H - Partnerships, alliances |
|------------|--|--|-------------------------------|-------------------|-------------------------------------|-----------------------------|--------------------------------|-----------------------------|
| G01        |  | ×                                      |                               | ×                 | ×                                   |                             | ×                              | ×                           |
| G02        | ×  | ×                                      | ×                             | ×                 | ×                                   | ×                           | ×                              | ×                           |
| G03        |  | ×                                      |                               | ×                 | ×                                   |                             | ×                              | ×                           |
| G04        | ×  | ×                                      | ×                             | ×                 | ×                                   | ×                           |                                | ×                           |

**Organizational Result G1 - Appropriate analysis, policies and services enable small producers to improve competitiveness, diversify into new enterprises, increase value addition and meet market requirements**

| Indicator  | Targets (4 year)   |
|--|--|
| <b>G1.1</b> Policy makers and development partners are better informed about markets and opportunities and about effective policies and strategies to help small producers respond and improve their access to output and input markets  | Six countries have initiated policy developments or reforms related to small producer market access and revised strategies -four regional or sub-regional organizations have increased awareness of appropriate policies and strategies to promote market-based rural development  |
| <b>G1.2</b> Countries have improved institutional capacity to formulate and implement relevant policies and programmes to strengthen small producers' capacities to access markets, access financial services and access input and equipment supply  | Countries and sub-regional organizations in six sub-regions have participated in capacity building workshops relevant to market-based rural development on issues such as contract farming, linking farmers to markets, financial services and related topics; countries and organizations in all sub-regions have utilized examples of programmes to strengthen farm-business linkages; farm-business linkages have been developed by national stakeholders in four countries |
| <b>G1.3</b> Countries, working with the private sector, donors, NGOs and producer organizations, develop market-oriented institutions and services to support small producers in exploiting market opportunities   | Eight countries have updated plans indicating commitment to reorientation of extension to give a greater market focus - eight countries have launched in-service training programs to reorient extension officers - 25 heads of extension have considered requirements for market-oriented extension refocusing  |
| <b>Primary Tools</b>   |  |
| <ol style="list-style-type: none"> <li>1. A global analysis/framework on the future of smallholder farmers as agriculture and food systems transform.</li> <li>2. Appraisal of market trends at country level.</li> <li>3. Develop methodologies to assist countries to carry out competitiveness, value chain, impact studies and institutional analysis.</li> <li>4. Identify best practices for developing equitable, efficient and sustainable linkages between the</li> </ol> |  |

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| <p>private sector and small producers.</p> <ol style="list-style-type: none"> <li>5. Support to countries on policies to reorient extension services to better meet the needs of small producers.</li> <li>6. Extension guides on farm management, marketing and post-harvest handling.</li> <li>7. Promote policies and mechanisms for improving financial services provision for small producers.</li> <li>8. Advisory material and support to value chain actors and organizations that work with producers on the planning and design of market-oriented infrastructure.</li> <li>9. Support to value chain actors and organizations that work with producers on rural finance, post-harvest operations, contract farming, linking producers to markets, market infrastructure and input and equipment supply.</li> <li>10. Contribute to the development of appropriate risk management tools for producers.</li> </ol>  |   |
| <p><b>Organizational Result G2 - Rural employment creation and income diversification are integrated into agricultural and rural development policies, programmes and partnerships.</b></p>   |   |
| <b>Indicator</b>  | <b>Target (4 year)</b>                                |
| <b>G2.1</b> Policy makers, partners, and FAO units use FAO analyses of patterns and trends of farm and non-farm employment and effective policies and programmes to promote approaches conducive to sustainable and equitable rural employment and income diversification   | 60 Citations 8 countries/partners 8 FAO units/offices |
| <b>G2.2</b> Countries are developing food security, agriculture and rural development programmes and policies that explicitly and effectively promote approaches conducive to rural employment and income diversification   | 8 countries ; 8 units/offices                         |
| <p><b>Primary Tools</b></p> <ol style="list-style-type: none"> <li>1. Establishment and maintenance of a database with primary data and information on sources of income and other socioeconomic characteristics of rural households.</li> <li>2. Policy relevant analytical work on rural households' sources of income and patterns and trends in farm and off-farm employment, including gender differences.</li> <li>3. FAO self-assessment, strategy, and work programme on decent rural employment developed to reflect all relevant FAO technical areas and accessible to member countries and partners through the FAO-ILO website and other channels.</li> <li>4. Policy advice to create both more and better rural employment in agricultural and non-agricultural rural sectors.</li> <li>5. Capacity building and advocacy work to support policies that are more conducive to decent rural employment.</li> <li>6. Capacity building in data collection and analysis of rural employment and income issues.</li> <li>7. ILO standards and conventions (i.e. gender discrimination, child labour, youth employment, occupational health and safety, rural enterprise creation, rights of association, labour standards) and FAO negotiated and voluntary standards and codes of practice relevant to rural employment concerns (i.e. chemicals/pesticide use, distribution and disposal, equipment safety, Good Agricultural Practices (GAP), logging, and safety at sea (on board of vessels); maritime convention; code of conduct of responsible fisheries, etc.).</li> <li>8. FAO-ILO Memorandum of Understanding (2004) and ILO, IFAD, FAO, IFPRI, IFAP, IUF Declaration of intent on cooperation on child labour in agriculture (2007).</li> </ol> |   |

