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Strengthening Policy Coherence for Development in Agricultural Policy: Policy Recommendations to Irish Aid

Alan Matthews, Hannah Chaplin, Thomas Giblin and Marian Mraz

Abstract

The recent White Paper on Irish Aid made coherence one of the guiding principles of Ireland's development cooperation policy (Government of Ireland, 2006). Agriculture is at the heart of much of the debate about possible incoherence between trade and development policy. This paper presents the policy recommendations made to the Advisory Board for Irish Aid arising from a research project it supported to examine the impact which the EU's Common Agricultural Policy has on developing countries, and the impact which CAP reform would have on global poverty, and which was undertaken by a team based at the IIIS, Trinity College Dublin.

Concluding the Doha Round with an ambitious reduction in agricultural trade barriers should remain the priority objective from a policy coherence perspective. However, the research recognised that Ireland's partner countries in Sub-Saharan Africa are not likely to benefit, if at all, from further reductions in OECD country agricultural trade barriers, largely because of their preferential access to these markets. We recommend that Irish Aid should increase its efforts to strengthen the supply-side capacity of these countries to take advantage of existing market opportunities, through increased assistance for agricultural and rural development and as well as trade-related assistance. The paper also discusses how a framework for policy coherence might be established within Irish public administration.

Keywords: Policy coherence, agricultural development, aid, Common Agricultural Policy

JEL classification. F13, Q17, Q18

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1. Introduction

> "A genuine commitment to fairness has implications for policy making in every area: in trade, investment and debt reduction as well as in health, labour, gender equality and a host of others. 'Coherence' may be an over-used word but it is an under-used approach. I am pleased that the Declaration we are about to adopt at this Summit has such a broad range of commitments. And the specificity of the language and the timescales mean that we can and will be held accountable for delivery. If we urge policy coherence and precise targets on the UN, we must be individually prepared to adopt the same disciplines."
> - Address by An Taoiseach, Mr. Bertie Ahern, T.D. to the United Nations Millennium Summit, New York, 6 September 2000.[1]

The recent White Paper on Irish Aid made coherence one of the guiding principles of Ireland's development cooperation policy (Government of Ireland, 2006). In the area of trade policy, it endorsed the recent Irish Trade Policy Statement which devoted a chapter to the trade needs of developing countries (DETE, 2005). In it, the Government recognises the role that trade policy can play in providing economic development opportunities to emerging and poorer countries. It states that achieving the development dimension of the WTO Doha Development Agenda is the most effective way of realizing that ambition. The Statement confirms that Ireland wants to assist these countries to shape the outcome of the Doha process in their interest and in a way that provides the greatest opportunity for those in need.

Agriculture is at the heart of much of the debate about possible incoherence between trade and development policy. Ireland is a strong supporter of the UN Millennium Development Goals and has made a commitment to assist in the reduction of poverty in developing countries, including by making a commitment to reach the target of providing 0.7% of GNI by 2012. Developing countries and many NGOs argue that Europe's Common Agricultural Policy (CAP) damages the development prospects of developing countries, and have called for the reform of agricultural trade policy in order to provide greater market opportunities and a greater chance to grow out of poverty for these countries.[2] In the Doha Development Round negotiations, developing countries have made clear that agricultural protectionism in the developed countries is, for them, the key issue of the Round.

Yet Ireland still depends on farming which together with the agri-food industry contributes 9% of employment and GDP, and has benefited greatly over the years from net transfers received through the operation of the CAP. Both An Taoiseach and the Minister for Agriculture and Food have made clear that Ireland has a vital interest in limiting the extent of CAP reform and safeguarding the protection of European agriculture.[3]

This apparent contradiction between our agricultural trade and support policies and our development cooperation policies was the motivation for this research project funded by the Advisory Board for Irish Aid (ABIA). Specifically, it has explored the impact which the EU's

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[1] http://www.un.int/ireland/gs2.htm.

[2] The NGO literature is extensive. See, for example, Goodison and O'Connor (2003), Green and Griffen (2002), Oxfam (2002a, 2002b, 2002c, 2002d, 2004).

[3] See for example, B. Ahern. "We must stand by the Common Agricultural Policy", *Financial Times* 26 September 2005; M. Coughlan, "Coughlan calls on Farm Council and EU Commission to protect agriculture at up-coming WTO talks," Department of Agriculture and Food press release, 19 June 2006. For an earlier discussion of this issue, see A. O'Driscoll, "Reform of the CAP and the challenge of coherence for Ireland", Irish Aid Advisory Committee, Discussion Paper no. 4, February 2001.

Common Agricultural Policy has on developing countries, and the impact which CAP reform would have on global poverty. It has also examined the emerging global framework of rules governing agricultural support policies, and the specific interests of developing countries in shaping those rules to promote their development and food security objectives. To pursue these objectives, it brought together researchers from the Institute of International Integration Studies at Trinity College Dublin, from the Institute of Development Studies, Sussex, from the National Agricultural University Paris-Grignon and from UNCTAD as well as research teams from two of Irish Aid's programme countries in Tanzania and Uganda.[4]

The project investigated some of the most contentious issues in the debate on the impact of EU agricultural policy on developing countries. Do trade barriers designed to protect EU farmers make it more difficult for farmers in developing countries to increase production? Does the EU not give generous concessions allowing market access to many developing country food exports under preferential trade agreements? Would not many developing countries be hurt if the level of support and protection to European agriculture was further reduced?

Who would benefit from further agricultural trade liberalisation by the EU? What is the impact, in Ireland and Europe, among producers and consumers? And what is the evidence that increased agricultural exports from developing countries help to reduce levels of poverty and hunger? Would it make much difference if the EU removed its trade policy barriers to food exports from developing countries, given the increasingly onerous health and safety standards required by the EU? Would it make sense to use more of our development assistance to assist food firms and producers in developing countries to comply with these standards as a way to tackle hunger and poverty? How could Irish development aid help to ensure that its priority development partners can overcome supply constraints more generally to taking advantage of improved market access opportunities for agricultural exports?

Clearly, there are conflicting views on the impact of EU agricultural trade and support policies on developing countries, and on the degree of policy coherence between Ireland's development policies and its agricultural trade and support policies. Against this background, the fundamental objectives of this research project were:

- to explore the degree of coherence between Ireland's declared development co-operation goals and its agricultural trade and support policy;
- to make recommendations on how changes in current EU and WTO agricultural regimes could increase coherence;
- to draw out the implications of improved coherence for Ireland's Official Development Assistance strategies and policies and the allocation of aid resources.

This report presents our policy recommendations to the Advisory Board for Irish Aid arising from the project findings. As the project title makes clear, the research was intended to advance our understanding of the policy coherence debate in the area of agricultural trade and support policies. Section 2 provides a brief summary of some of the main substantive findings from the research, bearing in mind the focus of the Irish Aid programme on some of the least-developed African economies. In brief, the project concluded that CAP trade barriers continue to be important for some of the African non-LDC economies, while export and domestic subsidies encourage the over-production of competing commodities to the detriment of producers in all

[4] Details of the project and project outputs are given in the End of Project Administrative Report, ABIA Research Project (RP-03-PC), June 2006. The project outputs are available on the project website www.tcd.ie/iiis/policycoherence.

African economies. Nonetheless, many of Africa's LDCs are unlikely to gain from reduced CAP protection, although there could be a positive impact on farmers' incomes and thus the incidence of poverty under certain conditions. Policy coherence for development must extend beyond trade policy reform to embrace support and assistance to overcome the supply-side constraints which inhibit these countries from taking advantage of market access they already have.

This provides the background and the context for our policy recommendations, which are grouped into four categories. Section 3 discusses the central issue of necessary reforms in agricultural support and trade policies and the importance of the Doha Development Round as a vehicle to agree international disciplines on these policies and to construct development-friendly trade rules for developing countries as an outcome of this Round. Sections 4 and 5 discuss the importance of accompanying more open trade policies by a greater focus in our development assistance efforts on enhancing the supply capacity of our African development partners. Given the continuing dominance of the agricultural sector as a contributor to economic activity and even more important as a source of employment and livelihoods, as well as the concentration of poverty in African countries in this sector, we argue strongly in Section 4 for an increased focus and for a higher priority for assistance to the agricultural and rural sectors of these economies. The need to help low-income economies to take advantage of increased market access opportunities opened up by agricultural trade policy reform by helping them to address some of their trade capacity weaknesses is emphasised in Section 5. But we are also conscious that further increases in aid flows to some of our development partners in Africa are not unproblematic, given their already high levels of external dependence, and we stress the importance of moving quickly to implement the 'new aid framework' as agreed in the OECD. Section 6 discusses ways and mechanisms in which a policy coherence perspective might be institutionalised in Irish public administration. This question is not specific to agricultural trade and support policy, and in this section we broaden the context of the discussion to also include other important policy domains where policy coherence questions arise. Section 7 contains some suggestions for follow-on research. An appendix to this report sets out our understanding of what is meant by policy coherence and its relevance to agricultural policy.

2. Agricultural protectionism and development

2.1 Agricultural trade barriers remain important

Since 1992, EU agricultural policy has experienced a series of major reforms – the MacSharry reform of 1992, the Agenda 2000 reform in 1999, and the Luxembourg Agreement (the 'Mid-Term Review') in 2003. As a result of these reforms, market price support has been reduced; most direct payments have been decoupled since 2005; preferential treatment for some developing countries and some commodities has improved market access; and dependence on export subsidies has fallen. European agricultural policy is today less trade-distorting than it was in the 1980s. Nonetheless, market price support still provides the bulk of support to European farmers (OECD, 2006). Tariff peaks remain for many agricultural products and the CAP still presents a barrier to developing country exports, particularly for meat, sugar, rice, cotton and fruits and vegetables (Bureau and Matthews, 2005).

Table 1 shows that tariff barriers in OECD countries generally against developing country exports remain significant even after the Uruguay Round. The average tariff on agricultural imports by high-income countries from other high-income countries is 8.4 per cent. By contrast, the average tariff on developing country exports to high-income markets is nearly twice as high at 15.9 per cent. Developing country agricultural exports to other developing countries face even higher average tariffs at 18.3 per cent. There is a similar pattern for tariffs on textiles and clothing, where OECD country tariffs on imports from other OECD countries average 3.4 per cent but average 8.4 per cent against imports from developing countries, while developing countries' own tariff barriers are on average between 18 and 30 per cent. These figures underline the continued barriers facing developing countries pursuing trade as a route to poverty alleviation.[5]

Box 1. Agricultural trade reform creates winners and losers

Continued steady and balanced reform of the CAP is in the interests of developing countries as a whole but we identify both gainers and losers.

The losers (including net food importers and preference recipients) deserve particular attention because they tend to be the more low-income and vulnerable developing countries.

OECD country agricultural trade liberalisation has limited significance for Irish Aid programme countries in Africa. World price impacts will be small for products of export/import significance for these countries. The transmission of these effects to producers and consumers within country will be highly imperfect, so the poverty effects will also be minimal.

The EU's system of agricultural trade preferences is well used, and has benefited developing countries. However, the value of preferences depends on continued high CAP protection against third countries and risks encouraging unsustainable production in some preference-receiving countries.

The EU sugar reform highlights the danger to developing countries of relying on unilateral trade preferences. Preferences should be seen as a transitional mechanism intended to assist in developing specific sectors which can be viable at world market prices.

The figures in Table 1 take account of the value of tariff preferences extended to developing countries, but some developing countries are treated more generously than others. All developing countries have more favourable access than Most Favoured Nation (MFN) terms under each developed country's Generalised System of Preferences (GSP) scheme. In the case of the EU's GSP scheme, preferences on agri-food products are limited and CAP products are completed excluded. However, African, Caribbean and Pacific countries have enjoyed additional preference margins under the Cotonou Agreement and its predecessor, the Lomé Convention. This extended the agricultural preferences and included tariff rate quotas for a number of CAP commodities, including sugar, beef and bananas. Least developed countries received more generous preferences under the GSP, and in 2001 the EU introduced its "Everything But Arms" scheme which extended duty free and quota free access to 50 LDCs with transition periods for three sensitive products of bananas, rice and sugar.[6] Other developed countries have similar preferential arrangements in place either for all least developed countries or for African countries. For

[5] These figures are taken from the GTAP 6 database which in turn builds on the MacMap tariff database maintained by the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII) in Paris. The higher average tariffs on developing country agricultural exports despite preferences are partly explained by their concentration on products with particularly high tariffs (sugar) and partly by the frequency of specific tariffs in developed country tariff schedules which weigh more heavily on the lower-value products typically exported by developing countries within a tariff category (Hertel and Keeney, 2006).

[6] EBA preferences are currently suspended to Myanmar.

example, the US African Growth and Opportunity Act (AGOA) has played a significant role in encouraging the growth of textile and clothing exports from Africa.

Table 1. Average applied import tariffs, by sector and region, 2001 (per cent, ad valorem equivalent)

Exporting region	Importing region		
	High-income economies	Transition economies	Developing economies
Agriculture			
High-income	8.4	16.8	18.8
Transition	10.3	10.3	17.4
Developing	15.9	17.2	18.3
Other primary			
High-income	0.2	0.8	4.8
Transition	0.1	0.3	1.7
Developing	0.7	0.4	3.4
Textiles and apparel			
High-income	3.4	6.4	18.2
Transition	1.8	6.5	30.9
Developing	8.4	16.2	20.5
Other manufactures			
High-income	1.0	3.7	9.9
Transition	0.8	4.0	8.7
Developing	1.3	6.0	9.2

Source: Hertel and Keeney, 2006

Table 2. Average applied bilateral tariffs, agricultural sector, per cent, 2001

Tariffs applied by → Applied to ↓	**EU25**	**US**	**Asia developed**	**Cairns developed**
EU25	-	5.8	22.2	15.7
US	16.2	-	28.9	5.1
Asia developed	12.5	3.7	-	6.2
Cairns developed	25.9	3.4	24.9	-
Mediterranean	7.3	4.0	14.1	3.7
Sub Saharan Africa	6.7	3.0	12.0	0.7
Cairns developing	18.3	3.8	24.0	5.9
China	13.5	5.1	21.7	8.7
South Asia	14.4	1.8	33.7	1.8
Rest of World	15.1	2.1	17.4	2.6
Average	**16.7**	**4.7**	**22.5**	**10.8**

Source: Bouet et al., 2005

As a result of these preferences, the EU Commission makes the point that the EU is already very open to African agri-food exports. It highlights that the value of EU farm imports from Africa averaged €7 billion annually between 2001-02, way above the value of imports by the US, Africa's second biggest importer which are just one-sixth the value of those that go to the EU. Also, US imports are largely cocoa and coffee, while almost half of the EU's imports from Africa are non-tropical products including fruit and vegetables (other than bananas), meat and oilseeds (DG AGRI, 2005). It also highlights that the successive changes to the EU's Common Agricultural Policy over the years have greatly reduced the trade-distorting support which Europe's farmers receive. While this is true, the fact remains that Europe's agriculture remains significantly protected. Although the majority of LDCs are African (31 of the 50 in total), not all African countries are LDCs. Thus many African countries continue to face significant tariff barriers on their competing exports of agricultural products. While there are difficulties in summarising average tariffs over countries and commodities, Table 2 provides one estimate of how African countries fare in attempting to export agricultural products to a variety of developed country markets including the EU.

3.1 The impact of further agricultural trade liberalisation

The negotiations on further agricultural trade liberalisation mandated by the Uruguay Round Agreement on Agriculture, and which became part of the Doha Development Round single undertaking, provide an opportunity to tackle this example of policy incoherence. Indeed, for developing countries and NGOs, achieving a high level of ambition in the agricultural negotiations has become the lynchpin by which progress in the overall talks is judged.

