

Food security in the Americas: A new development model

- Microfinance and microinsurance in Latin America and the Caribbean
- Doha Round: Situation and outlook
- Measuring the performance of agricultural GDP
- Public policy for rural development and social participation



Foreword

4



Food security in the Americas: the need for a new development model for the 21st Century

6



Microfinance and microinsurance in Latin America and the Caribbean: situation and outlook

33



CREDITS

- **Coordination:** Federico Sancho
- **Editing:** Olga Patricia Arce
- **Design and layout:** Karla Cruz Mora
- **Translation:** Language Services Unit
- **Printed:** IICA Headquarters

Authors in the current issue: Chelston W. D. Brathwaite, Jesus Rivera Velasco, Jorge Caro Crapivinsky, Antonio Donizeti Beraldo, Julio Paz, Henry Benavides, Joaquin Arias, Carlos Luiz de Miranda and Breno Aragão Tiburcio.

Editorial Board: James French, Carlos Jara, Rafael Trejos, Ricardo Molins, Miguel Garcia, Antonio Donizeti, Enrique Alarcon, Bernardo Badani and Gustavo Cardenas.

Photos: Photos.com, Shutterstock, USDA, CENTA-El Salvador.

ISBN: 978-92-9248-070-7



**Current status of and outlook for
the multilateral negotiations of the WTO
(Doha Round)**

50



**Measuring agricultural
GDP performance:**
a technical note

66



**Public policy for rural
development and
social participation**

76



The Fifth Summit of the Americas, which concluded on April 19, afforded the leaders of the participating countries an opportunity to recognize the political diversity that exists in the region, discuss where their countries should be headed and the future of their peoples, and restore a climate of trust among themselves.

While much of the discussion focused on the global financial crisis, the declaration issued at the conclusion of the Summit makes specific reference to agriculture and its role in food security, giving the countries further reason to do more to ensure access to and the availability of food in times of crisis.

With no clear end to the financial crisis in sight, and given the volatility of food prices, our countries must continue to

seek new ways to work together and solve development problems in the hemisphere. It would appear that those times and visions in which the state controlled the market, or in which the market had sole responsibility for the growth of economies, have gone by the wayside. This has forced states, those in the public and private sectors, to step up efforts to strike a balance between these two visions, based on responses and decisions other than those proposed up to now.

Along these lines, the main article in the first issue of *COMUNICA* for 2009 “Food Security in the Americas – the urgent need for a new model for development in the 21st century” by Chelston W.D. Brathwaite, Director General of IICA, underscores the need to think and act differently, recognizing that a multidimensional agricultural sector and the rural economy can contribute to food



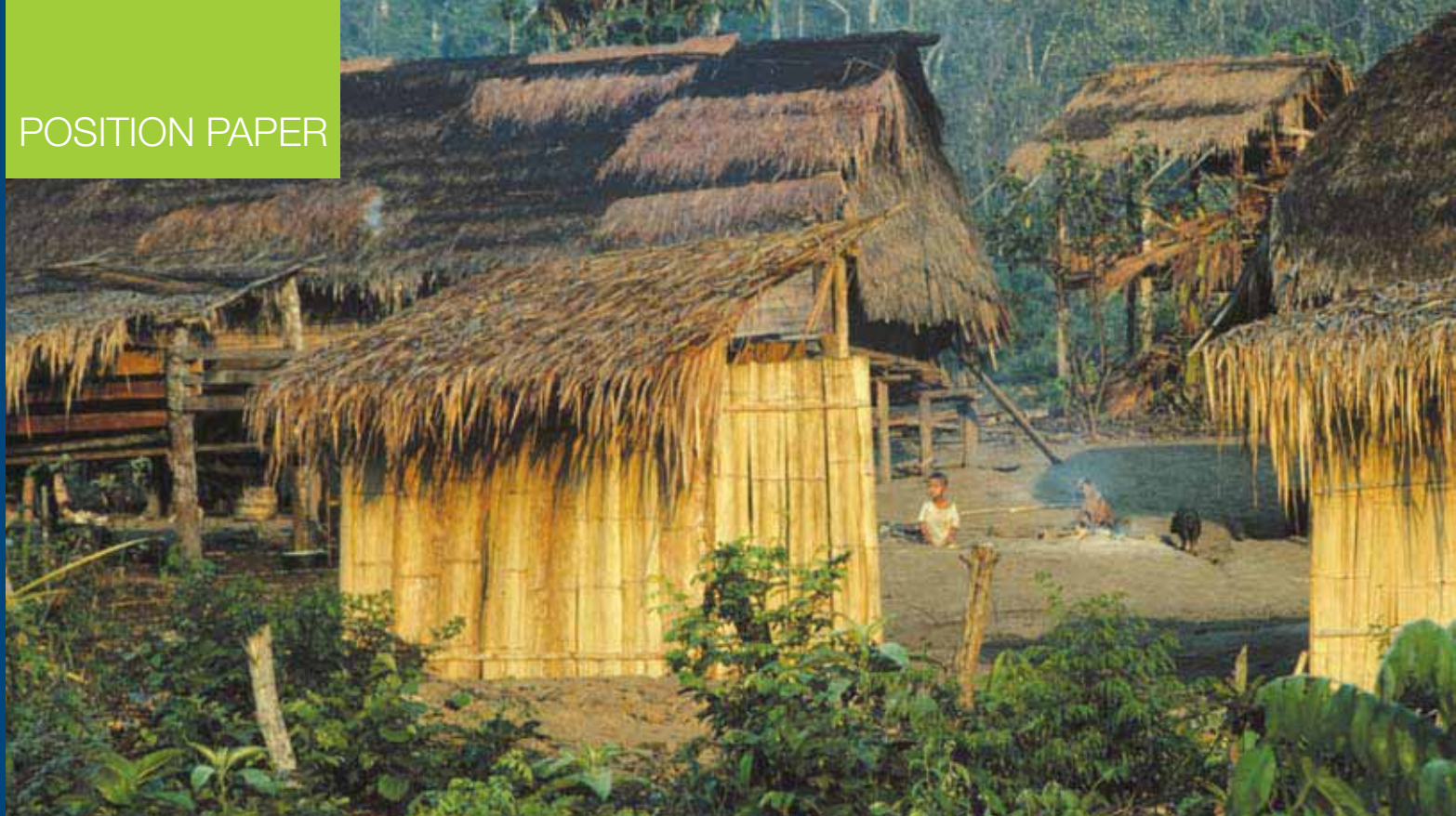
and energy security, to the generation of employment, to the preservation of natural resources, to poverty alleviation and to ensuring peace and social stability in our countries.

