Global Forum on Agriculture
3 December 2004

<u>MORNING SESSION</u>. What information do policy makers need?

Agricultural policy decisions are expected to address a number of domestic objectives, including the pursuit of economic efficiency, the provision of public goods, and the promotion of economic equity. At the same time countries are required to limit the disruption that their policy interventions cause on international markets. Policy makers face substantial challenges in ensuring that these multiple objectives are addressed coherently.

Agricultural policy reforms, and trade liberalisation more generally, can improve economic efficiency, but their impacts on equity are not always straightforward. OECD work on the distributional effects of agricultural policy reform underlines the fact that it is not possible to liberalise policies without making some households worse off. In developing countries, even if reforms are on balance pro-poor, some poor households may be made yet poorer. Governments need to understand who the winners and losers are – both *ex ante*, so that adjustment or compensation considerations can be built into the reform process and *ex poste*, so that undesirable policy outcomes can be identified and addressed.

Information on the national-level effects of policy reform – on production, trade, prices, incomes, and welfare gains or losses – can help guide the broad direction of policy. However governments require more than these broad indicators of policy effects if they are to deal effectively with the specific policy issues raised by the transition towards a more efficient allocation of national resources. Detailed information on the distributional implications of reform at the commodity and household level can help but how can such information, which often tells a complex story, be built into the decision-making process. This session focuses on the demand side of policy analysis. What information do policy makers need?

- What is the likely incidence of benefits and costs of policy reform on different people in society – in particular on those most vulnerable to changes in their economic circumstances? When are the concepts of farm business or farm household more appropriate for analysis and how do they differ?

- How can model results and disaggregated data assist in the design of targeted adjustment and compensation programmes?

- To what extent should the gathering of agriculture-specific information be integrated with economy-wide analysis used to underpin wider taxation policies and social programmes?