There is now an extensive literature on the extent to which developing countries generally, and Africa in particular, are likely to benefit from further agricultural trade liberalisation by developed countries (Bouët et al, 2005). Although the focus of this research project is EU agricultural trade policy, it is appropriate to broaden this to include other OECD countries given that further agricultural trade reform is currently being negotiated on a multilateral basis in the context of the Doha Development Round. Most studies report the results for OECD country trade liberalisation as a whole, without identifying the separate contribution of the EU to that total. Despite differences between the model simulation results, some common themes emerge.

First, all studies underline the global gains from further trade liberalisation, although more recent studies tend to show lower overall gains than earlier studies. This is partly because of the further liberalisation which has occurred since the mid-1990s as a result of the Uruguay Round and other developments, and partly because of methodological improvements in the models (for example, the existence of trade preferences are now taken into account).

Second, studies tend to show that, under full merchandise liberalisation, while the largest gains in absolute terms accrue to OECD countries, in proportionate terms trade reform is ‘development friendly, i.e., the percentage gains are higher for developing countries (DCs) and highest for the LDCs. This result arises because protection levels are higher in DCs and highest in LDCs and thus, under the model assumptions, they gain more from the elimination of protection.

Third, studies tend to show that agricultural trade liberalisation makes the largest contribution to global gains. The relatively low share of agriculture in world trade is outweighed by the much higher protection rates found in this sector (Table 2).[7]

Fourth, in studies which simulate a more realistic Doha scenario compared to full liberalisation, the magnitude of the estimated gains falls dramatically. Not only are the overall gains from a realistic Doha scenario reduced compared to full liberalisation, but the distribution of these gains is also altered, with a much smaller proportion of the gains accruing to developing countries.

Fifth, while most studies show that developing countries in aggregate will benefit from further trade liberalisation, most studies now agree that some of the poorest countries, and particularly

[7] One exception to this general conclusion is a recent study by the Carnegie Foundation (Polaski, 2006), which finds that the main gains in its full liberalisation scenario arise in manufacturing[7] and this is even more the case in its Doha Round scenarios..

countries in Sub-Saharan Africa, are likely to lose particularly in the context of a more limited Doha Round outcome (Bureau et al, 2005). In the case of agricultural trade liberalisation, it is now well established that a minority of developing countries will be the principal beneficiaries, among them Argentina, Brazil and some ASEAN countries, notably Thailand. The research results from this project confirmed that further EU agricultural liberalisation would have little overall impact on Irish Aid's partner countries, and if anything there was a likelihood that the outcome would be slightly negative (Giblin and Matthews, 2005).

There are many reasons why some developing countries, and particularly the least developed countries, may not benefit from further trade liberalisation. A principal reason is the likelihood of negative terms of trade effects, particularly if these are not offset by positive allocative efficiency effects from own liberalisation. Negative terms of trade effects can arise for net food importers if world food prices rise – an effect already highlighted in the negotiations leading up to the Uruguay Round Agreement on Agriculture.[8] But negative terms of trade effects can also arise on the export side due to preference erosion – where the value of preferential access which a country may enjoy either under a regional free trade agreement or as a result of non-reciprocal preferences is reduced by a general reduction in MFN tariffs. Preference erosion can occur in either agricultural or non-agricultural trade, with the losses concentrated on agricultural products and, previously, textiles and clothing (the latter due to the elimination of the Multi-Fibre Arrangement) (Chaplin and Matthews, 2005).

In many least developed countries, poor market infrastructure means that border price changes never get transmitted to the rural poor in the first place.[9] This creates a double whammy for these countries. For export commodities, the failure to pass back the higher world market prices means that rural producers fail to benefit from the agricultural policy reform. For imported commodities, it means these countries must absorb the full terms of trade loss without being able to mitigate this by moving some resources into the import-competing sectors or letting higher prices encourage consumers to substitute now-cheaper local alternatives for the more expensive imported foods.

Another problem is that the products of subsistence agriculture are generally not competitive on global markets, and low-productivity, small-scale subsistence farming makes up a large portion of agricultural activity in many developing countries. If cheaper imports displace crops grown by smallholders, and these farmers make up a significant share of the working population, the net effect could be negative for the overall economy. Import competition may simply increase the extent of underemployment in the farm sector, rather than leading to a resource reallocation, at least in the adjustment phase (Polaski, 2006).

Even where simulation results appear to show positive gains for farmers in developing countries as well as overall, scepticism is evident. Some question whether the postulated increases in trade flows would in fact take place given the potential for various non-tariff barriers, both formal and informal, which are not captured in the model specifications to hinder this. The trade-restraining role of sanitary and phytosanitary standards is often mentioned in this context. The growing concentration in retail markets particularly in developed countries, and the related emergence of global supply chains with their potential to exclude particularly smaller producers from the benefits of formal market access, is another cause for concern.

[8] Negative terms of trade effects arise when a country's export prices fall relative to its import prices.
[9] Atingi-Ego et al., 2006; Kilima, 2006.

Yet another reason for scepticism concerns the ability of the poorest developing countries to take advantage of improved market access. One of the consequences of the renewed interest in trade preferences has been to highlight that many developing countries have failed to maintain their market share in developed country markets in spite of significant preferential advantages. This apparent lack of response to preferences suggests that increased market opportunities do not necessarily translate into increased market access (Matthews and Gallezot, 2006). For many developing countries, in particular landlocked and small island economies, improving competitiveness and productivity to ensure that they have something to sell on world markets remain a fundamental challenge.

Thus market opening, on its own, is not sufficient to ensure that there will be a positive impact on poverty in developing countries. These issues underline the breadth of the policy coherence agenda with respect to agricultural trade and development. Ensuring additional market access through ambitious reductions in both agricultural and non-agricultural trade barriers is part of the story, but only one part. Other elements are also needed: trade rules must support and not undermine food security; the fears of net food importers need to be addressed; solutions must be found to preference erosion at the country level; developing countries need assistance to improve their capacity to trade and to ensure a positive supply response to enable them to take advantage of increased market opportunities; and greater attention should be paid to understanding the impact on the poor within developing countries of further agricultural trade liberalisation.

4. A Coherent Agenda for Agricultural Policy Reform

Box 2. Policy coherence and domestic agricultural policy – the issues

The CAP has undergone reform – there is lower dependence on export subsidies, direct supports have been decoupled, some support has been modulated to Pillar 2, and trade preferences have been improved - but market price support and tariff protection remains high for some commodities.

Successfully concluding the Doha Round with an ambitious reduction in agricultural trade barriers should remain the priority PCD objective in agriculture.

However, although CAP trade barriers are important for some African non-LDC economies as well as other developing countries, African LDCs are unlikely to gain from reduced CAP protection.

Policy coherence in agriculture must extend beyond trade policy reform to embrace support and assistance to overcome supply-side constraints.

EU has made a serious offer of further liberalisation in the Doha Round, which nonetheless needs to be improved.

Further internal CAP reform (wine, fruits and vegetables, dairy, CAP ‘health check’ 2008), plus projected regional trade agreements (Economic Partnership Agreements, EuroMed, Mercosur, ASEAN), requires development perspective to be heard.

4.1 Completing the Doha Round

The Doha Round of trade negotiations to further reduce barriers to trade in agricultural and industrial goods and services is currently suspended, following the failure of WTO Trade Ministers to agree on a set of modalities (a framework for scheduled tariff cuts and market-opening measures) at the July 2006 meeting of the WTO Ministerial Council. Nonetheless, progress has been made in hammering out a deal, and concluding the Doha Round with an ambitious reduction in agricultural trade barriers should remain the priority objective from a policy coherence perspective (Matthews, 2005).

Agriculture has been a stumbling block at various points in the negotiations, although it was not the only issue where there was difficulty in reaching agreement. The Hong Kong Ministerial Declaration created a specific link between the agricultural and NAMA [non-agricultural market access] negotiations by instructing negotiators "to ensure that there is a comparably high level of ambition in market access for Agriculture and NAMA". The EU has made a genuinely far-reaching offer which would significantly reduce the extent of policy incoherence between the way it supports its farmers and its implications for developing countries. The EU Trade Commissioner, Mr Peter Mandelson, has indicated that this offer could be improved if other countries also made more ambitious commitments, but the exact nature of this improved offer has not been officially revealed.

At this point, the EU has offered to phase out export subsidies by 2013, with a substantial down-payment by 2010. It has agreed to reduce its trade-distorting domestic support by 70%. It has agreed to improve market access by reducing its average tariff by 46% (compared to the Uruguay Round target of 36%), including cutting its highest tariffs – those over 90% - by 60%. It has removed all duties and quotas on the agricultural exports of the world's 50 poorest countries through its Everything But Arms scheme. These are significant concessions. It would eliminate subsidised exports of dairy products, sugar and cereals and lead to significant increased market access for beef, poultrymeat and fruits and vegetables.

The EU has reduced the value of its offer by insisting on the right to designate a high proportion of its tariff lines as sensitive and by wanting to hold on to the special safeguard clause. Its offer on increased tariff rate quotas for products designated as sensitive is inadequate, and it could do more to cut its highest tariffs. In return, it is seeking protection for Geographical Indications (Josling, 2006) and some guarantee that its Single Farm Payment will not be subject to challenge. The Trade Commissioner is operating within a Council mandate, and there is disagreement within the EU Council of Agricultural Ministers whether he has already reached – if not exceeded – the limit of this mandate. Ireland has been a vociferous opponent of further concessions, while being careful to endorse the importance of a successful conclusion to the Round. It is very likely that this suspension of the negotiations could last for a number of years, which would give time for the implications of a successful agreement to be absorbed.

In the meantime, internal CAP reform will continue, with reform of the wine and fruits and vegetables regimes, both hugely significant for developing countries, currently on the agenda. In addition, there will be a 'health check' of the CAP Mid-Term Review reform in 2008, as well as a review of the dairy regime. At the same time, the EU is engaged in trade discussions with both ACP and Mediterranean countries with a view to creating non-reciprocal free trade area arrangements. With the suspension of the Doha Round, there will be pressure from the business sector to end the EU's self-imposed moratorium on the formation of new RTAs, particularly with Asia. In all these discussions, it is important that the development perspective is heard and that the implications for developing countries are taken into account in formulating the Irish

Government negotiating position (Stevens and Kennan, 2006). Ways to ensure this through a more formal framework for policy coherence are discussed later in this report.

4.2 Ensuring development-friendly rules for agricultural trade

Box 3. Policy coherence and agricultural policy – the external dimension

Special and differential treatment (SDT) of developing countries is an integral part of multilateral and bilateral trade agreements to allow them the flexibility to implement policies to address food security, rural development and poverty alleviation concerns. EU and Irish negotiators can help to develop trade rules which are coherent with the needs of developing countries, and particularly the more vulnerable among them.

Negotiating SDT has a cost in distracting attention from improvements in market access and trade rules which developing countries could negotiate. It is therefore important to identify SDT provisions which are of real utility for developing countries.

It is also important to avoid such provisions creating further barriers to South/South trade. One way to do this is to differentiate SDT provisions for developing countries at different stages of development.

While preference erosion has emerged as a key concern in the Doha Round negotiations, it is important to keep its impact in perspective – preference erosion as a result of Doha likely to be smaller than from elimination of the Multi-Fibre Arrangement in the Uruguay Round. For Africa, preference erosion is largely an agricultural issue, related to CAP reform.

Compensation for preference erosion is controversial, but justified if well targeted at countries at risk, intended to assist adjustment rather than provide permanent compensation, and providing for diversification as well as strengthening competitiveness. Irish policy-makers should support adjustment assistance to cope with the reduced value or removal of important trade preferences for those weaker developing countries which need it.

Special and differential (S&D) treatment for developing countries has been a principle of the General Agreement on Tariffs and Trade (GATT) since the 1960s. Until the Uruguay Round Agreement it took two main forms: the granting of preferential access to developed country markets and exemption from disciplines applying to the protection of domestic industries under particular conditions. The meaning of S&D treatment changed during the Uruguay Round. Developing countries (apart from the least developed countries) were expected to assume the general obligations of membership. The focus shifted instead to one of responding to the special adjustment difficulties in developing countries which might stem from their implementation of WTO decisions. This included a lower level of obligations and longer implementation periods, as well as technical assistance for capacity building.

The WTO Ministerial Declaration which launched the Doha Development Round of multilateral trade negotiations in 2001 reaffirmed that "special and differential treatment for developing countries shall be an integral part of all elements of the negotiations on agriculture". When disciplines on trade-distorting agricultural policies were included in the Uruguay Round Agreement on Agriculture (AoA), the principle of S&D treatment also applied to the treatment of developing countries under that Agreement. However, developing countries have argued that the Agreement represents a very unbalanced and skewed set of obligations. They argue that changes to WTO rules are necessary if they are to have the flexibility to implement specific policies to address their food security, rural development and poverty alleviation concerns. The exemptions and rule changes to the AoA sought by a number of developing countries have become known as the Development Box (Matthews, 2005).

Exempting developing countries from a requirement to lower their own tariff barriers as part of a trade round will not convert putative losses into gains; on the contrary. Developing countries that persist in supporting high-cost import-competing agricultural production lose the benefits in terms of improved resource allocation from their own liberalisation. Also, because of the importance of developing countries as markets for food, not least to exporters in other developing countries, failure to engage in liberalisation suppresses South-South trade and further reduces their overall gains. It is also the case that the negotiations concern bound tariffs, and bound tariffs particularly in Africa remain very high. Only a few African countries bound their agricultural tariffs in the Uruguay Round at less than 100%, and the average bound tariff for SSA agricultural products is between 71% and 75%, which is high by world standards (Gibson et al., 2001; FAO, 2005).

Because of the importance of encouraging trade integration for development, any proposal for exemptions from Doha Round disciplines should pass two tests: what institutional or infrastructural shortcomings does the exemption address, and how long is the exemption needed to resolve them? The main arguments for exceptions (from those who support the integration of developing countries into the global economy) concern the importance of adjustment costs, the possible existence of market failures and externalities, the importance of tariffs as a source of government revenue, and the evidence for resource immobility.[10] The call for special provisions also reflects the impact of OECD subsidised food exports, particularly where these have undermined attempts to build up domestic food sectors.

In the light of these arguments, the July 2004 Framework Agreement and the 2005 Hong Kong Ministerial Conference agreed that developing countries should have access to a mechanism to protect poor farmers against import surges, be given exemption from standard disciplines for products of importance to food security, rural livelihoods or rural development, and have the possibility of increasing targeted direct subsidies. The real significance of these rule changes will depend on the operational conditions and these have yet to be agreed (Stevens and Kennan, 2006).

EU and Irish negotiators can play an important role in helping to develop trade rules which are coherent with the needs of developing countries, particularly the more vulnerable and least developed countries. This requires establishing which SDT provisions would have real utility for developing countries. It is also important to differentiate between developing countries with respect to the commitments they would be asked to undertake. The research argued in favour of a system of *de facto* differentiation in which a small number of competitive agricultural exporters or high-income developing countries would agree to forgo the use of certain SDT measures in return for a more generous SDT offer by the industrialised countries to those countries that really need them (Matthews, 2006).

[10] Many critics of trade liberalisation by developing countries base their criticisms on the presumption that trade is in principle damaging.

4.3 Compensation for those negatively affected by agricultural policy reform

Much more attention has been focused on the potential problems facing preference recipients in the Doha Round negotiations as compared to the Uruguay Round. Various studies have attempted to quantify the impact of preference erosion (see Hoekman and Prowse, 2005 for a summary). If issues to do with compliance costs[11] and the distribution of rents[12] are ignored, estimates of total preference erosion losses for low-income countries are in the range of $500 million-$1.7 billion, with the higher estimates also including the impact of phasing out quotas under the Multi-Fibre Arrangement. A common finding is that the relatively bigger impacts are concentrated on small island economies and a number of LDCs dependent on sugar and, to a lesser extent, clothing exports. The magnitude of these estimates is influenced by whether they are undertaken in a partial or general equilibrium framework, as well as by the depth of OECD liberalisation assumed.