This frame of reference, put forth by the Director General, encompasses a wide range of topics related to agriculture and rural life in the hemisphere which will be addressed in this and subsequent issues of the magazine. The present issue of **COMUNICA** contains four other articles on: a) the increasing use of instruments such as micro-financing and micro-insurance which, inter alia, help ensure that the poorest of the poor will have the capital they need to engage in agriculture; b) the most recent developments in multilateral negotiations under the WTO, and the hope that their prompt conclusion will lead to greater opportunities for international

agricultural trade; c) measuring the performance of agricultural production in terms of generating employment and alleviating poverty, which points up the urgent need to incorporate price analyses; and d) the Brazilian experience in formulating public policies on rural development with social participation.

Future articles will deal with agribusiness, social protection of highly vulnerable populations, sustainable development, etc., which will confirm our belief in the need to find new ways of working together and to implement a new model for development.

COMUNICA, also available at www.iica.int, hopes to continue fostering the exchange of ideas and experiences of benefit to decision makers interested in agriculture and rural life in the Americas.



Food security in the Americas: the need for a new development model for the 21st Century

Chelston W. D. Brathwaite¹

Summary

In the context of the global financial crisis, the recent food crisis, far from diminishing in importance, has become a strategic factor that requires continuous monitoring, analysis and action by public and private agents involved in the promotion of development, who have an interest in avoiding the possibility of much of the population succumbing to poverty and, thus, seeing its ability to access quality foods reduced. Since every country in the hemisphere faces similar challenges, and bearing in mind the actions they are taking, the main purpose of this article is to propose a new development model centered on the potential that exists and the contributions that agriculture and the rural economy can make towards promoting integral human development in the rural areas of the hemisphere.

¹ IICA Director General, Chelston.brathwaite@iica.int. Based on an address prepared for the Permanent Council of the OAS on IICA Day 2008, in Washington D.C, USA.



Key Words: *Agriculture, rural development, food security, institution, Latin America and the Caribbean.*

Introduction

An unstable global economic situation characterizes the beginning of 2009. Its ultimate effects cannot be anticipated and are still being analyzed extensively by experts and national and international organizations. The financial crisis, the origin of which is exogenous to Latin America and the Caribbean, has already monopolized discussions about the future of global economic development and suggested immediate measures that should be implemented to mitigate its effects.

On a different scale, and prior to the upheaval in the financial markets, international discussions centered for a few months on the so-called food crisis, which triggered an alert as regards the need to intensify the analysis of the role that agriculture plays in development and food security.

A clear illustration of the crisis is the fact that the cost of wheat has increased by 130 percent, the cost of rice by 74 percent, the cost of soybeans by 87%, and the cost of corn by 53%. In less than 24 months, world food prices have escalated to unprecedented levels and there have been food riots in at least 20 countries of the world as a result of the scarcity and lack of access to food. Today, prices are extremely volatile – in some cases the drastic increases have been followed by a decrease in prices; nevertheless, they are higher than the average prices for the period 2000-2005.

In this scenario, it is important to analyze the possible effects of rising and falling prices on domestic markets and at the level of the distribution of profits and losses resulting from changes within the different agrifood chains. (Paz and Benavides, 2008)

In a recent address to the Organization of American States (OAS), the Executive Director of the World Food Program, Josette Sheeran, indicated that:

“Today we find ourselves at a critical crossroads, with hunger again knocking on the door of the Americas. Soaring food prices threaten to exacerbate the circumstances of the already vulnerable, and to turn back the clock on the progress made by those individuals and families who have achieved food security.