| <b>Organizational Result G3 - National and regional policies, regulations and institutions enhance the developmental and poverty reduction impacts of agribusiness and agro-industries</b>   |  |
|--|--|
| <b>Indicator</b>   | <b>Target (4 year)</b>   |
| <b>G3.1</b> Policy makers and development partners are better informed about the impact on rural development and small producers of agribusiness and agro-industry trends, opportunities and risks, and effective public sector actions to promote agribusiness and agro-industries development  | Ten countries with strategies for improving agribusiness competitiveness in their ARD policy documents; at least ten member countries and private sectors within those countries have an enhanced understanding of issues relating to value chain financing for agribusiness development   |
| <b>G3.2</b> Countries promoting rural and small producer development with agribusiness development strategies mainstreamed in agricultural and rural development (ARD) policies and plans, and with clarified institutional mandates and enhanced capacity for agro-industry sector oversight and coordination, and stronger public-private cooperation  | Six countries have clarified institutional mandates for agri-business and agro-industries; four countries receiving direct assistance from FAO to build public sector capacity for agri-business, mechanization, value chain and agro-industries development   |
| <b>G3.3</b> Governmental and non-governmental organizations with improved capacity to provide services for strengthening farm-agribusiness linkages, agribusiness management, and agro-industry product, process and technological innovation, including through SME development   | Ten countries have official documented mechanisms for including the private sector, including commercially-oriented small producers, in rural development strategies; six countries have received direct FAO assistance on strengthening and diversifying support services to the SME sector as a way of promoting rural development and enhancing small producer incomes; six countries have received direct FAO assistance on developing agro-industry product, process and technological innovation |
| <p><b>Primary Tools</b></p> <ol style="list-style-type: none"> <li>1. Appraisal of trends and policy responses</li> <li>2. Support countries in developing sectoral strategies for agribusiness and agro-industries</li> <li>3. Identify sector specific indicators and benchmarks to guide policy development and institutional reform</li> <li>4. Promote actions to improve financial services to agribusiness</li> <li>5. Support governments in formulating strategies and policies for mechanization</li> <li>6. Provide guidance on public sector roles and responsibilities for contract intermediation, conflict resolution, and promotion of responsible business practices</li> <li>7. Build capacity of organizations that provide support to agricultural SMEs</li> <li>8. Support piloting and appraisal of SME value adding technologies and value chain innovations</li> <li>9. Contribute to the development of appropriate risk management tools for agro-enterprises</li> </ol> |  |

| <b>Organizational Result G4 - Countries have increased awareness of and capacity to analyze developments in international agricultural markets, trade policies and trade rules to identify trade opportunities and to formulate appropriate and effective pro-poor trade policies and strategies</b>  |                            |
|---|----------------------------|
| <b>Indicator</b>  | <b>Target (4 year)</b>     |
| <b>G4.1</b> Policy-makers and other stakeholders are better informed about trends in international agricultural commodity markets, trade policy and related trade negotiations issues and their impacts on small producers and rural development  | Increase/same              |
| <b>G4.2</b> FAO analyses of international agricultural commodity markets, trade policies and negotiating issues found relevant and of high technical quality  | Higher ranking +10 percent |
| <b>G4.3</b> Capacity to analyse policy options and formulate appropriate trade policies that contribute to enhancing small producers livelihoods and promote rural development and to participate effectively in trade negotiations is enhanced   | 80 percent                 |
| <p><b>Primary Tools</b></p> <ol style="list-style-type: none"> <li>1. Monitoring, statistical information and analysis of situation and outlook for international markets for agricultural products.</li> <li>2. Analysis of standards in international agricultural trade.</li> <li>3. Analysis of trade policies and strategies.</li> <li>4. Monitoring and analysis of changes in trade rules under multilateral and regional trading arrangements.</li> <li>5. Advice, training support and assistance in market information and analysis.</li> <li>6. Advice, training support and assistance related to standards and certification.</li> <li>7. Advice, training support and assistance in policy formulation and legislative development.</li> <li>8. Advice, training support and assistance on international trade negotiations - workshops, roundtables and technical assistance.</li> </ol> |                            |