Looking forward, Hoekman and Prowse comment that, in general, the magnitude of the estimates of preference erosion from even an ambitious Doha round tend to be less than the erosion that was associated with elimination of textile and clothing quotas on developing country exports in the Uruguay Round. However, this may not be the case in Africa where future preference erosion costs could be higher. This reflects the high dependency of these countries on EU markets, the extensive use by the EU of trade preferences, and the concentration of some of these preferences (albeit often limited by quota) on highly-protected agricultural commodities. One conclusion is that, for Africa, preference erosion is largely an agricultural issue, and related to reform of the EU's Common Agricultural Policy. This emerged clearly in the lobbying surrounding the recent reform of EU sugar and banana policies.

Assistance for trade adjustment where this is due to preference erosion is contentious. There are many sources of negative shocks that create the need for adjustment, both trade and non-trade related. Focusing on just one of these while ignoring others is difficult to justify. Trade reforms by countries which do not currently grant preferences can help to considerably attenuate the negative impact effects of erosion. Gains from trade reforms in non-related sectors (for example, in manufacturing trade) may also balance potential losses in agriculture. This raises the difficult question, if compensation were to be made, whether this should be related to the gross value of specific preferential access arrangements, or whether it should depend on the net adverse effects of MFN liberalisation overall. A related issue is whether compensation for preference erosion is a bilateral or multilateral responsibility. Because the most important preferences originate in unilateral trade policy decisions by OECD countries, it is argued that it is those countries whose preferences are being undermined which should bear the responsibility to put in place alternative mechanisms to assist the recipient countries. On the other hand, proposals for a multilateral preference erosion compensation fund have been justified on the grounds that trade liberalisation can be seen as a global public good. These issues have a particular resonance in the policy coherence and agriculture debate because the existence of tariff peaks makes preferences in this sector particularly valuable. The limited number and small size of most of the economies concerned imply that measures to help mitigate the impact of preference erosion need to be closely focused on the countries at risk.

[11] Compliance costs refer to the costs of paperwork etc. in documenting rules of origin and in taking advantage of preferences. The average estimate in the literature is that such costs may be as much as 3-5 per cent of the value of the goods exported.

[12] Rent arises where the exporter's landed price as a result of a tariff preference is lowered below the prevailing market price. Who benefits from this rent depends on who has market power in the marketing chain. To the extent that buyers have the power to set prices, these rents may be captured in whole or in part by intermediaries and importers. The empirical estimates generally assume that rents accrue to producers in the exporting country.

The purpose of trade adjustment assistance is not to provide permanent compensation for an adverse movement in a country's terms of trade but rather to provide assistance to affected countries to adjust to this deterioration in their external position. Adjustment assistance needs to be appropriately designed for this purpose. For example, the EU programme of adjustment assistance to ACP banana exporters negatively affected by the EU reform of its banana market regime was criticised for focusing solely on attempting to improve the competitiveness of the banana industry in the affected countries. A number of these countries were unlikely to be competitive in the new situation, and support for replacement activities would have been more effective (Hubbard et al., 2000). In the context of its more recent sugar reform, the EU has placed much more emphasis on diversification. Others have argued for a digressive deficiency payments scheme to cushion the impact of a sudden drop in revenue (Chaplin and Matthews, 2005). We believe that Irish Aid should vigorously advance the interests of the EU's trade partners that need adjustment assistance to help cope with the reduced value or removal of important trade preferences. Our ability to do this with conviction, of course, depends on the overall congruence of our agricultural policy stance with development priorities.

5. Increased aid to improve agricultural competitiveness

Box 4. The case for increasing development assistance to agriculture

Agriculture is the main source of livelihoods for poor people, particularly in the poorest countries. Unless agriculture and rural development is given greater priority in donor country aid programmes, chronic poverty in Africa will continue for another generation

Donor support to agriculture has been falling. Ireland's share is a little above the average, but needs to be evaluated in the context of the focus of the Irish Aid programme on some of the world's poorest countries.

Donors' reduction in agricultural assistance was, in part, justified by the poor results from agricultural projects in the face of adverse national policies. But there is evidence that the policy environment is changing, and the technical knowledge to implement solutions to Africa's hunger problem is there.

Irish Aid should make the launch of an African 'Green Revolution' a guiding principle for its response to African poverty. The Hunger Task Force announced in the White Paper on Irish Aid provides the mechanism to agree on how increased aid resources could be used to strengthen rural development and agricultural production.

Aid programmes must engage with and support the private sector in building the productive base to tackle poverty and its associated ills. This will require a change in culture and approach in the delivery of aid.

It will be important to support analysis to identify the distributional consequences of proposed policy reforms, including trade policy, in order to identify both potential gainers and losers, both of whom will need different kinds of support.

5.1 Addressing African poverty means assisting African agriculture

All of Ireland's development cooperation partners, excepting Lesotho, have economies where, in 2001-03, agriculture makes up a larger share of GDP than the average for SSA, particularly Ethiopia, Tanzania, and Uganda. Mozambique and Zambia are close to the average. Examining the share of agriculture in GDP, Zambia has the lowest share of GDP in agriculture that, in part, indicates the importance of copper. However, this share rose from 9% on average in 1981-83 to 20% in 2001-03. All the other partner countries had a declining share of agriculture in GDP over the period. The largest decline in share was in Mozambique from 67% of GDP in 1981-83 to 22% of GDP in 2001-03. The smallest decline in share was in Tanzania from 44% to 41%. Over the same twenty-year interval Lesotho (23% to 16%), and Uganda (49% to 30%) both showed a significant fall in agriculture as a share of GDP, as did Ethiopia during the 1990s (56% 1991-1993 to 46% 2001-03). In Sub Saharan Africa as a whole over the period agriculture fell as a share of GDP from 23% in 1981-83 to 19% in 2001-03.[13] In summary, although economic growth is originating in sectors other than agriculture for most of Ireland's SSA development cooperation partners, these countries remain more dependent on agriculture than the SSA average.

Although these trends indicate that agriculture has not been a strong engine of economic growth in Sub-Saharan Africa over the past twenty years in that other sectors of the economy have grown more rapidly, there is another point to grasp which is even more important from a poverty reduction perspective. The share of GDP that agriculture produces is much lower than the share of the population in agriculture in all of these counties, even though the latter share is also declining.

In Sub-Saharan Africa as a whole the proportion of the population that depends on agriculture has declined from 74% in 1980 to about 62% in 2003. In Ethiopia over 80% of the population still depends on agriculture. In Tanzania and Uganda the agricultural population as a share of population is down to 77% in 2003 from 84% in 1980. In Zambia the share has declined over the period from 76% to 67%. Lesotho has a smaller share of the population dependent on agriculture 38% in 2003 down from 41% in 1980. All these countries, except Lesotho, have a higher average share of the population dependent on agriculture than SSA as a whole.

It is unsurprising, given the much larger share of population than share of GDP that depends on agriculture, that poverty is concentrated in rural areas. In Zambia, in 1998, 83% of the rural population was below the national poverty line while only 56% of the urban population was below this line. In Tanzania, in 2000/01, 38% of rural population was classified as poor as against 29% of the urban population. In Mozambique, in 1996/7, 71% of the rural population was poor while 62% of the urban population was so classified; while in Ethiopia these percentages were 45% of the rural population and 37% of the urban population.[14] In Uganda 96% of the poor lived in rural areas in 2000.[15]

Another statistical perspective on poverty and agriculture is data on per capita agricultural output trends. Comparing three-year averages for 1980-82 and 2002-04, per capita agricultural production fell in Tanzania (-28%), Lesotho (-21%), Mozambique (-13%), Uganda (-9%), and Zambia (-8%). Data for Ethiopia are not available until 1993, since when agricultural production

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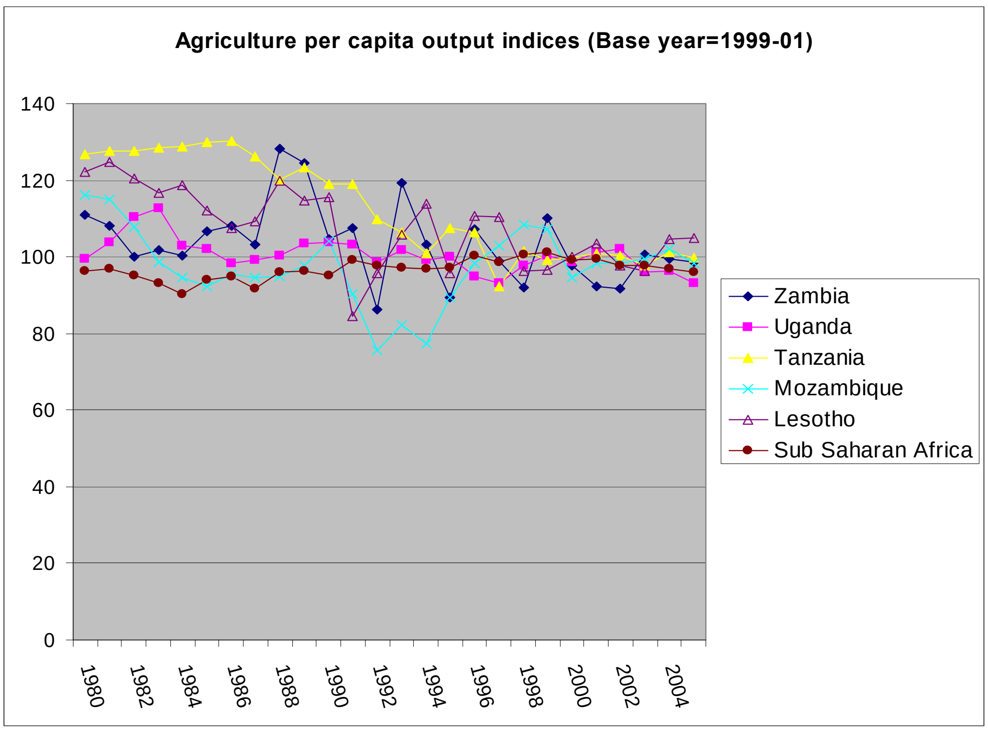
[13] The data in this paragraph are from the UNCTAD *Handbook of Statistics*, available online at http://stats.unctad.org/handbook/

[14] Source http://devdata.worldbank.org/wdi2005/Table2_5.htm

[15] IMF (2001) 'Poverty reduction Strategy Paper: Joint Staff Assessment', http://www.imf.org/external/NP/jsa/2001/uga/eng/030901.pdf

per capita has risen by over 10% between 1993-95 and 2002-04. Mozambique and Zambia and Lesotho all have far more volatile volume indices of per capita agricultural production than Tanzania and Uganda.[16]

In a synthesis of the issues facing SSA agricultural development up to 2020, elaborated at a 1994 workshop held in Senegal, IFPRI noted that "many of the policy and structural problems African producers have faced in the past are changing: confiscatory pricing and marketing policies, biased trading and exchange rate regimes, depressed international prices, low educational levels of rural people and poor infrastructure." Estimating that at least a 4% growth rate in agricultural production in SSA will be necessary up to 2020 the participants thought this was an attainable goal provided agricultural development was made a top priority. The basis of the 4% assessment is that it is "simply not realistic to believe that African incomes by 2020 will go up enough to permit the import and distribution to all who need it of sufficient food to support a population growth rate of 2.8% per year. They stressed at that time that increased use of fertilisers, appropriate technology and increased irrigation, along with policies and institutions to prevent environmental degradation, were crucial to raising the intensification of production in African agriculture. Although some of Ireland's partner countries still possess land surplus areas, notably Tanzania, Mozambique and Zambia, Uganda on the other hand does not and also faces problems of soil degradation, while Ethiopia faces endemic problems of drought in some regions.[17]



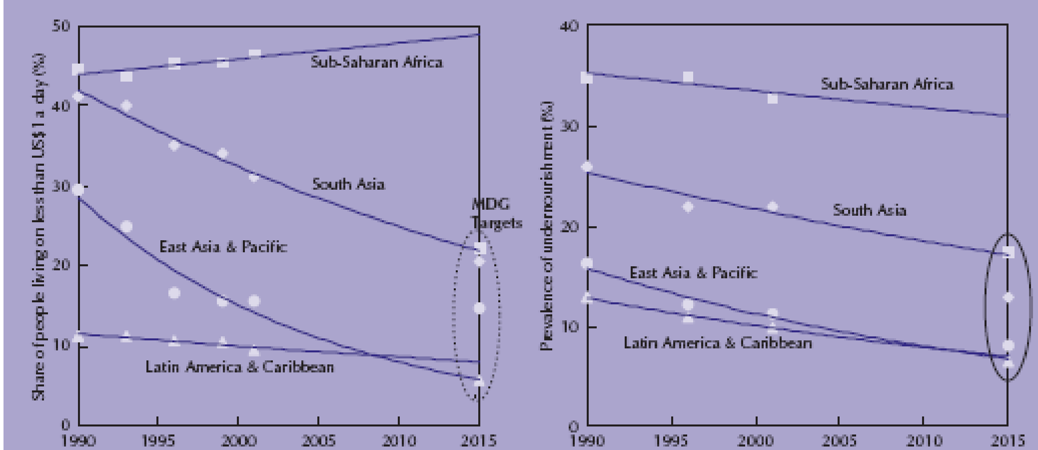
Source FAO Database, http://faostat.fao.org/

[16] We note here that there is an inconsistency between the agricultural production and nutrition figures published by FAO (which, in turn, are based on agricultural production data collected by national statistical offices) and the trends in poverty indicators (which are based on household surveys). It is hard to understand how poverty can fall so rapidly in a country like, say, Uganda, when at the same time it is reported that food production per capita is falling. Understanding the reasons for these discrepancies and making recommendations on improving the statistical basis for decision-making would be a worthwhile project for the Advisory Board.

[17] Nkonya, E., J. Pender, P. Jagger, D. Sserunkuuma, C. Kaisssi, & H. Ssali, (2004*) Strategies for Sustainable Land Management and Rural Poverty Reduction in Uganda*, IFPRI Research Report 133. *IFPRI Research Results, Kenya, Ethiopia, Uganda* available at http://www.ifpri.org/media/lfl_results.htm

This review of statistical trends indicates the strong link between agricultural underdevelopment and chronic poverty in SSA. The conclusion for PCD is simple. If development assistance policy by developed countries continues to neglect agriculture it will be effectively accepting chronic poverty in SSA countries for at least the next generation if not longer. It is inconceivable that Sub-Saharan Africa can meet the Millennium Development Goals both in relation to poverty and undernourishment unless more agricultural development and investment occurs there. The International Food Policy Research Institute (IFPRI) shows that, based on current trends, poverty is likely to worsen in Sub-Saharan Africa, and while undernourishment will fall somewhat it will not converge to the Millennium Development Goal of halving the proportion of the population suffering from undernourishment by 2015.[18] Against this background, the recognition in the recent White Paper on Irish Aid that "enabling and assisting sustainable pro-poor economic growth through support for rural development and agriculture are central to the broader fight against poverty in the poorest countries, particularly in Africa" must be strongly welcomed.[19]

Figure 2.3 Progress in Attaining MDG 1 Targets for Poverty and Undernourishment, by Region (Trend Lines Based on Recent Performance and Targets for 2015)



Source: World Bank (2004b) (left), and FAO (2003) (right).

5.2 Donor support for agriculture

Despite the overwhelming importance of agricultural development for poverty alleviation in Sub-Saharan Africa, donor support for agriculture has dropped significantly. The share of total ODA devoted to agricultural development has been declining for the past quarter of a century. In 1983/1984 11.4% of total DAC ODA was allocated to agriculture whereas just 3.2% of DAC ODA went to agriculture in 2003/2004. The decline in share also corresponded to a dramatic fall in the volume of aid going to agriculture. In 1983/1984 a total of $13.5bn (2004 prices and exchange rates) was allocated to agricultural development assistance. The aid going to agriculture fluctuated close to this level till 1989 and thereafter fell sharply to about 50% of that level by

[18] M Rosengrant et. al. (2006) *Agriculture and Meeting the Millennium Development Goals*, p. 5, IFPRI publication, downloadable at http://www.ifpri.org/pubs/cp/agmdg.asp#dl

[19] White Paper on Irish Aid, 2006, p. 54.