This silent tsunami, travelling quietly around the globe hits those who are most vulnerable hardest. It knows no borders. It has created perhaps the first globalized humanitarian crisis, adding an additional 130 million people to the ranks of the urgently hungry who were not there just one year ago.” (OAS, 2008)

► *The ECLAC suggested that the 27 million individuals who left poverty during this period may return to poverty, thus making it impossible to reach the Millennium Development Goals (MDGs) in many of our countries.*

Furthermore, the Economic Commission for Latin America and the Caribbean (ECLAC) has indicated that the five years of positive economic growth enjoyed by Latin America and the Caribbean between 2002 and 2007 may be undermined by the current financial crisis. It suggested that the 27 million individuals who left poverty during this period may return to poverty, thus making it impossible to reach the Millennium Development Goals (MDGs)

in many of our countries. The World Food Program now states that, instead of reducing poverty by 50% in 2015, as proposed by the MDGs, an additional 100 million people will return to poverty.

Food insecurity and poverty, and the MDGs demand solutions to improve the income of thousands of families and to ensure that the most vulnerable groups enjoy adequate financial conditions that do not jeopardize their food situation.

The current situation of the markets and the role of the State, the causes and effects of the crisis, and poverty and food insecurity are complex phenomena and cannot be tackled or resolved with the solutions used in the past.



As stated by the World Bank in its World Development Report 2008:

In the 21st century, agriculture continues to be a fundamental instrument for sustainable development and poverty reduction. Three of every four poor people in developing countries live in rural areas – 2.1 billion living on less than \$2 a day and 880 million on less than \$1 a day – and most depend on agriculture for their livelihoods.” (World Bank, 2008)

It is clear that agriculture alone will not be enough to reduce poverty massively; however, based on the findings of the World Bank, it has proved to be a uniquely powerful tool for this task.

Consequently, IICA wishes to use these developments to continue and intensify discussions about the need for a new model of development centered on agriculture that ensures food security for our hemisphere, both now and in the future.

Some responses at the international level

In 2008, the Food and Agriculture Organization (FAO) held a high-level conference on food security in Rome during which a number of short-, medium- and long-term strategies for resolving the problem were discussed. Recently, a

The current situation of the markets and the role of the State, the causes and effects of the crisis, and poverty and food insecurity are complex phenomena and cannot be tackled or resolved with the solutions used in the past.



meeting², hosted and organized by the Spanish Government and co-sponsored by the United Nations in Spain, not only reaffirmed all those strategies, but agreed that:

“...States have a primary responsibility to make their best efforts to respect, ensure, fulfill and promote the right to have regular and permanent access to adequate food... Participants were deeply concerned by the unacceptable global food security situation that affects over 960 million undernourished people... Participants stressed that the social and economic development of rural areas must become a primary policy objective, as the provision of food and agriculture fulfils a key function that must be consolidated and enhanced...” (Final Statement of the Madrid High-Level Meeting on Food Security for All, 2009)

The International Food Policy Research Institute (IFPRI), which has indicated that there is a strong correlation between food price levels and oil prices, has suggested a set of policy actions to address the food security problem in the world, including plans to:

2 Food Security for All. High-Level Meeting. Madrid, Spain.

- a. Expand emergency responses and humanitarian assistance to food-insecure people and strengthen social protection;
- b. Undertake fast-impact food production programs in key areas;
- c. Eliminate agricultural export bans and export restrictions and complete the Doha Round of the World Trade Organization (WTO) negotiations;
- d. Change biofuel policies, and
- e. Stabilize markets in order to limit speculation. (IFPRI, 2008)



The vision of IICA and its response to the needs of our member states

Under the IICA Medium Term Plan (MTP 2006-2010), food security³ is defined as the existence of the necessary conditions

for human beings to have physical and financial access, in socially acceptable ways, to food that is safe, nutritious and in keeping with their cultural preferences, so as to meet their dietary needs in order to live productive and healthy lives. Food security is considered one of

3 Food security conditions, according to IICA, are: **1) The physical availability of food** in sufficient quantities and of sufficient quality produced in or imported into the country (including food aid); **2) Access of all people to food** because they have the financial and other resources needed to acquire sufficient nutritious and safe food; **3) Reaching a level of nutritional well-being** where all physiological needs are met, thanks to an adequate diet, availability of and access to clean water, sanitation and health care (importance of non-food inputs); and, **4) Stable access** to foods at all times, without the risk of running out of food as a result of unexpected political, economic or climatic crises or cyclical events (seasonal food insecurity). Includes both availability and access. (IICA, 2008)

the three pillars of the Institute's vision, conscious as we are that food is a basic right of every citizen of the world and that our democracies are not sustainable if a large percentage of our population does not have access to the basic necessities of life, such as food, shelter, health care and education.

In 2002, at the beginning of my mandate as Director General, we encountered an environment in which food security and agricultural development were not high on the list of priorities on the agenda of many of our countries or the multilateral development banks. Today, due to the volatility of food markets, the situation is different and several of our Member States have incorporated food security into their development agendas.

In such circumstances, one may be tempted to ask the question: Are we ready, as a cooperation institution, to assist our Member States in this critical moment in history where food insecurity has the potential to create social and political turbulence in several of our countries? The answer to the question must be a resounding yes.

Over the last six years, IICA has worked steadfastly to be prepared to meet the challenges of the 21st Century by implementing an internal reform process. Our MTP 2006-2010 defines quite clearly the policies and strategies that must be pursued for the development of a modern agricultural sector in the hemisphere.

Together with our Member States, a strategic framework for the sustainable

development of agriculture and the rural milieu in the hemisphere was developed, the AGRO 2003-2015 *Agro Plan for Agriculture and Rural Life in the Americas*, which recognizes the multidimensional, multisectoral role of agriculture and which, if implemented, will make a significant contribution to the integral development of our countries.

In keeping with our vision, IICA has reinforced its actions to promote food security in our Member States by undertaking the following:

- Research and analysis of the evolution of prices and markets;
- Expert forums;
- Inclusion of the issue in important international meetings;
- Formation of a working group on food security;
- Inclusion and discussion of food security in Cabinet and Technical Committee meetings within the Institute.

Three courses of action were defined and agreed on in order to focus IICA's work: (i) institutional innovation for food production and diversification; (ii) strengthening small- and medium-scale farmers and their links to markets, and (iii) support for policy design and provision of up-to-date information about the food crisis. (IICA, 2008)

► *The current, so-called “food crisis” must be seen as an opportunity for the agricultural and rural sectors of the countries of the Americas. However, the historical limitations of the sector must be surmounted, international food price increases must be passed on to the farmers, and long-term policies must be designed as a response to national development plans.*

As an example of our actions, during 2008, a select group of experts from key international organizations, the academic community and the private sector gathered at IICA for an international seminar on the food security situation. They concluded that the current, so-called “food crisis” must be seen as an opportunity for the agricultural and rural sectors of the countries of the Americas. However, the historical limitations of the sector must be surmounted, international food price increases must be passed on to the farmers, and long-term policies must be designed as a response to national development plans.

Our Institute has recently published an article on the Institute’s response to rising food prices on its website and in its Technical Journal⁴ where it holds that agriculture and food security must be given high priority on the development agenda of our countries.

Moving forward: What are the responses and challenges at the country level?

Based on research carried out by ECLAC, the measures taken by the countries

are mostly intended to improve food availability and access. Scientific research, technical assistance, and technical information programs have been proposed in many countries, but most proposals have yet to be implemented.

Actions taken so far by our countries according to ECLAC, 2008:

- Reduction of import taxes and trade barriers;
- Food distribution programs;
- Price controls;
- Conditioned income transfers;
- Subsidies to inputs and input distribution;
- Financing of production;
- Public–private agreements.

In a few countries, there has been a reduction of consumer and production taxes; government purchases from small farmers; strengthening of the institutional framework to enhance competition and protect consumers; strengthening of commercial relations and value chains (to improve access); public information and promotional campaigns (to improve utilization and access); strengthening of productive infrastructure (longer-term); strengthening of agricultural insurance (longer-term) and salary adjustments (to enhance access).

4 See COMUNIICA, May-August, 2008 and www.iica.int

Many pages have been written and numerous recommendations have been made. However, we should mention four factors that are critical for moving forward in this new era of global development:

1. The root cause of the problem is that, in many countries, **we have not given agricultural development or food security the necessary priority**, in either thought, word or action.

2. **Poverty is still a persistent problem** in the Americas. A recent FAO report makes three important statements:

- “The Region’s food production exceeds by 30% the quantities of protein and calories needed to satisfy the energy requirements of its population. Yet, over 52 million people (10% of the population) do not have appropriate access to food and 9 million children suffer from chronic malnutrition.”
- “The Region has tripled its food production since the 1970s and is a net food exporter. During the period 2000-2006, its food imports increased at an average 7% per annum, while its food exports increased at an average of 12% per annum. In the Region, it is not a question of lack of food, but the result of inadequate access to food, which is related to the low income levels of its population and persistent poverty.”
- “The main challenge facing the Region is therefore to overcome the enormous inequality in income distribution that exists and that

has remained practically the same for 55 years. Between 1950 and 1990, the Gini coefficient, which measures inequality, has remained virtually unchanged, averaging 0.505 in 1950 and 0.507 in 1990. The same condition of unchanged average regional indicators of inequality in income distribution existed during the period 1989 to 2005.” (FAO, 2008)

3. **A new set of global forces will impact food security**, including: increased demand for food by emerging economies; devastating hurricanes and droughts due to climate change; declining agricultural productivity, and the increased cost of energy.

4. **The challenges we face are not of a short-term nature** and, therefore, will not be solved by short-term solutions.

Other relevant factors include: a population growth of 1.5% a year, which suggests that the total population could reach 9.2 billion by 2050; expansion of consumer markets in countries such as China, and in South East Asia and Latin America; farmers are now using 70% of the Earth’s available fresh water, and the lack of good farmland, some of which is extremely deteriorated. In 40 years’ time, the demand for food will have increased by 110% with even less resources available for agriculture. (ACIAR, 2009)

Faced with this situation, there are those who call for a new green revolution. This term was used in the 1960s to explain the increase in agricultural output resulting from genetic improvements, and the use of high-yield varieties, irrigation,

fertilizers, pesticides and mechanization. The initiative reduced hunger and food insecurity in many countries and has been credited with saving over a billion lives. Moreover, it earned Norman Borlaug the Nobel Peace Prize in 1970⁵.

Nevertheless, those who advocate a new green revolution should recall the negative aspects of the last green revolution, including the exclusion of small-scale producers, dependence on pesticides and fertilizers, lack of attention to nutritional factors, and many environmental problems related to pollution of land and sources of water.

There can be no doubt that education, entrepreneurship, research, biotechnology and technological innovation will be critical elements in our search for solutions to the current food crisis.