1992. By 2003/2004 it had fallen further to just 37% of that level or $5bn (2004 prices and exchange rates).[20]

This dramatic reduction has also been unevenly spread. In Sub-Saharan Africa the volume of aid to agriculture fell by 50% between 1980 and 2002, while in South and Central Asia over the same period the volume of aid fell by 83%.[21] There appear to be a variety of causes for this decrease. Apart from statistical changes and the growing attractiveness of aid to sectors such as health and education in the light of the emerging poverty focus for aid disbursements, the key reason relating to agriculture itself appear to be a loss of confidence in the outcomes of development assistance to agriculture. The loss of confidence in agricultural development has not been confined to donors. Developing country governments themselves have become more pessimistic about agriculture as an engine for economic development. This agro-pessimism arises from a complex interaction between the model of development applied in various periods and the particular challenges of agricultural development, most notably in Sub-Saharan Africa.

Several phases of agricultural development assistance have followed the trends in thinking about development policy generally. In the 1960s and 1970s the Green Revolution focused on technical improvements that would yield greater agricultural productivity and, it was hoped, greater prosperity in agricultural areas. In Africa, however, the Green Revolution remains largely unimplemented. Sub-Saharan Africa (SSA) has irrigation in only 10% of its irrigable land as compared to 26% in India, 40% in the Philippines and 44% in China.[22] This lack of irrigation is all the more serious as rainfall patterns become more erratic in duration and amount in the region. The SSA average per capita production of cereals between 1997-1999 at 985 kg/year is just under half of the average world per capita production at 2067 kg/year. Livestock productivity in SSA over the same period is 128 kg/year which compares to 193 kg/year on average for the world as a whole. Finally, average fertilizer use in SSA during the period was 9kg/ha as against a world average of 100kg/ha.[23]

This rather dismal performance of agriculture in SSA even during the Green Revolution era was due to the subsistence rain-fed base of agriculture in SSA, inadequate land reform, complex farming systems, climactic change and frequent drought, volatile international prices, ill conceived public agricultural development projects, and adverse policies towards agriculture such as export taxes, monopoly parastatal marketing boards, overvalued exchange rates and lack of access to developed country markets for key products.

In the 1980s there was "growing disillusionment with technocratic and bureaucratic approaches to rural development (green revolution, agricultural colonization, land reform, etc.)" which "resulted in the conclusion that it was not appropriate to attack single constraints through top-down planning and narrow sector programmes. It was recognized that rural development comprises the interaction of a large number of interrelated activities".[24] Therefore the agricultural development assistance shifted towards Integrated Rural Development (IRD) projects whose focus was

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[20] OECD, DAC data.

[21] DIFD, 'Official Development Assistance to Agriculture', Working Paper, November 2004, p. 3.

[22] Economic Commission for Africa (2003) "Towards a Green Revolution in Africa: Harnessing Science and Technology for Sustainable Modernisation of Agriculture and Rural Transformation (SMART/AGRI)", p.13, available at http://www.uneca.org/estnet/Ecadocuments/Towards_aGreen_Revolution_in_Africa.doc.

[23] FAO Research and Technology Service, (2005) "Special Event on Green Revolution in Africa", Background paper prepared for Committee on World Food Security May meeting, p. 3 Table 2. Agricultural Indicators by region. Downloadable at ftp://ftp.fao.org/docrep/fao/meeting/009/j5421e.pdf

[24] Annelies Zoomers (2006) Three Decades of Rural Development Projects in Asia, Latin America and Africa: Learning from successes and failures, UNU Wider Research paper No. 2006/33, p. 6.

relatively broad. "Attention is paid to agriculture, but also to roads, irrigation, schooling, sanitation, credit and/or small-scale industrialization."[25] These IRD projects had a 'bottom-up' approach rather than the previous technocratic and bureaucratic 'top-down' assistance that had typically been channelled through parastatals and government ministries.[26]

Various shortcomings arose within IRD projects however. Sometimes they faced adverse national policies that undermined them, in other cases they kept people in agriculture without really examining whether sustainable livelihoods were being created that would help people escape from poverty. Adverse socio-political, ecological, as well as pricing and economic/infrastructure issues undermined IRD projects. They frequently were set up and run independently of each other with no wider regional development strategy. IRD projects that were well organised, had a high degree of local 'buy in' and had a good administrative team, worked well when they were aided by favourable national policy, and favourable ecological and economic conditions.[27]

In the 1990s there was a change from more state-led to market-led approaches to agricultural development. This led to a consequent difficulty in finding partners through whom to channel development assistance to agriculture. Along with the problems encountered in IRD projects, development assistance in agriculture tended towards adjustment lending. The current approach is towards Sector Wide Approaches (SWAPs) that should support the Poverty Reduction Strategies (PRSPs). Several obstacles remain to be overcome if SWAPs in agriculture are to work.

First, the agriculture sector is more complex and diverse than other sectors like health, education, trade, transport etc. The fundamental characteristics of agriculture in Sub-Saharan Africa are volatility in output due to, amongst other things, rainfall volatility, a high disease burden, low yields due to undercapitalization (in terms of physical, human and social capital), high price volatility, low income elasticity of demand for agricultural output and reliance on export demand for some crops. These make agricultural development considerably more complex than developing the heath or education sector. Other factors such as political volatility and poor policy have affected all sectors and not just agriculture.

Second, the agriculture sector is weakly integrated into the Poverty Reduction Strategy Paper process. Agricultural sector development plans tend to be lists of objectives and planned expenditures with little strategic prioritisation and little focus on their poverty reduction impact. This suggests that more work needs to be done on developing SWAPs for agriculture.

Third, the scope of government intervention in the agriculture sector is both wider (covering trade, exchange rate policy, infrastructure, tax, land reform, privatization) and, in terms of direct service delivery, smaller than sectors like health and education. Many important government actions are concerned with policy and not service delivery and in these discussions the Agriculture Ministry frequently does not have the lead.

Recently, a new vision for African agricultural development has been promoted by the Earth Institute at Columbia University as part of the UN Millennium Project. Under the leadership of Professor Jeffrey Sachs, Special Advisor to the UN Secretary-General on the Millennium Development Goals, this vision calls for going beyond the market-oriented paradigm of agricultural development to focus on delivering fertiliser and improved seeds to millions of poverty-stricken African farmers across the continent. A network of Millennium Development

[25] Zoomers, p. 6.
[26] For a description of some of the key IRDPs see Economic Commission for Africa (2003) p. 4-7.
[27] Zommers, p. 19.

Villages is being promoted to demonstrate the high returns which can be obtained from coordinated interventions. The Millennium Project's Task Force on Hunger has concluded that the necessary science-based technology in agriculture, nutrition, market development and repairing degraded agricultural landscapes have been piloted and tested but now needs to expand to national scales in order to achieve the Millennium Development Goal of cutting hunger in half by 2015 (Millennium Project Hunger Task Force, 2005). The feasibility of a new Green Revolution in Africa exists, but it needs political and financial support (Denning, 2006).[28]

In summary then, three phases of development assistance going to agriculture in Sub-Saharan Africa have yielded little by way of results. Indeed, "Africa is the only region in the world where the regional average of food production has declined over the last 40 years."[29] Agriculture in SSA is risky both because of its dependence on rainfall, its subsistence nature and because of the volatility of agricultural prices. For these reasons and due to the poor policy environment, past results from development assistance to agriculture have been poor. But there is now evidence that the policy environment is changing, and the technical knowledge to implement solutions to Africa's hunger problem is available. We recommend that Irish Aid should support the call for a Green Revolution in Africa and make it a guiding principle for its response to African poverty.

5.3 The Irish Aid response

Ireland has a long tradition in agriculture, and while Northern hemisphere agriculture differs markedly from Sub-Saharan agriculture, that interest has translated into many initiatives to help SSA agriculture. Ireland allocated 5.4% of its total ODA to agriculture in 2004. Only three other countries in the OECD allocated a higher percentage, Denmark 7.5%, Luxembourg 7.8%, Austria 6.2%. Indeed, Ireland's percentage allocation also compares favourably with the 3.9% share of total DAC aid allocated to agriculture and the 6% share of World Bank development assistance given to the sector.[30] On the other hand, this performance should be evaluated in the context that Ireland's development partners have a greater dependence on agriculture, and a greater proportion of the poor are found in agriculture in these countries, than in other developing countries.

Irish Aid has funded and/or is funding food security work in Ethiopia, agricultural extension work in Uganda, the agriculture sector development plan in Tanzania, the agriculture sector reform plan in Mozambique, and rural access investment in Lesotho. Irish NGO initiatives in the agriculture area in SSA are also significant. *Trocaire* works on agriculture and irrigation in Zambia and on malnutrition and food security in Sudan. *Bothar* gives gifts of livestock in eleven SSA countries, *Concern* works, or has worked, on food security, well construction and/or food provision infrastructure in Eritrea, Ethiopia, Malawi as well as agricultural development and small scale agriculture livelihood development in Liberia, Sierre Leone, Tanzania, and Zimbabwe.

As noted, Irish Aid involvement in this sector is set against a background of falling aid to agricultural development. Now, however, when macroeconomic, governance and international trade contexts are much more favourable for SSA agriculture, the time is ripe for increased investment. Agricultural development has strong potential to help boost SSA countries' convergence towards the Millennium Development Goals on hunger and poverty. Agricultural development boosts food production generally, increases food production by subsistence farmers,

[28] For more information, see the website www.africangreenrevolution.com.
[29] FAO, Green Revolution.., p. 1.
[30] OECD, *2005 Development Cooperation Report*, Statistical Annex, p. 202-3, downloadable at http://oberon.sourceoecd.org/pdf/dac/statann.pdf

raises the quality of diets and diversifies food production. It can increase income, assets, capital and incomes for agricultural households through increased production and access to markets. It can also boost the incomes of non-agricultural households by lowering food prices and increasing available food for consumption.

This requires investment to ensure that five complementary requirements are present. First, complementary agricultural technology is required. Second, fairly equitable distribution of land is essential if poverty impacts are to be widely spread. Land reform has not been forthcoming in SSA perhaps because it is such a difficult political issue. Progress will require political will, careful design, and finance to 'buy-out' land ownership. Third, efficient and widespread rural agricultural markets are needed that are linked into regional and international markets. Fourth, knowledge and education are needed both on diet and nutrition, and on agricultural technology and standards. Fifth, health and sanitation services are also essential amongst other reasons because of higher rural rates of HIV infection.[31]

It also requires developing countries to follow consistent and credible economic policies which encourage private investment; to adopt trade policies that are not biased against primary production and exports; and to make the public investment in infrastructure, technical development, and credit which is necessary for modernising production and improving competitiveness. Much progress has been made in reducing the negative bias against agriculture in macroeconomic and trade policies, but it still does not get the attention it deserves as the main source of livelihoods for poor people, particularly in the world's poorest countries. Government investment in agriculture as a percentage of GDP remains very low in many developing countries.

5.4 Operationalising increased aid to agriculture

A more coherent approach within Irish Aid to support improved trade opportunities with targeted assistance to productive agriculture (as well as trade-related assistance, as recommended in the next section), on its own, is not sufficient. A consequence of the rhetoric of 'country ownership' is that developing countries themselves must feel that their interests are served by making their own policies coherent with a 'trade for development' strategy. Countries are now encouraged to take ownership of their development strategies, not simply follow donors' advice. The various DTIS studies can identify investment needs and policy priorities, but governments themselves must adopt these recommendations, incorporate them into their development plans and present them to donors for funding if they are to be implemented.

The limited coverage of the agricultural sector is one of the identified weaknesses in many PRSP's. While a large proportion of the poor in developing countries live in rural areas and are dependent on agriculture, the agricultural sector has not received appropriate attention in the development and implementation of PRSP's. This has been explained by the traditional sectoral concern with production issues per se, rather than seeing increased agricultural production as a means of addressing rural poverty. One important step to rectify this is the Maputo Declaration issued by New Partnership for Africa's Development (NEPAD) in June 2004, which called for substantial increases in investment in rural development. It is too early to say whether this commitment has had any impact on African countries' budget allocations.

Ultimately, the ability of Irish Aid to expand its assistance in these areas will require that agricultural investment and trade-related capacity are prioritised by its partner countries. However, there are steps which Irish Aid can take to ensure that its assistance makes the

[31] IFPRI, *Agriculture and Meeting MDGs*, Chapter 2, p. 16.

maximum impact. First, Ireland’s development cooperation programme will not be sufficient in any country to make a large impact on all of the complementary requirements as well as agricultural development proper. This underlines the importance of concentrating our development cooperation so that we can have the best chance of making a real difference in partnership with some least developed countries. Moreover, evidence that we are making a difference in a few specific countries will help raise the visibility of Ireland’s development cooperation programme, and legitimise the level of spending. It also makes partnership with other donors, with the developing country governments, civil society and private sector groups essential.

Second, an expanded Irish Aid commitment to development cooperation in the agricultural area does not mean that Ireland should always itself take the lead or expand its funding of agricultural development in each individual partner country. Cooperation between donors is also a key feature of policy coherence. Other donor countries may be in a better position to take the lead in agricultural development in particular situations. Proper specialisation, where Ireland is the lead donor in sectors other than agriculture, may lead to more effective aid to agriculture because donor countries specialise according to their comparative advantage. Under the basket approach being followed by donors in some aid recipients, it is possible that Ireland takes a decision to specialise in supporting a particular sector other than agriculture, knowing that agriculture, in turn, is being supported by other donors. In such cases, it may be necessary to develop a financial reporting system which acknowledges the coordinated framework of budget support across a variety of sectors in these countries.

That said, as Ireland's development cooperation spending increases, and presuming that the focus on a small number of LDCs in Africa remains its principal focus, as it should given its poverty reduction goal, then there is a strong poverty-reducing and livelihood-creation argument for increased commitment to agricultural development. The increased commitment to agricultural development should be conceived of broadly; investment in all of the five complementary requirements will also be vital. It is encouraging to note that the recent White Paper on Irish Aid recognises the need for this multi-dimensional approach and proposes to establish a Hunger Task Force to examine the particular contribution that Ireland can make to tackling the root causes of food insecurity, particularly in Africa. Our view is that this Task Force should be encouraged to examine the way in which improved agricultural performance can contribute to reduced poverty and food insecurity in Africa, and how best Irish Aid could use increased resources in partnership with its programme countries to strengthen rural development and agricultural production.

Third, related to this, it is also important to recognise that administering larger aid flows will raise its own policy coherence challenges. Many potential recipients are already heavily aid-dependent, so particular attention will need to be paid to maximising aid effectiveness. At local level, operational procedures need to be harmonised; aid should be more predictable and should be supportive of the government’s own priorities for growth and poverty reduction. Projects where possible should be private-sector led rather than decided by public sector bureaucracies, even if much of the resulting expenditure is targeted at improving trade-related public sector performance.

Support for the private sector needs proper design and supervision. Recent Irish experience with credit provision in Ethiopia illustrates the challenges to a successful implementation of programmes that provide micro-credit to private individuals. Core expertise within Irish Aid is important in this regard. For example, in developing functioning credit provision which is an essential requirement for agricultural development, wider Irish Credit Union expertise might be tapped to better design accountability and systems so that credit provision might be extended more broadly and in a sustainable manner.