A new model for development

It is unacceptable that, 50 years after the Universal Declaration of Human Rights and several years after the adoption of the Vienna Convention, at least 880 million people in the world still do not enjoy one of the basic human rights, the right to food. Moreover, since food is a basic right throughout the world, the food and agriculture sector must be a central component of each country's development agenda and must be given the appropriate resources for its development and



There can be no doubt that education, entrepreneurship, research, biotechnology and technological innovation will be critical elements in our search for solutions to the current food crisis.

sustainability. The sector can no longer be marginal to the development process.

As a society, we have developed appropriate infrastructure to guarantee exercise of all the basic rights and fulfill the needs of society: public safety, health and education. However, in the case of food, we have failed to make a similar effort and have left food production to the market forces.

Instead of a new green revolution, we need a new development model, a model that recognizes the key role that multidimensional agriculture and the rural economy play in integral development owing to their contribution to food security, energy security, water supply, employment, environmental conservation, social stability and freedom from social unrest.

Concrete global actions must be taken to combat environmental degradation, global climate change, depletion of the ozone layer, loss of biodiversity, deforestation and other threats to our environment and our natural resources. Current systems of production need environmental policies

⁵ He was awarded the Nobel Peace Prize in recognition of his contribution to world peace by increasing food supplies.

We need a new development model, a model that recognizes the key role that multidimensional agriculture and the rural economy play in integral development owing to their contribution to food security, energy security, water supply, employment, environmental conservation, social stability and freedom from social unrest.

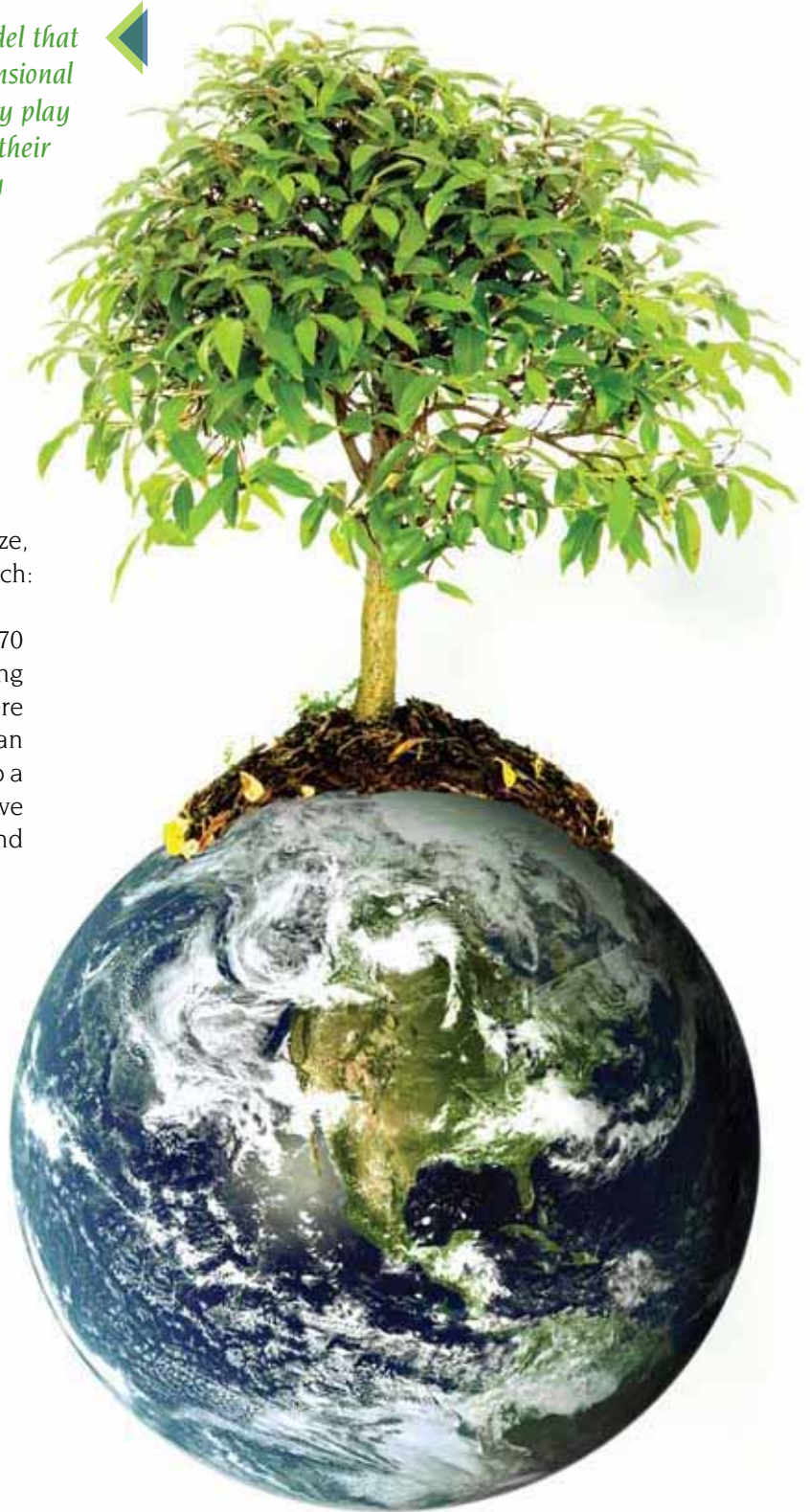


that promote stewardship of and care for the environment.

Al Gore, winner of the 2007 Nobel Peace Prize, stated the following in his acceptance speech:

“So today, we dumped another 70 million tons of global-warming pollution into the thin shell of atmosphere surrounding our planet, as if it were an open sewer. And tomorrow, we will dump a slightly larger amount, with the cumulative concentrations now trapping more and more heat from the sun.”

“In the last few months, it has been harder and harder to misinterpret the signs that our world is spinning out of kilter. Major cities in North and South America, Asia and Australia are nearly out of water due to massive droughts and melting glaciers. Desperate farmers are losing their livelihoods. People in the frozen Arctic and on low-lying Pacific islands are planning evacuations of places they have long called home. Unprecedented wildfires have forced a half million people from their homes in one country and caused a national emergency that almost brought down the government in another.





Climate refugees have migrated into areas already inhabited by people with different cultures, religions, and traditions, increasing the potential for conflict. Stronger storms in the Pacific and Atlantic have threatened whole cities. Millions have been displaced by massive flooding in South Asia, Mexico, and 18 countries in Africa. As temperature extremes have increased, tens of thousands have lost their lives. We are recklessly burning and clearing our forests and driving more and more species into extinction. The very web of life on which we depend is being ripped and frayed.” (Gore, 2007)

We also need to move forward in implementing the society of knowledge of the 21st Century, where science and technology are key engines of economic growth. But this requires a new paradigm which recognizes that our natural resources and the rural sector are key areas for investment and for the generation of wealth. The policies required for these developments are not agricultural policies alone, but an integrated series of State

policies that acknowledge the intersectoral and multisectoral nature of development.

The time has come to re-assess the contribution made by the rural economies of our countries to integral development. This contribution involves the current and potential production of a sustainable supply of energy and nutritious food to minimize life-style illnesses; the preservation of forests to reduce the impact of climate change; and economic activities in the agricultural sector that can provide employment and help reduce poverty.

To build a sustainable society, therefore, we need a new development model that incorporates the social, economic, technological, environmental and political dimensions of development. The current food crisis clearly shows that humanity must change course and make better use of the planet’s natural and knowledge resources.

The actions that are currently being taken by the governments of the hemisphere are necessary and will undoubtedly help



The current conditions of food insecurity and volatility of food prices provide an opportunity to review the global food situation and to develop appropriate strategies to ensure that we protect humanity from a similar situation in the future.

reduce the impact on the population, especially the most vulnerable groups affected by increases in food prices. Nevertheless, we see the need for a long-term strategy to avoid future food crises.

So what is this strategy? We believe that food security must become a central component of development planning and must be linked to agricultural development policies that are part of the national development goals. In other words, the agricultural development policy and issues related to food security cannot be left to sectoral management; they must be part of the national development policy.

The current conditions of food insecurity and volatility of food prices provide an opportunity to review the global food situation and to develop appropriate strategies to ensure that we protect humanity from a similar situation in the future.

- This new model should have five components:
- a. State policies that support a multidimensional, multisectoral approach towards agriculture and rural life.
 - b. Strategies to increase investment in agricultural research, innovation, and technology transfer.
 - c. A new curriculum for agricultural education that supports the multidimensional nature of agriculture.
 - d. Institutional reform of ministries of agriculture.
 - e. New policies on food consumption and nutrition.

All these initiatives must be supported by increasing the allocation of financial resources to agriculture and rural life, increasing international development assistance, and a new leadership dimension with a global and long-term vision.

a. State policies that support a multidimensional, multisectoral approach to agriculture and rural life

Our countries need a national food and agriculture policy that addresses the sector's multisectoral nature and its inter-sectoral linkages with the rest of the economy. This national policy should ensure that the four dimensions of the Agro Matrix (competitiveness, sustainability, equity and governance) are taken into consideration and emphasize that the food and agriculture sector, national food security, and national development are intimately linked. The Ministry of Agriculture should become a Ministry of Food and Agriculture and should not only be a ministry for food producers, but also a ministry for food consumers. Consequently, we consider that what is needed in each country is a national food and agriculture policy that guarantees the nation's food supply, whether from local or imported sources. The assessment of how much local demand will be supplied by local production must be decided by each

country based on its natural resources, and specific skills, culture and policies.

In Chile, the state rural development policy implemented since 1990 has made a major contribution to that country's success in reducing rural poverty and extreme poverty from 39.5% in 1990 to 20.1% today. According to a recent report by the Chilean Ministry of Agriculture, the main factors responsible for this success are:

- (i) Strong expansion of foreign markets as a result of trade agreements;
- (ii) Public investment in communications and the paving of secondary roads;
- (iii) High levels of public investment in irrigation, infrastructure, and credit facilities;
- (iv) Public investment in research and technology transfer;
- (v) Private investment in technology, processing infrastructure, and international marketing;
- (vi) The production of new crops, the development of new product categories, and access to new markets, especially in Asia;
- (vii) A sustained, systematic national policy to incorporate small-scale farm agriculture into development policy and to combat rural poverty.