Fourth, taking advantage of trade opportunities requires that resources respond flexibly to market changes. Some of the rural poor may lose. These will include people who are employed or who produce in highly protected, low productivity, often staple food sectors. Where the mobility of the rural poor is limited, they will be hurt by lower output prices, especially in the short run. In this context, more use should be made of Poverty and Social Impact Analysis (PSIA) to undertake analysis of the intended and unintended distributional impacts of trade policy reforms on the well-being or welfare of different stakeholder groups, focusing particularly on the poor and vulnerable.

This process was introduced in 2001 as an instrument to strengthen the PRSP agenda by underpinning its analytical base. PSIA is not without its problems. Experience thus far shows that the integration of PSIA results into policy dialogue remains a challenge. Often the exercise was perceived as donor-driven, with little say of national stakeholder groups in the selection of the reform area or the process. Other problems include the high costs of this sort of work, weak databases and analytical capacity, and the length of time required, such that a decision is already taken before the analysis is completed (Deutsche Gesellschaft et al., 2005). However, in the context of an anticipated increase in investments in agriculture and rural development, PSIA can be a promising tool to help shape the planning and formulation of policies and strategies that would guide such investments.

PSIA analyses can be helpful in tracing through the impact of proposed trade policy changes on particular population groups, to better identify where targeted interventions could be helpful to support potential winners to take advantage of new opportunities, while putting a safety net under potential losers. Irish Aid could help by supporting such exercises financially and in other ways, but the beneficiary countries must incorporate these ideas into their country development strategies and follow up with investment allocations if they are to bear fruit.

6. Increased trade-related assistance

Box 5. Turning market access into markets

African countries require support to take advantage of existing as well as new market opportunities and to overcome weaknesses in trade capacity.

Creating trade capacity should be an important focus area for increased Irish Aid development assistance. It will be important to work with existing partners and instruments in the spirit of the “new aid framework” and to avoid the proliferation of new “aid for trade” instruments.

The commitments to increased “aid for trade” resources at the WTO Hong Kong Ministerial Council are welcome, but Irish policy-makers should support mechanisms to ensure that these commitments do not simply repackage existing aid flows.

Aid evaluations suggest that much existing “aid for trade” is of dubious benefit. In scaling up resources in this area, therefore, it will be important to learn from these evaluations and, in particular, to engage with and support the private sector in new initiatives.

Increasing “aid for trade’ requires that developing country partners mainstream trade policy in their poverty reduction strategies.

The association between rapid economic growth and expanding trade is now well established; developing countries that have expanded trade more rapidly have also grown more rapidly (World Bank, 2002). Yet while many developing countries have increased their exports dramatically in the last few decades, Africa has not. UNCTAD (2003) has pointed out that Africa has seen its share of world trade fall from six per cent in 1980 to less than two per cent in 2002. The Blair Commission on Africa noted that, if sub-Saharan Africa could manage to increase its share of world exports by just one per cent, it would generate over US$70 billion – treble the amount it gets from all its current aid flows and nearly a quarter of its total annual income (Commission for Africa, 2005).

The trade basis for many African economies is still incredibly narrow. Over three-fifths of its exports by value are fuels, with a further fifth from food and agricultural raw materials, and the final fifth from manufacturing (including mining) (see also Chaplin, 2006). This huge dependence on commodity exports leaves Africa very vulnerable to declining and volatile commodity prices, especially given its dependence on a narrow range of products. From 1980 to 2000, the greatest falls in prices were in cotton (47 per cent), coffee (64 per cent), cocoa (71 per cent) and sugar (77 per cent). And in a short period, losses can be very severe. Between 1986-89, sub-Saharan Africa suffered losses, associated with price falls, of US$56 billion or around 15-16 per cent of its then GDP (Commission for Africa, 2005). This deterioration in Africa's share of world trade has occurred despite its generally more favourable terms of access than other developing country exporters to developed country markets. These statistics show that African countries do not appear to be taking advantage of market access opportunities which are open to them. Thus, even where poorer countries gain market access *opportunities*, turning these opportunities into additional trade flows will require support.

Awareness of these issues has led to a growing interest in trade-related development assistance (TRA). TRA covers four categories of actions: assistance for trade policy formulation and participation in negotiations; assistance for trade development including actions aiming at relieving supply side constraints which prevent developing countries exploiting their international trading potential; assistance for trade adjustment, including measures to mitigate the adjustment costs of trade liberalisation; and assistance to support trade-related infrastructure. A number of international initiatives have been taken, including the Integrated Framework (IF) for Trade-related Technical Assistance to Least Developed Countries. This is a multi-agency, multi-donor programme designed to mainstream trade into national development plans such as Poverty Reduction Strategy Papers and to assist in the coordinated delivery of trade-related technical assistance. Its helps to fund the preparation of Diagnostic Trade Integration Studies in partner countries which examine existing weaknesses in trade capacity and set out a menu of options for policy change and investment support. DTIS studies have been prepared thus far for five of Irish Aid partner countries in Sub-Saharan Africa.[32] 'Aid for trade' is an increasingly important agenda item on the Doha Development Agenda, and the WTO Hong Kong Ministerial Declaration in December 2005 invited the Director-General to create a task force to provide recommendations on how to operationalise Aid for Trade which reported in July of this year (WTO, 2006). We recommend that strengthening trade capacity should be an important focus area for increased Irish Aid development assistance. Put simply, if assistance is provided to increase agricultural production and trade is blocked, then prices to domestic farmers will plummet and the increase in production will be reversed.

[32] A list of DTIS studies completed can be found and accessed on the World Bank Trade website. http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:20615178~menuPK:1574524~pagePK:148956~piPK:216618~theSitePK:239071,00.html

6.1 Trade capacity weaknesses

All trade, and in particular international trade, incurs transactions costs. These include the costs of learning about and exploring new markets, costs of financing and risk-sharing, costs of transport and shipping, and meeting the costs of certification. Developing countries have long depended on commodity exports. Marketing channels are usually in place to handle these exports, although they are often more costly and inefficient than they need to be in part because of inappropriate domestic regulation. More problematic is the development of marketing channels for non-traditional exports which are more likely to benefit from lower market barriers in EU and other countries. There is now an increased focus on what developing countries need to do in order to take advantage of new market opportunities, as well as on ways in which development assistance can help to overcome particular obstacles.

Strengthening trade institutions is a vital part of a successful trade strategy.[33] For many countries, export promotion policy in the past was synonymous with funding attendance at trade fairs. In practice, there is a much wider agenda. Trade policy itself needs to be examined to eliminate as far as possible any anti-export bias. Competition must be encouraged along marketing chains so that price signals from the world market are transmitted to producers. Regulatory reform can improve efficiency, for example, by introducing greater competition on railway networks to reduce turnaround times and demurrage costs or by simplifying export procedures. Improvements can be sought in the performance of public sector agencies, such as customs administration. For agri-food exports, certification procedures to ensure compliance with increasingly stringent food safety regulations in importing countries can be strengthened. The private sector is fragile and often lacks a consolidated business culture and export experience. The institutional frameworks for trade support services, i.e., the agencies in charge of and the regulations governing trade and investment promotion, are often inadequate.[34]

The more important barriers to African agri-food exports to Europe are often not tariffs but non-tariff barriers, particularly the costs and difficulties in complying with the increasingly rigorous food safety standards now being demanded to protect European food consumers. Exporters may face difficulties in entering the EU market not necessarily because their products are unsafe but often because their countries lack the monitoring, testing and certification infrastructure that would make it possible for them to demonstrate compliance with import requirements. The cost of meeting legitimate SPS standards is large, and African countries need help to address the weaknesses in their food safety and quality control systems, and the associated institutions. They also need assistance for the establishment and strengthening of verification and certification bodies in order to demonstrate compliance with food safety and other traceability requirements.

In many African countries, the withdrawal of governments from direct involvement in agricultural marketing has left large gaps which the private sector is not yet able to fill. Firms often lack trade support services, including trade finance, general business services, telecommunications and transport services, and trade promotion and marketing services. Where such services are provided, this is often through public trade promotion organisations which by and large are not effective (OECD, 2002). Increasingly, therefore, 'aid for trade' projects focus on the micro- and firm-level, on encouraging improvements in product presentation and the

[33] WTO (2005b) surveys the principal supply-related capacity-building issues identified in 14 Diagnostic Trade Integration Studies and categorises them under four headings: transport, customs, standards and quality requirements, and export promotion.

[34] A survey of business firms in six African countries highlighted a huge mismatch between government policies and exporters' needs in the provision and use of trade support services (Bonaglia and Fukasaku, 2002).

production process as well as developing the capacity of export promotion organisations. Support for training of exporters, strengthening local associations and enterprise networking, providing trade information, and promoting investment are other examples of initiatives which can be taken. An important factor in the success of such projects is the degree to which the private sector in developing countries is actively involved in setting priorities and determining the uses to which assistance is put.

The poor infrastructure that impedes market integration both nationally and regionally needs to be addressed. Transport costs are high in Irish Aid's partner countries. Moreover, lack of integration of markets constrains the expansion in agricultural output and insulates local markets from international and regional price transmission. In addition, limited access to electrical power is an important constraint on agricultural development and in particular on the development of higher value-added agri-business aspects.[35]

6.2 Irish Aid response

In 2002, the Irish Aid Advisory Committee Working Group on Trade Capacity suggested that Ireland's development cooperation programme should consider some options for increased trade promoting development assistance. At a macro and multilateral level it suggested ongoing work in dialogue with the International Financial Institutions, the WTO and UNCTAD.[36] At a meso level, within developing country or between developing countries, the Working Group suggested that "support for trade capacity is likely to be primarily in the area of strengthening regulatory and commercial trade support institutions". Ireland's wealth of experience in export promotion should potentially give us something to offer in this area even though adequate expertise would have to be gathered in-house in Irish Aid. Since one of the key findings of recent research, including of this project, is that the most significant gains from agricultural trade liberalisation are at the regional and South-South level this type of investment could bear significant results. At a micro level, the Working Group's recommendation for support for the private sector is another key area for trade creating development assistance. The Working Group noted that "foreign investment is likely to be an essential element in the development of the export sector in our partner countries". While it is true that Sub-Saharan Africa gets very little foreign direct investment outside of the extractive industries, there are also recent examples of Chinese and South African investment in the sugar industry in our partner countries which suggests that FDI can be attracted into an export-oriented agribusiness sector.

Overall, trade capacity ODA has increased since the Doha round began in 2001, with over $2bn in trade development and trade policy and regulation ODA flowing into Sub-Saharan Africa between 2002 and 2004. This represents 25% of the total ODA flows worldwide for these categories which amounted to $8bn.[37] Flows into Ireland's partner countries have been reasonably significant in Tanzania and Uganda and to a lesser extent in Mozambique and Zambia (Table 3). However, these flows cover all sectors and not just agriculture. Ireland provided just under $2m in ODA in these categories between 2002 and 2004.[38] Irish Aid has supported the Integrated Framework as well as the Joint Integrated Technical Assistance Programme designed to help the least developed countries to participate more effectively in the trade negotiation process itself. It

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[35] Torero M. & S. Chowdhury (2005) 'Increasing Access to Infrastructure for Africa's Rural Poor', *2020 Africa Conference Brief 16*, IFPRI.

[36] Irish Aid Advisory Committee Working Group on Trade Capacity (2002) *Building Trade Capacity: Options for Ireland Aid*, p.48-49.

[37] WTO/OECD (2005) 'Joint Report on Trade Related Technical Assistance and Capacity Building', available at http://tcbdb.wto.org/publish/2005%20Report-Final.pdf

[38] Data are taken from the WTO/OECD Trade Capacity Building Database http://tcbdb.wto.org/index.asp

has also helped to fund the activities of the Agency for International Trade Information and Cooperation (AITIC), an intergovernmental organised established by the Swiss Government and based in Geneva with the brief to assist the least developed countries to participate more effectively in the work of the WTO and other trade-related organisations in Geneva. There is scope for raising this funding in the context of an expanded aid programme.

Table 3. Trade-related assistance to Irish Aid partner countries

	Trade Policy/Regulation and Trade Development ODA, 2002-2004, ($m.)	Share of SSA Total
Ethiopia	14.7	0.7
Lesotho	12.7	0.6
Mozambique	45.7	2.1
Tanzania	95.8	4.4
Uganda	117.6	5.4
Zambia	43.3	2.0
Sub-Saharan Africa	2,193.6	

Source: WTO/OECD Trade Capacity Building Database.

6.3 Issues in increasing trade-related assistance

Increased aid for trade has now been endorsed at the highest levels, including the recent G7 meeting and at the Hong Kong Ministerial Meeting of the Doha Development Round. The recent White Paper on Irish Aid also committed to increased funding for multilateral ‘Aid for Trade’ initiatives. There are at least three questions which can be asked of the new aid for trade thinking. First, does it make sense to differentiate aid for trade from development aid in general? Given that it is often difficult to distinguish the two, is it sensible to complicate the aid system by creating separate frameworks and structures for trade-related assistance? There are already a variety of new channels to deliver this assistance, including the IMF’s Trade Integration Mechanism, various bilateral donor programmes as well as multi-agency programmes such as the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries. A stronger Irish programme would give Irish Aid some leverage in seeking greater policy coherence at the inter-donor level in the disbursement of this assistance. At a minimum, trade-related assistance should be disbursed in the context of the “new aid framework” which emphasises the need for coordination between donors and coherence with national policies and priorities. The relationship between aid for trade and policy conditionalities which may be associated with other forms of assistance also needs clarification.

Second, should aid commitments be brought under the WTO umbrella and formalised as part of a Doha Round Agreement, thus making them subject to the dispute resolution mechanism? The Food Aid Convention which seeks to guarantee a minimum level of food aid deliveries is a previous example of such an agreement, which also serves to underline its possible limitations. The big potential for disillusionment lies in the fact that aid is fungible, and that new ‘commitments’ for trade-related assistance may simply repackage aid flows that would otherwise go to other sectors. Charlton and Stiglitz (2006) have proposed that all countries agreeing to increased aid for trade should subscribe to a Maintenance of Effort Commitment that current aid levels would not be reduced in order to deal with this concern. This is not going to be a problem for the Irish Aid programme given the commitment to expand its overall volume in the coming years, and Irish trade negotiators could push this issue forcefully when the Doha Round negotiations resume.

Third, one of the lessons from the Doha Round, and supported by observations made by the research project in the partner countries, is the very weak analytical capacity in the programme countries to assess what is the national interest when faced with either multilateral, regional or bilateral trade negotiations. Ministries of Trade are often sidelined in negotiations, they lack the economic and analytical capacity to assess alternative proposals, and channels of communication with the actual negotiators are often poor. These negotiation weaknesses are also evident in the ongoing ACP negotiations with the EU on Economic Partnership Agreements. Irish Aid should build on its existing programmes of assistance for trade negotiations and this could become a niche area for the Irish Aid programme. However, it will be important to learn from evaluations of past and ongoing programmes to ensure real effectiveness. In many of our programme countries there is now a 'workshop' syndrome where attendance at workshops has become the primary objective of technical assistance. Irish Aid has the opportunity to make more of a structural contribution, for example, through support for Master's level programmes in trade policy at local universities designed to be delivered on a regional basis.

Fourth, this last qualification underlines that trade-related assistance is not a Holy Grail and must be shown to be effective. An early evaluation of aid for trade found that few donors could report success stories in their trade-related assistance (Jensen, 2005; OECD, 2006). Merely labelling aid as trade-related does not automatically guarantee that it will be effectively used. The OECD has been active in developing guidelines on how to disburse trade-related assistance (OECD, 2001; 2006). Critically important is the need to involve the private sector, and this should be more than just an obligation to consult. An aid for trade strategy needs to be driven by private sector interests including civil society groups to make sure that priorities reflect business needs and contribute to alleviating poverty. Another important requirement is coordination among those government ministries with a stake in developing a trade strategy. Irish Aid should develop mechanisms to engage with the private sector in its partner countries particularly in developing its trade-related assistance support and not simply rely on disbursing funds to the public sector. The recent White Paper on Irish Aid recognised that support for the private sector needs to become more focused and targeted.