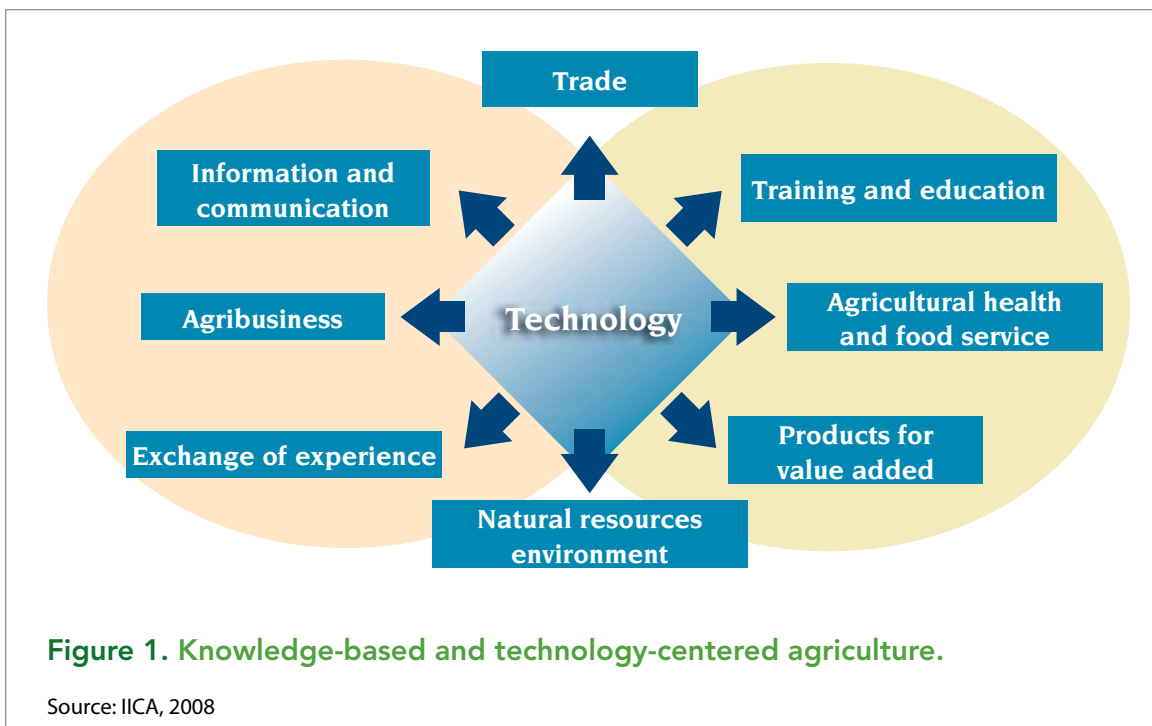
Today, even China recognizes the need to incorporate the rural sector into the fast-growing wealth of the nation and has recently announced a number of policy measures to increase the allocation of public resources to the countryside in order to close the growing prosperity gap between the cities and the rural areas. Also, the Farm Bill in the United States and the "Zero Hunger" program in Brazil are examples of national agricultural development policies.

b. Increased investment in research, innovation, and technology transfer

The new food and agriculture sector will depend increasingly on the capability of competitive agribusinesses to market products that meet animal and plant health, food safety, and environmental regulations.

The key to the success of this new paradigm is technology. This concept, summarized in Figure 1, indicates that the new food and agriculture sector will be led by global trade that is based on agribusinesses and that generates value-added products that conform to agricultural health and food safety standards, while respecting the environment.

The new food and agriculture sector will depend increasingly on the capability of competitive agribusinesses to market products that meet animal and plant health, food safety, and environmental regulations.



This is certainly the case for the agricultural sector in the Americas, although not all countries have the same level of technological development. In the past, most of the increase in production was due to an increase in cultivated areas, while productivity has been stagnant over the last few years. Nevertheless, on average, almost 40% of all increases in food production in the Americas over the last four decades have been due to the use of modern technology, mainly improved seed varieties and

agronomic information. Most countries have achieved substantial increases in agricultural productivity of basic foods, including corn, wheat, potatoes, rice, beans, sunflowers, and soybeans in the Southern Cone.

The adoption of new technology has yielded significant economic benefits, as measured by the rates of return on investments in agricultural research. This has demonstrated that investment in agricultural research is good business.

► *The adoption of new technology has yielded significant economic benefits, as measured by the rates of return on investments in agricultural research. This has demonstrated that investment in agricultural research is good business.*

▶ *The reality is that developing countries are not investing in biotechnological research, which is one more reason for the widening gap between developed and developing countries.*

The disparity in productivity of certain commodities in different countries is, in part⁶, a consequence of their unequal development of research and extension capabilities. Countries with greater relative development, such as the United States, Canada, Brazil, Mexico and Argentina, invest between 1.5% and 2.5% of their agricultural gross product in agricultural research.

As indicated by IICA:

“...Brazil, Mexico, Argentina, Chile, Venezuela and Cuba account for 96% of the region’s investment in science and technology and LAC’s limited efforts to develop and incorporate new technologies are geared toward traditional products.” (Trejos, 2007)

For the majority of the least developed countries of the region, however, this investment in public research on the average only reaches 0.4%. Nevertheless, countries such as Chile, Colombia, Uruguay and Costa Rica



have been investing increasingly in improved technology for the food and agriculture sector. Recent data from scientific publications shows this trend for agriculture.

Research in biotechnology is a critical component of increased crop yields and agricultural productivity. However, the reality is that developing countries are not investing in biotechnological research, which is one more reason for the widening gap between developed and developing countries.