Fifth, this highlights the importance of mainstreaming trade policy-making in developing countries if trade liberalisation is to work as a route to poverty alleviation. Many developing countries now set out their development strategies in a national Poverty Reduction Strategy Paper (PRSP), originally required for countries eligible for debt relief under the Enhanced HIPC Initiative in order to use the financial resources freed up by the debt cancellation in reducing poverty in an effective and sustainable manner. Very few of the first generation of these strategies had anything to say about trade policy; they were very focused on social sector spending, particularly health and education (Hewitt and Gillson, 2003). There is now a greater effort to include trade provisions in the PRSPs, and the more recent papers increasingly include a chapter on trade policy. This has been underpinned by the revitalised Integrated Framework for Trade-related Technical Assistance to the Least Developed Countries. Many of these countries have commissioned Diagnostic Trade Integration Studies which have identified a menu of policy options which potentially can be incorporated into PRSPs. On the other hand, not all countries necessarily want to prioritise trade considerations, and donors should respect this where it is well founded.

7. A policy coherence framework within Irish public administration

Box 6. Ensuring “joined up government” for development

The formal public commitment to the policy coherence for development principle in the White Paper on Irish Aid is the crucial element on which to build a framework for policy coherence across government departments. The proposed Inter-Departmental Committee on Development will play a central role in operationalising this process.

Implementing a policy coherence process could be done through an audit of policy coherence issues that arise in government departments, setting up a network of Department ‘liaison officers’ to follow these issues, and introducing a requirement for policy coherence proofing on government memoranda and decisions.

Supporting such a process will require a strengthening of the policy coherence capacity in Irish Aid.

A regular report on policy coherence issues would stimulate public discussion and provide a means of monitoring the government commitment in the White Paper.

7.1 Establishing a mandate for policy coherence

The White Paper on Irish Aid makes policy coherence for development (PCD) one of the guiding principles of Ireland’s development cooperation policy. This policy statement can now act as a fulcrum against which to lever greater institutional commitment to, and delivery of, policy coherence in Ireland. The OECD notes that "a clear, consistent and integrated policy framework can translate political commitments regarding policy coherence into a mandate for action by different parts of government".[39] It also notes the growing number of countries which have moved towards a clear commitment to policy coherence. The United Kingdom, in two White Papers, and both Germany and the Netherlands, in policy statements, and Sweden, in legislation, have set out government-wide frameworks with both a mandate and objectives for policy coherence. Other countries have also moved some way forward in terms of policy coherence.

> "Finland and Spain have established policy coherence as an objective in their development, foreign or overall policies. Denmark, Norway and the United States have emphasized the need for a greater alignment and co-ordination of policies to achieve national objectives. Switzerland has stressed the need for greater internal coherence of development policies. Canada has taken steps towards recognizing the need for policy coherence for development, which now require detailed follow up."[40]

The commitment to policy coherence in the recent White Paper now puts Ireland firmly within this camp. In addition to being a mandate for action across government, support for policy coherence in the White Paper is consistent with the support for policy coherence in the OECD Ministerial Statement, OECD *Action for a Shared Development Agenda* and with EU policies and laws.

[39] OECD, *Policy Coherence for Development: Promoting Good Institutional Practice,* 2005, p. 71.
[40] OECD, *Policy Coherence…,* p. 74.

7.2 Policy coherence for development is a matter of degree

Working for policy coherence for development is a *process* where greater coherence between different development cooperation and non-development policies in a donor country, and between donor countries, can be achieved over time. Complete policy coherence for development is hardly achievable and may not even be legitimate in a democratic and pluralistic society where other objectives also claim support. In this regard, it is useful to compare PCD with poverty proofing of government policy. The entire effort of the Irish government is not devoted to the reduction of poverty. Indeed budgetary decisions on tax and welfare have many objectives and do not simply seek the reduction of poverty. Moreover, there are trade-offs in financing the changes that seek to attain these objectives. So, intra-country policy coherence to reduce poverty is also a matter of degree. In examining policy coherence for development it makes sense to avoid thinking about it in binary terms – coherent or incoherent – and to begin thinking of increasing policy coherence in a manner that is capable of garnering support through the political process.

Policy that affects development of the world's poorest countries has many dimensions and there is considerable uncertainty about the precise relationship between different policy levers or instruments and their impact in terms of development or poverty reduction outcomes. Even if there were such clarity, policy makers and voters would place different weights of precise importance on each policy lever on their different policy impacts.[41] Some development theorists value economic growth over poverty reduction suggesting that wealth will trickle down even if income inequality rises initially. Others argue against any increasing marginalisation of the poor and suggest that a more equal income and asset distribution is a better foundation for economic growth.

There are also trade-offs in that not all policy levers can be 'pulled' at once; some conflict with others. For example, tariffs on agricultural trade amongst Sub-Saharan African countries should be reduced to better realise some gains from trade in agriculture. Yet, tariffs may need to be imposed, at least temporarily, to protect poor farmers against collapses in the international price of the goods that they produce. Cutting import tariffs will also reduce Government revenue, which, in turn, may conflict with increasing Government investment in the provision of public goods for export-oriented agriculture unless tax reform also happens. Yet, tax reform itself involves distributional impacts that have political consequences.

In an Irish policy context, what maximal PCD might mean is more obvious where there is no conflict (or even complementarities) between the objectives of international cooperation and those of the government department in question – e.g., peacekeeping and emergency relief work by the Irish Defence Forces. It is a considerably more delicate policy-making issue if significant potential trade-offs between policy objectives arise, e.g., Irish views on CAP support for European sugar producers and the development of the sugar industry in Ireland's development cooperation partners Mozambique, Zambia, and Ethiopia.

Even when policy objectives for Ireland's development cooperation are set, it will frequently not immediately be clear how best to achieve results. Asking policy coherence for development questions will not always lead to clear answers. Nor is it likely to deliver coherence over the whole sphere of Irish or EU policy. Analysis of PCD questions should, however, prompt useful

[41] L.A. Winters, *Coherence with no 'here': WTO co-operation with the World Bank and the IMF*, November 2001, draft paper originally prepared for the CEPR/ECARES World Bank Conference on The World Trading System Post Seattle, 14-15 July 2000. www.tulane.edu/~dnelson/PEReformConf/Winters.pdf

reflection and lead to greater transparency when internal governmental policy debate and wider political debate engages with policy choices. There is a greater chance that ‘joined-up’ action by Government will be achieved when such PCD debate and analysis has occurred as opposed to policy choice being made with only local intra-Departmental concerns in mind with potentially undermining effects on the attainment of the development cooperation objectives of Irish Aid and the Department of Foreign Affairs.

7.3 A framework for policy coherence

The policy mandate for PCD in the recent White Paper is fundamental. Without such a mandate then both the information flows and the reflection on coherence issues will only occur *reactively* in response to external events and not *proactively* in prior policy formation. However, it needs to be more broadly implemented at an operational level. Policy coherence for development is not just the concern of Irish Aid; it should be a concern of all Government Departments. The White Paper proposes a new Inter-Departmental Committee on Development, to be chaired by the Minister for Foreign Affairs or, in his absence, by the Minister of State responsible for IrishAid, to strengthen coherence in the Government’s approach to development.

It is of great importance how the policy coherence principle articulated in the recent White Paper on Irish Aid will be implemented. Policy coherence for development represents a challenge to the culture of government. It is easier to evaluate policy coherence once policy has been articulated. There is, however, a natural tendency by administrations not to declare policy explicitly and thus to retain the 'option value' of policy flexibility. Coherence questions encourage clarity about policy however they do not require it. Various policy options can be evaluated from a PCD perspective prior to a policy choice being made. Indeed, it is *prior to policy decision* that policy coherence reflection can bear most fruit.

A first step in implementing a PCD institutional framework which could be undertaken by the new Inter-Departmental Committee should be *an audit of all PCD issues that arise within all Government Departments*. The Committee could work closely with the Advisory Board for Irish Aid on this issue, asking ABIA to commission further research into key PCD issues. Migration is one issue that would warrant further research as would a thorough analysis of the leadership exercised by Irish Government departments in relation to PCD issues. The latter analysis would be especially useful in determining priorities in the presence of resource constraints and identifying where energies devoted to PCD should be focused, whether on Irish policy coherence or on Irish contributions to the EU and other international fora working on PCD issues.

Once the scope for policy coherence issues had been identified, PCD could be institutionalised by *a network of departmental 'liaison officers'* who would deal with PCD questions in key government departments where PCD issues arise. This *'liaison officers' group could meet bi-annually*, along with Irish Aid personnel working on policy coherence issues, to *audit* the policy coherence issues that arise. The level of time commitment required by the liaison officers would be assessed on the basis of this bi-annual audit. When significant issues arise the group could recommend *higher-level issue specific discussions* between Irish Aid and the relevant government departments involved. The group should also have a clear mandate on *information sharing*. The aim of these meetings would be to ensure that PCD issues are discussed and evaluated before policy decisions are taken. They may not change the policy decision but they should at least be considered. The relationship between this liaison officers group and the new Inter-Departmental Committee on Development (for example, whether the liaison officers would become the new Committee or would report to it), would need to be evaluated. A role for the revamped Joint Oireachtas Committee on Foreign Affairs and Irish Aid, as proposed in the White Paper, and particularly the sub-committees on development cooperation and human rights, should also be included.

One useful administrative suggestion would be to include a policy coherence box on all Government memoranda along with the box on poverty and gender proofing. In most cases this box could easily be checked because the policy in question would have no consequences for developing countries whatsoever. As such, it would not impose a significant burden for the general run of government. However, in cases where policy coherence for development arise, the person submitting the memo would probably have to consult with Irish Aid about potential consequences for developing countries. This would lead to information flow in both directions. Policy coherence proofing should also extend to other key policy initiatives by Government and not just be restricted to memoranda. It is not to be expected that PCD proofing alone will deliver policy coherence. Policy and its implementation is a matter of political debate between opposing forces and interests thus is frequently characterized by compromise. PCD proofing should lead to greater transparency and information flow, however, and this in turn will empower a fuller debate over the direction of policy and its implementation.

Some aspects of the poverty-proofing model adopted in the National Anti-Poverty Strategy in Ireland since 1997 offer an already established approach to implementing PCD. The NAPs model, in its entirety, is too heavy to be warranted by PCD concerns. It includes a ministerial committee chaired by the Taoiseach and supported by a group of officials, Departmental 'liaison officers' responsible for promoting anti-poverty strategy within each department and who come together in an Inter-Departmental Committee, a consultative group including the social partners, a public social inclusion forum and a role for the Parliamentary Committee on Social and European Affairs.[42]

It would also be important to monitor the White Paper commitment to policy coherence for development through the publication of a regular (possibly annual or bi-annual) report on policy coherence developments. This might report on and follow the issues discussed in the liaison group as well as commission more in-depth background articles on particular topics. Public debate around such a report would be an important means of raising awareness of policy incoherencies and generating public support to address them.

To complement this structure more human resources for policy coherence reflection will need to be available within Irish Aid. This might be best institutionalised within a slightly larger technical assistance unit within Irish Aid. Policy coherence issues require a great deal of familiarity with development policy generally and thus there should be a good deal of complementarity that would both feed into the technical assistance work and feed back to the PCD analysis. The minimum might be one person full-time on policy coherence issues, or two people half time, perhaps dividing up the work along the lines of the government departments with whom they would work. The mandate for information flow between departments and the Irish Aid policy coherence personnel should be clear and should operate between, and not just during, the bi-annual meetings.

Some scepticism about the value of this type of investment in policy coherence would be unsurprising. One would not expect PCD issues to be at the top of the agenda in many government departments. We believe, however, that PCD is essential not only to deal with the issues that arise themselves and not only to support the legitimacy of the now large department of

[42] See http://www.welfare.ie/publications/naps/natantibgnote.html

government that is Irish Aid, but also to strengthen the leadership that Ireland can offer on development issues. On the issue of leadership, Ireland has opportunities to participate in international fora especially within the EU. It uses some of these opportunities very well. There are examples of good practice in this area already as when the Department of Agriculture and Food and the Department of Foreign Affairs both had representatives on the Board of the World Food Program and met in advance to work out a common position, or when the Department of the Environment worked with Irish Aid in advance of the Irish Presidency of the EU. Further contributions to the international development policy discussion could, however, be made. One example might be better information sharing and coordination of policy input between Irish Aid and the Department of Finance as regards Ireland's voice within the IMF. This leadership potential could bear significant dividends over time most especially because building relationships and offering coherent policy analyses are both key to effective lobbying for policy change at the international level.

As long as the PCD structure works in a light manner and is based more on a networking, information sharing, model, but with a clear mandate, it should not impose too heavy costs while yielding substantial benefits over the longer term.

8. Potential for further research

A wide agenda for development research is opened up by this policy coherence for development perspective. Much analytical work will need to be done to establish where policy incoherence needs to be addressed and the most effective manner of so doing. In many cases, the issues addressed are not unique to Ireland, and it will make sense for ABIA or Irish Aid to develop its future research strategy in this area in conjunction with like-minded aid agencies and research institutions elsewhere in Europe and in the partner countries. We list some potential areas of fruitful research in this section, distinguishing between broad policy coherence issues more generally, and more specific areas within the agricultural trade and support policy domain which arise out of the research undertaken in this study.

8.1 Applying the policy coherence for development perspective across a wider range of Irish government policies

The policy coherence perspective can apply to any or all of the ‘North-South’ interactions between industrialised and developing countries. These include:

- **trade policy** – including EU positions in the Doha Round negotiations (agriculture, non-agriculture, services, rules), proposed EU preferential and regional trade agreements, the impact of non-tariff barriers (sanitary and phytosanitary standards, intellectual property regulation, contingency protection rules), etc.
- **migration policy** – including EU policies on refugees, remittances, encouraging return and avoiding depletion of the human capital in the country of origin.
- **international investment** – including issues of transparency, corruption, labour practices, codes of conduct.
- **international finance** – including structural adjustment conditionality, debt relief, international financial architecture.
- **international security** – including arms production and trade, peace keeping and peacemaking.
- **environmental and natural resource issues** – including climate change, fisheries, toxic waste.

8.2 Agricultural trade policy reform and development

Many issues were raised by our policy coherence and agriculture project which would warrant further investigation and research:

- **The poverty impact of further agricultural trade liberalisation** by both developed and developing countries. This should not be confined to **impacts in the partner countries** but might also look at impacts in **some of the larger, more competitive developing country agricultural exporters** that are expected to be significant beneficiaries of EU and OECD agricultural policy reform.
- The **formulation of development-friendly trade rules for developing countries.** What is the actual impact of WTO rules and disciplines on agricultural policy for developing countries – is there evidence of adverse effects, for example, in our partner countries? How should rules on Special Products and the proposed Special Safeguard Mechanism be designed to give adequate protection to vulnerable agricultural sectors but without damaging the prospects for beneficial increases in South-South trade?
- With the suspension of the Doha Round, there will be greater pressure on the EU to explore **regional trade arrangements** as an alternative to the multilateral route. What is the impact of further EU trade policy initiatives on market access for agricultural exports from developing countries (EuroMed agreements, Economic Partnership Agreements with the African, Caribbean and Pacific countries, proposed regional trade agreements with Mercosur or with Asian countries, etc.)
- EU agricultural policy reform will continue for domestic and internal reasons even if the Doha Round remains suspended. Some of the commodity regimes due for reform are of great interest to developing country exporters. Detailed examination of individual commodities where EU agricultural policy reform is likely, such as **fruits and vegetables,** or the **dairy sector**, with a view to shaping these reforms in the interests of developing countries would be desirable.
- **Encouraging South-South trade in agricultural products** was identified as a potentially important source of economic gains for Sub-Saharan African countries in the project. One way to do this is through **supporting regional trade integration arrangements in Africa** – how could Irish Aid best assist this process?
- We have argued for much greater **flows of aid resources for agricultural development and trade-related assistance.** Further work to examine how best to scale up the volume of assistance to agricultural production and trade facilitation in the programme countries would be desirable.
- Irish agriculture currently sees developing countries as a threat because of their role as potential competitors. But in future, developing countries will be the **main growth markets for Irish agri-food exports. The recent strengthening of world commodity markets in response to the voracious demand of the rapidly-growing Asian economies for food and raw materials underlines this point. A project to explore these complementarities** could make a helpful contribution to the policy coherence debate at home.

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Appendix 1. Policy Coherence for Development

1.1 The impetus towards greater policy coherence for development

Concerns about policy coherence for development (PCD) in relation to development cooperation programmes arise from the insight that structures for development and poverty reduction matter just as much, if not more, than the quantity of aid that is given. Furthermore, if structures matter as much as aid volumes then it is equally critical that policies affecting these structures should also be coherent with the objectives of development and poverty reduction. Structures that affect the development prospects of the world's poorest countries are not only those within the countries themselves but also those of developed nations. Hence, PCD with respect to international structures of trade, migration, investment flows, arms flows, rules governing use of natural resources and their enforcement etc. has increasingly gained attention.

The European Union has developed a legally based commitment to PCD in the Treaty on the European Union in 1992 – the Maastricht Treaty.[43] The Treaty sets out development objectives in Article 130U such as sustainable development, poverty eradication, democracy, the rule of law and respect for human rights, and integration in the global economy. Then it states in Article 130V that "the Community shall take account of the objectives referred to in Article 130U in the policies that it implements which are likely to affect developing countries." The OECD notes that "while weakly worded, the provision is clearly pro-development and marks the first formal acknowledgement of PCD in a multilateral context".[44]

Policy coherence for development is also implicit in the Millennium Development Goals (MDGs), most especially in number 8 'Develop a Global Partnership for Development'. This goal mentions as key dimensions the development of an open and non-discriminatory trading and financial system, pharmaceutical companies providing affordable drugs and engagement of the private sector in development.[45] Traditional development cooperation alone cannot address these dimensions. They require broader policy coherence.

In response to the MDGs, the EU has developed a more elaborate elucidation of policy coherence.

> "The impact of EU non-aid policies on developing countries should not be underestimated, and neither should their potential to make a positive contribution to the development process in these countries. EU policies in areas such as trade, agriculture, fisheries, food safety, transport and energy have a direct bearing on the ability of developing countries to generate domestic economic growth, which is at the basis of any sustained progress towards the MDGs. EU migration policy, through its impact on migrant remittances flows, has an influence on the balance of payments position of many developing countries. EU environmental policy not only directly affects global progress towards ensuring environmental sustainability (MDG7), but has consequences for virtually all other MDGs,

[43] EC Treaty (Art. 177 and 178).
[44] OECD (2004) *Institutional Approaches to Policy Coherence for Development*, OECD Policy Workshop, 18-19 May, p. 11, available at http://www.oecd.org/dataoecd/43/35/31659358.pdf.
[45] http://www.un.org/millenniumgoals/#.

> through the close links between environment and poverty, natural resources access and management, the role of women, health, child mortality and school attendance."[46]

The Commission of the European Union, at the request of the European Council in December 2004, also identified eleven priority PCD areas and described general policy coherence commitments in relation to each area (see Appendix Box 1).[47] Commitment by the EU to the delivery of these commitments was given by the European Council in May 2005 and has been reconfirmed in *The European Consensus on Development* adopted in early 2006.

> "The EU is fully committed to taking action to advance Policy Coherence for Development in a number of areas. It is important that non-development policies assist developing countries' efforts in achieving the MDGs. The EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries. To make this commitment a reality, the EU will strengthen policy coherence for development procedures, instruments and mechanisms at all levels, and secure adequate resources and share best practice to further these aims. This constitutes a substantial additional EU contribution to the achievement of the MDGs."[48]

1.2 Key policy areas in policy coherence for development

This overview of the key impetus to policy coherence, both from the Millennium Development Goals and within the European Union, illustrates the multifaceted nature of policy coherence in terms of the diversity of policy areas that it touches upon. Some further examples of areas where policy coherence issues arise are given in this section.

In **trade policy** the key issues of policy coherence are as follows. *Tariffs and particularly tariff peaks*, that in the US and Canada are on textiles and clothing, while in the EU are on agriculture. Concluding the Doha round of trade talks promises to make some further progress in this area. *Tariff escalation* can also be a problem where the tariff imposed increases with the degree of processing. This prevents some developing countries from increasing the value added they gain from exports although for most African countries it is not a problem for exports to the EU because the Everything But Arms scheme gives duty-free access for all products. *Sanitary and phyto-sanitary* (SPS) standards are also problematic particularly for African countries that have less capacity to meet these standards. There are also very significant issues to do with trade-related intellectual property rights (TRIPS). Issues with intellectual property rights and patents have arisen principally in relation to access to provision of HIV AIDs medicines in Africa. *Special and differential treatment* gives rise to a complex series of issues. Finally, *preference erosion* occurs if the value of preferential access to the EU market decreases as the EU opens up its markets. A key example of this is the impact of the reform in the EU sugar regime on the ACP countries that have large sugar quotas to supply the EU at the high EU price.

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[46] Communication From The Commission To The Council, The European Parliament And The European Economic And Social Committee, "Policy Coherence for Development: Accelerating progress towards attaining the Millennium Development Goals" Brussels, 12.4.2005, COM(2005) 134 final, p.4, available at http://ec.europa.eu/comm/development/body/communications/docs/communication_134_en.pdf.

[47] Ibid., p. 5-6.

[48] Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus' (2006/C 46/01), The European Consensus on Development, Para 35.

Box 1. EU Coherence for Development Commitments

Trade: The EU is strongly committed to ensuring a development-friendly and sustainable outcome of the Doha Development Agenda and EU-ACP Economic Partnership Agreements (EPAs). The EU will further improve its Generalised System of Preferences, with a view to effectively enhancing developing countries' exports to the EU. The EU will continue to work towards integrating trade into development strategies and will assist developing countries in carrying out domestic reforms where necessary.

Environment: The EU will lead global efforts to curb unsustainable consumption and production patterns. The EU will assist developing countries in implementing the Multilateral Environmental Agreements (MEAs), and will work to ensure that the capacities of developing countries are taken into account during MEA negotiations. The EU will continue to promote pro-poor environment-related initiatives and policies.

Security: The EU will treat security and development as complementary agendas, with the common aim of creating a secure environment and of breaking the vicious circle of poverty, war, environmental degradation and failing economic, social and political structures. The EU will enhance its policies in support of good and effective governance and the prevention of state fragility and conflict, including by strengthening its response to difficult partnerships/failing states. The EU will strengthen the control of its arms exports, with the aim of avoiding that EU manufactured weaponry be used against civilian populations or aggravate existing tensions or conflicts in developing countries. The EU will promote cooperation in fighting corruption, organised crime and terrorism.

Agriculture: The EU will continue its efforts to minimise the level of trade distortion related to its support measures to the agricultural sector, and to facilitate developing countries' agricultural development.

Fisheries: The EC will continue to pay particular attention to the development objectives of the countries with which the Community will engage into bilateral fisheries agreements. Within the context of the new EC policy on fisheries partnership agreements with third countries which is being implemented since 2003, the EC will continue to encourage the conclusion of fisheries agreements in order to contribute towards rational and sustainable exploitation of the surplus of coastal States' marine resources to the mutual benefit of both parties.

Social dimension of globalisation, employment and decent work: The EU will contribute to strengthening the Social Dimension of Globalisation with a view to ensure maximum benefits for all, both men and women. The EU will promote employment and decent work for all as a global goal.

Migration: The EU will promote the synergies between migration and development, to make migration a positive factor for development.

Research and innovation: The EU will promote the integration of development objectives, where appropriate, into its RTD and Innovation policies, and will continue to assist developing countries in enhancing their domestic capacities in this area.

Information society: The EU will address the digital divide by exploiting the potential of Information and Communication Technologies as a development tool and as a significant resource for attaining the MDGs.

Transport: The EU will address the special needs of both land-locked and coastal developing countries by promoting the intermodality issues for achieving network interconnectivity as well as security and safety issues.

Energy: The EU is strongly committed to contribute to the special needs of developing countries by promoting access to sustainable energy sources and by supporting establishing interconnection of energy infrastructures and networks.

In **agriculture** the key issues are subsidies, trade barriers and disposal of food surpluses. Subsidies encourage high production levels and export subsidies can depress the world price and hence depress the earnings of developing country exporters of that product. Tariffs and trade policy we have just briefly surveyed. Food surpluses may be given as food aid but while this can have a positive humanitarian impact there are also issues of coherence when the impact on local food markets is considered. Providing funding for commercial food importation can be more effective than direct food aid. Dumping food surpluses, while benefiting the consumer briefly, undermines producers in developing countries. [49]

In **migration** the key issues are refugees, remittances, encouraging return, and avoiding depletion of the human capital in the country of origin especially in key sectors. Remittances form a larger transfer from developed to developing countries than total Overseas Development Aid. In Sub-Saharan Africa the official UNCTAD estimate for remittances in 2003 is over $4bn, however, since informal and in kind remittances to SSA are so prevalent this estimate is a vast underestimate. Given the stock of migrants living outside of SSA and other more micro data some estimate the true figure to be about $13bn or half the ODA budget to SSA.[50] Dani Rodrik argues that allowing labor migration could potentially create flows of investment funds that are much larger than the ODA budget and also a multiple of any gains from free trade. This is because wage differentials between countries can differ by a factor of 10 or more. Rodrik estimates that, if 3% of the labour force in the developed world was comprised of workers on temporary visas from the developing world and if these workers returned with their savings, then this could generate $200bn a year in investment funds for the developing world.[51] The issue of brain drain is also a key coherence issue. It has arisen most recently in terms of health service workers.[52] Following policies that lead to *brain circulation* rather than *brain drain* constitute a key area of policy coherence in the area of migration. Other issues also arise; should developing countries be compensated for the investment in education and training, and the foregone tax revenue, of workers that migrate to the developed world?

There are other areas that have potential issues of policy coherence for development these include, structural adjustment, debt relief, international investment, transnational corporations, arms production and trade, peace keeping and peace making, fisheries, environmental concerns, and so on.

These issues touch on the work of several Government departments namely the Department of Finance (involved with the World Bank, along with Irish Aid, and the IMF, along with the Central Bank), the Department of Enterprise Trade and Employment (on trade and tariff, international investment, and migration issues), the Department of Justice (on migration), the Department of Health (on migration), the Department of Agriculture (on trade, standards, SPS rules as well as food aid), the Department of Defence (on peace keeping), the Department of the

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[49] For fuller treatment of both the trade policy aspects of PCD as they affect agriculture and the agricultural policy aspects of PCD see Alan Matthews (2005) "Policy Coherence for Development: Issues in Agriculture: An Overview Paper, *IIIS Discussion Paper No. 63* and Alan Matthews & Thomas Giblin (2006) "Policy Coherence, Agriculture and Development", *IIIS Discussion Paper No. 112*, available from http://www.tcd.ie/iiis/policycoherence.

[50] Inigo More (2005) "Remittances can reduce Poverty in Sub-Saharan Africa", *Real Instituto Alcano, ARI 133* downloadable at http://www.realinstitutoelcano.org/analisis/854/More854vale.pdf

C. Sander & S Munzele Maimbo (2003) 'Migrant Labor Remittances in Africa: Reducing Obstacles to Development Contributions', *Africa Region Working Paper Series* no. 64 downloadable at http://www.worldbank.org/afr/wps/wp64.pdf

[51] Dani Rodrik (2001) 'Mobilising the World's Labor Assets', *The Financial Times*, December 16th.

[52] T Schrecker & R.Labonte (2004) 'Taming the Brain Drain: A Challenge for Public Health Systems in Southern Africa', *International Journal of Occupational and Environmental Heath*, Vol 10 No.4, Oct/Dec p. 409-415.

Marine (on fisheries, e.g., the case of the *Atlantic Dawn* Irish 'supertrawler' and EU fishing agreements with Mauritania) and the Department of Environment (environmental and sustainability concerns).

1.3 Dimensions of policy coherence

Policy coherence can be defined as "the consistency of policy objectives and instruments applied by countries individually or collectively in the light of their combined effects on developing countries".[53] It has six basic dimensions that come together in donor–recipient coherence.[54]

1. **Internal coherence in the development cooperation programme of a country**: To what extent does the programme have clearly stated goals and to what extent does it work effectively towards them? This also includes the capacity of donor programmes effectively to work in partnership with governmental, non-governmental, and private sector agents in developing countries.
2. **Inter-donor coherence**: To what extent do development cooperation programmes work together in a strategic and effective manner towards commonly defined development objectives in particular developing countries and at multi-recipient-country regional level (e.g. West or East Sub Saharan Africa).
3. **Intra-donor country coherence**: the consistency between the development cooperation and non-development cooperation policies of a donor country in terms of their contribution to development (joined up policy).
4. **Inter-donor country coherence**: the consistency between the development cooperation and non-development cooperation policies of donor countries in terms of their contribution to development (e.g. trade policy and development cooperation, or patent policy and development cooperation)
5. **Intra-recipient country coherence**: the consistency between the policies of the developing country government at both the national, regional and local levels and the objectives of economic development and poverty reduction (e.g. exchange rate, taxation, public investment policies etc.)
6. **Inter-recipient country coherence**: the degree to which developing countries cooperate strategically and structurally at a regional and South-South level to implement pro-development and poverty reducing policies (e.g. peace and the development of trade between neighbouring countries).

Donor-recipient country coherence exists when both parties in the development cooperation relationship adopt and implement consistent policies to achieve shared development objectives. This has two levels: the inter-country level (3, 4 and 6) and the intra-recipient country level (1,2 and 5). The focus in this project has been on intra-country coherence and inter-donor country coherence, which is not to deny the critical importance of the other dimensions of policy coherence for development.

1.4 Coherent with what?

Policy coherence for development is a relative concept. It can only be assessed politically and institutionally if the development goals of a country, or set of countries, have been clearly

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[53] Fukusaku & Hirata (1995) cited in OECD (2005) *Policy Coherence for Development in a Global Economy*, Preliminary Edition, p. 10.

[54] Adapted from the four dimensions cited in OECD (2005) p. 10. We add a distinction between inter-donor coherence and inter-donor country coherence, and we also distinguish between inter-recipient country and intra-recipient country coherence.

articulated. Without such a statement, any evaluation of PCD would be subject to some definition of development cooperation policy that would be of uncertain political legitimacy. Useful policy coherence work can be undertaken, however, even if policy has not been clearly stated. Indeed, PCD reflection and analysis should precede policy choices especially if these policy choices are politically difficult to modify or reverse.

Ireland's development cooperation policy premises and objectives have been recently set out in the White Paper on Irish Aid (Government of Ireland, 2006), which in turn updates and elaborates on the earlier 1996 White Paper *Challenges and Opportunities Abroad*. Both White Papers noted that Ireland's development cooperation "is an integral part of Ireland's foreign policy"[55] and is a practical expression of "Ireland's foreign policy commitment to peace and justice in the world".[56] This is reflected at an institutional level by the embedding of Irish Aid within the Department of Foreign Affairs.

With respect to the objectives of development cooperation policy, the 2006 White Paper declares that:

- "Poverty reduction, to reduce vulnerability and increase opportunity, is the overarching objective of Irish Aid.
- Ireland will support the promotion of human development, human security and justice, the building and strengthening of democracy, the promotion of gender equality and the promotion and protection of human rights."[57]

This policy statement is important because, historically, international development clearly has mixed objectives, e.g., economic growth, poverty reduction, boosting trade, strategic and military goals, benefiting home suppliers of goods and services by tied aid, giving aid in exchange for support on international political issues, etc. Ireland's stated goals imply a clear focus on poverty reduction and cooperation with the poorest countries, response to emergencies and disasters, and promotion of sustainable development.

In implementing these objectives, the 2006 White Paper sets out a number of guiding principles, including partnership, public ownership and transparency, effectiveness and quality assurance, coherence and long-term sustainability. In important ways, this statement of objectives and principles underwrites and implements some of the main recommendations of the *Report of the Ireland Aid Review Committee* (2002). That Review placed particular emphasis on three aspects when describing the objectives of development cooperation policy. First, poverty reduction was given a new and stronger emphasis.

> "Poverty reduction is, and should remain, the overarching objective for the Ireland Aid programme. All of Ireland Aid's activities should be planned with reference to the impact that they are likely to have on the reduction of poverty and measured on a continuing basis against this goal."[58]

It was no longer one objective amongst others, as in the language of the 1996 White Paper, but the overarching objective and the criterion against which evaluation of Ireland's development assistance should be measured. This positioning has now been confirmed in the 2006 White

[55] White Paper, 2006, p. 9.
[56] White Paper, 1996, para. 9.1.
[57] White Paper, 2006, p. 9.
[58] Review, para. 1.20.

Paper. Policy coherence for poverty reduction in Irish Aid's development partners might seem to generate a somewhat different set of development cooperation priorities than policy coherence for development. Poverty reduction and development should, however, be understood as complementary particularly when development is focused on the livelihoods and health and education of the majority of the population in developing countries.

Two new objectives for development cooperation were also set in the Review. The first was

"The Coherence Requirement

2.4 Aid does not function in isolation from other areas of Government policy. The concept of aid as a social welfare payment for the poorest countries of the world has long since been discredited. It is now well understood that the wider environment within which these countries operate, in particular the financial and trade regimes, profoundly affects their development prospects.

2.5 The requirement of coherence is one of the starting points for effective development policy. It must be mainstreamed across Government policy, with all the relevant Departments acknowledging the development dimension to their work. At an abstract level, there is rarely an argument with the concept of coherence. In practice, however, it sometimes imposes difficult policy choices. A key issue in Ireland, for example, is our need to deal with competing priorities in terms of access to the EU market for agricultural exports from developing countries.

2.6 Balancing competing considerations and making appropriate policy choices is a responsibility of Government. The particularities of each case need to be weighed and it is not possible to prescribe the outcomes in advance. What is essential is that in all situations of competing priorities the development perspective is clearly highlighted and accorded full weight in decision-making."

This recommendation has also been endorsed in the 2006 White Paper which made coherence one of the guiding principles for future development cooperation policy. It also led, in part, to the decision by the Advisory Board for Irish Aid to commission this research on the issue of the coherence between Ireland's agricultural trade policy and objectives in relation to development cooperation.

The second newly-stated objective for Ireland's development cooperation was the ambition to exercise a role of leadership in order to bring "fresh and imaginative responses to bear in the international response to the key development challenges".[59] Taking a leadership role is not an end in itself or in view of some other strategic foreign policy objective. Instead, a greater leadership role can be exercised on the basis of Ireland's own unique national experience in areas as diverse as colonisation, agriculture, late economic development, political conflict and peace processes, and social partnership.

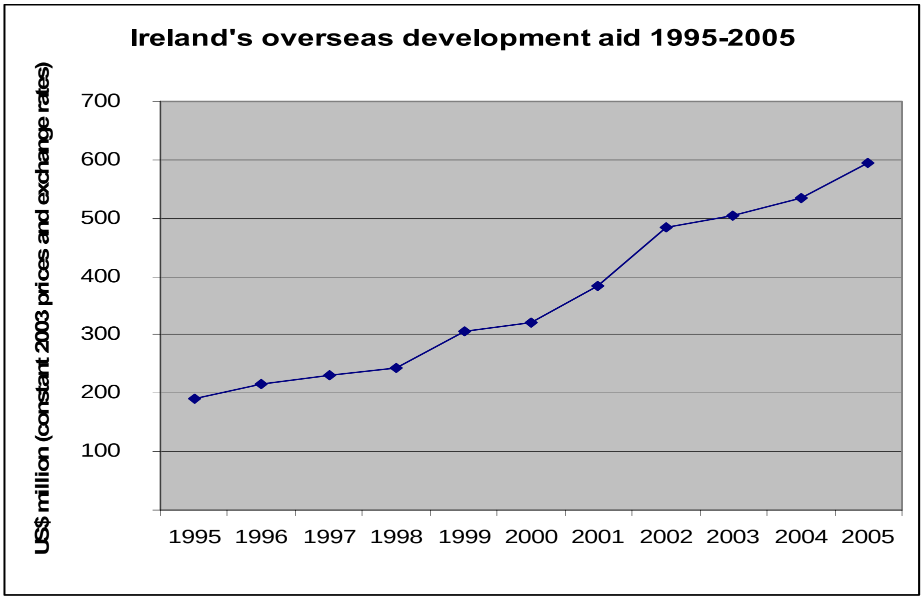
This recommendation of the 2002 Review Group was also endorsed in the 2006 White Paper which commits Ireland to working to ensure that the policies and actions of the European Union are in line with the principles set out in the White Paper and, where possible, benefit the world's poorest people. Ireland's capacity to exercise leadership in development cooperation would be greatly enhanced to the extent that Ireland itself pursues the PCD agenda. Ireland can both improve the coherence of Irish domestic policy but, more importantly in terms of potential effect, Ireland has a voice within EU policy formation. It can add its voice to others who have been more active in the PCD debate such as the Dutch, the Finns, the Swedes, the Danes, the British and the

[59] Review, para. 1.29.

Germans. Reshaping EU policy will have significantly greater effects for developing countries than any Irish policy alone. However, our ability to speak credibly in the EU debate will be a function of our own policy coherence in the area in question and in other PCD areas.

1.5 Policy coherence and legitimacy

Ireland's commitment of resources to overseas development assistance has grown considerably in the past few years. This increase took place especially between 1998 and 2002, when Irish ODA doubled in real terms, while the real rate of increase has slowed somewhat after 2002, increasing by roughly 20% between 2002 and 2005.



Source: OECD DAC data

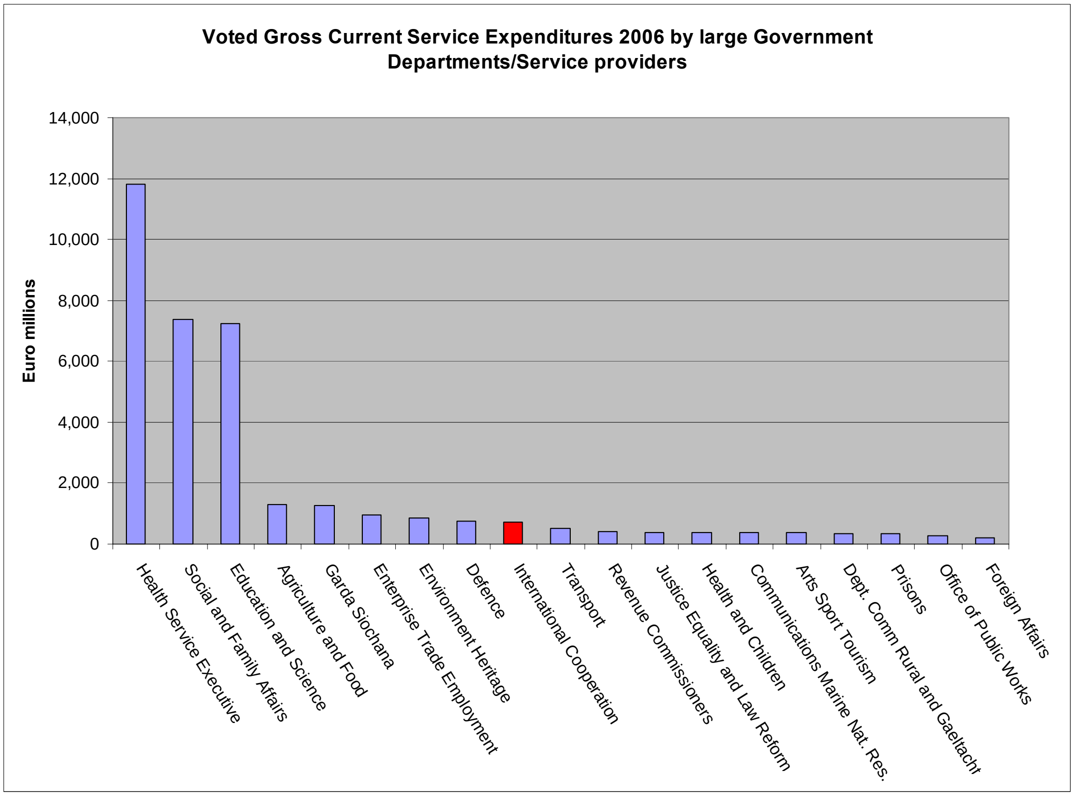
An increasing level of commitment of resources sharpens the relevance of concerns about PCD. Simply put, if large amounts of taxpayers' money are being spent on international cooperation, that expenditure should be coherent with the objectives set for Irish overseas development assistance. This is most obviously true in terms of efficiency but it is also true in terms of long-term legitimacy.

A 2002 survey indicated that awareness of the level of Irish development assistance was low. Forty eight percent of the sample had no idea how much was given and a further 27% thought it was between €1 and €50 million.[60] As the public gradually becomes aware of the size of the programme, they will become increasingly aware of the opportunity cost of this spending in terms of projects foregone at home and more questions will be asked about the programme's coherence and efficiency.

Ireland's development assistance budget now exceeds the budget of many government departments and main service providers. International Cooperation is the 9th largest major service provider funded by the Government and, excluding the Health Services Executive and An Garda Siochana, it is the 7th largest department of Government in terms of expenditure. It is over three

[60]J.Weafer ed. (2002), *Attitudes Towards Development Cooperation in Ireland*, Ireland Aid, p. 22.

times as large as the rest of the Department of Foreign Affairs and almost equal in size to the Department of Defence.



Source: Department of Finance, *Revised Estimates 2006*, available at www.finance.gov.ie/documents/publications/other/revest06.pdf

Note: The figure for 2006 International Cooperation is €730 million, this compares to €600 million in the Revised Estimates. The difference in the two figures is due to the expenditures on International Cooperation within other Government Departments and also some capital expenditure. This does not change the ranking however.

Moreover, if Ireland were to reach the UN target level for overseas development assistance of 0.7% of GNI, or approximately €1bn in today's money, then the Irish Aid budget would be roughly the size of the Department of Enterprise Trade and Employment (the 4th largest Government department).

The increase in the relative size of Irish Aid, and Ireland's ODA in general, makes it increasingly important, from the point of view of the efficient use of taxpayers' money, to ensure that spending to achieve Ireland's development cooperation goals is not undermined, whether directly or indirectly, by the actions and policies of other government agencies or departments. A programme of this size must elicit public support. Or, more positively stated, the policies and actions of other government departments should be maximally coherent in terms of meeting the objectives of development assistance. When synergies are created between development cooperation work and the work of other government departments, this will give added legitimacy in political terms, as well as added value in terms of development outcomes, to the significant budgetary outlay in this area.

1.6 Policy coherence and agriculture

Policy coherence has a particular importance in the case of agriculture, given the first Millennium Development Goal target of eradicating extreme poverty and hunger, and the fact that three quarters of the world's poor live in rural areas. EU agricultural policies have a significant impact on the trade and development opportunities available to developing countries, and it is important to bring a development perspective to the debates on EU agricultural policy reform. This requires a careful classification of the various channels whereby developing countries are impacted by this reform, not least so as to identify ways in which development assistance can be used so as to maximise the opportunities it creates but also to help to mitigate adverse impacts where they occur (Matthews and Giblin, 2006).

Table A1 presents a typology of agriculture and agricultural-related policies relevant to the policy coherence debate. The classification applies generally to OECD countries and is not confined to the EU alone. Five policy domains are distinguished. **Domestic agricultural policy** objectives in OECD countries include those concerned with equity or distributional issues, such as support for the incomes of farm households, and those designed to correct market failures (OECD, 2003). Support for domestic agricultural production is also justified as a way of achieving social objectives such as the protection of family farming, the maintenance of a dispersed rural population or support for the cultural heritage of farming areas. Many argue that these non-food outputs reflect the multifunctional nature of agricultural production. Social and income objectives in the agricultural sector in OECD countries have been addressed largely through market price support and, to a lesser extent, income transfers. Market price support policies require that the domestic market is insulated from the world market. A country which seeks to maintain a domestic market price above the world market price will find it necessary to impose a trade barrier, as otherwise cheaper imports would undermine the domestic policy. Thus both trade and domestic policies designed to support agricultural output and incomes in OECD countries are jointly considered under the first policy domain.

Agricultural trade policy is the second policy domain where policy coherence issues arise. This recognises that agricultural trade policy is not only designed to play a supporting role to domestic agricultural policy, but may also be used to pursue other objectives in its own right. Trade policy may be used to promote regional integration objectives, as a development instrument through the award of trade preferences, or to protect the domestic food processing sector through tariff escalation. Trade policy is also concerned with the international architecture of trade rules. Policy coherence questions arise in examining the stance which OECD countries take in international trade negotiations on agricultural trade issues of relevance to developing countries, or with respect to problems in international commodity markets and the difficulties these cause for commodity-dependent developing countries. This is the 'foreign policy' aspect of agricultural trade policy, as distinct from its use as an adjunct to domestic agricultural policy which is discussed in the first domain.

A characteristic of OECD country food systems is the growing importance of **regulatory interventions** aimed at ensuring food safety, consumer protection, environmental protection and intellectual property protection (on the latter, see Tansey, 2006). The requirement to meet specific regulatory standards before a product can be sold on the domestic market is not usually aimed specifically at imported products. Nonetheless, even where this is not the case, standards have an indirect influence on agricultural output and trade. Policy coherence analysis must take account of the growing importance of these non-tariff measures in OECD countries and their implications for development.

Table A1. Policy coherence between agriculture and development policies – a framework

Policy actor	Policy domain	Examples of policy instruments affecting agricultural development in developing countries
OECD countries	Domestic agricultural policy	Market price support, direct payments, export subsidies, income support, risk management measures, investment and structural adjustment assistance
OECD countries	Agricultural trade policy	Regional trade agreements, trade preferences, tariff escalation, attitudes to developing country demands in international trade negotiations, international commodity agreements
OECD countries	Regulatory policies affecting agricultural production and trade	Non-tariff measures addressing food safety, food quality, environmental protection and conservation, intellectual property protection, geographical indications
OECD countries	Development co-operation policy	Development aid to the agricultural sector, food aid, trade capacity-building, trade compensation measures
Developing countries	Developing country policies concerning trade and agriculture	Agricultural trade policies, institutional reform, exchange rate policies, investment and infrastructure policies

Source: Matthews, 2005

The fourth relevant OECD policy domain is **development cooperation policy** and the extent to which it is used to help minimise conflicts and maximise synergies between agricultural policy reform and development objectives. How far does development cooperation policy provide support for the agricultural sector of developing countries and its integration into global markets? PCD issues here include the magnitude of aid flows to promote agriculture in developing countries, aid coordination and the role of specific types of aid flows such as food aid and trade capacity-building. Another relevant issue under this heading is potential compensation measures to address problems of preference erosion arising from agricultural policy reform.

Finally, policy coherence also place an obligation on **developing countries** to pursue policies which take advantage of the opportunities that arise as OECD countries improve the developmental coherence of their own policies. The need to ensure adequate incentives for farm production, to provide adequate budgetary support for growth-promoting agricultural policies and rural infrastructure, to pursue consistent agricultural and agricultural trade policies, and to support institutional development and the involvement of the private sector and civil society in decision-making are relevant issues to consider in this context.

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