6 Some countries of the region have better conditions in terms of climate, soils, and water supply.

Despite the efforts of agricultural research centers and other institutions, most of the biotechnological information is in the hands of the private sector, which may explain why the most significant advances in biotechnology relate to rice, maize, wheat and cotton. Yet the majority of the population in the south survives on sorghum, millet, yams, cassava, pigeon peas and other pulses. (Brathwaite, 2002)

c. A new curriculum for agricultural education

Education plays a vital role for the future. Educational institutions have a great responsibility to prepare for the future of our world by equipping the next generation with the skills and knowledge to manage the future. Knowledge- and information-based economies and interconnected networks require a solid foundation of education and training.

The region's educational establishments have been slow in adjusting their curricula to the new circumstances, which include: changing employment opportunities in agriculture; rapid scientific progress and technological change; increased awareness of environmental issues; increased awareness of gender issues and the role of women in agriculture; the need to include population issues in agricultural education; and the need for an interdisciplinary approach to agricultural education, research and extension, with emphasis on new areas such as trade negotiations, biotechnology, agroenergy, and agrotourism.

The approach to education as a whole needs to be re-examined. Current research suggests that what we need today in a first-degree level agricultural graduate is greater understanding of business practices, the ability to communicate with diverse rural groups and to support these groups in collective problem solving, and the ability to assist small family farms advance from subsistence agriculture to commercial production. This requires a curriculum that uses practical examples to emphasize the holistic nature of the agricultural production process throughout the entire food chain and that exposes students to real life situations that are relevant to modernize the food and agriculture sector.

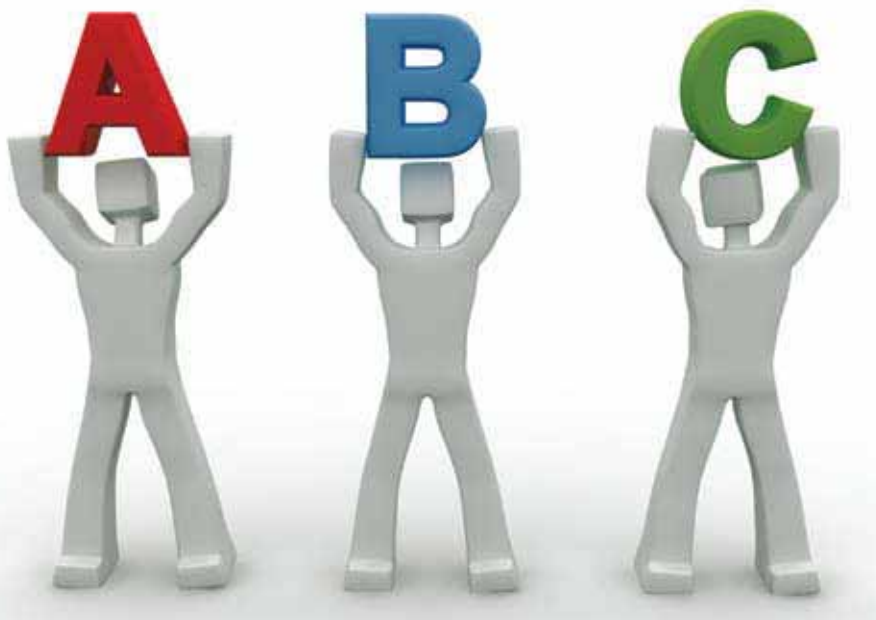
To this end, a new educational model is needed, most probably interwoven with the visions of all the agricultural education programs in each country, based traditionally on knowledge and theories with little practice. The national educational systems should incorporate a more realistic vision that satisfies and ensures the well-being of future generations in the short and long term. This will require pedagogic and practical experiences from school to university based on a new paradigm that helps

What we need today in a first-degree level agricultural graduate is greater understanding of business practices, the ability to communicate with diverse rural groups and to support these groups in collective problem solving, and the ability to assist small family farms advance from subsistence agriculture to commercial production.

form a collective awareness of humanity between all the inhabitants of this planet. As Humberto Maturana has stated:

“What is needed is a new education plan that produces transformation and human development without excluding any individual from its influence...” (López *et al.* 2003: 16)⁷

Hence, the curricula should provide the incentive to form part of this new holistic awareness, where everyone has the



The new curriculum must help unlock the talent and creativity of the youth of our nations so that they can contribute to finding innovative solutions to the complex problems facing our world.

possibility of improving his or her way of life without compromising the world's natural resources – not as individuals who are only trying to ensure their own survival – but rather going beyond this concept to achieve an economy for life, via production processes and agribusinesses that guarantee food security and well-being for many others.

Agricultural education in the region must respond to the market's demand for graduates and must take national policies and strategies into account. The new curriculum must help unlock the talent and creativity of the youth of our nations so that they can contribute to finding innovative solutions to the complex problems facing our world. It must also provide an environment for collaborative efforts so that the new world of cooperation we want to build is inculcated in youth in the early stages of their development.

Students must also be taught that leading others begins with leadership of self. The basic principles of integrity, impartiality, professionalism, flexibility, loyalty,

The national educational systems should incorporate a more realistic vision that satisfies and ensures the well-being of future generations in the short and long term.

⁷ López Melero, M.; Maturana Romecín, H.; Pérez Gómez, A.; Santos Guerra, MA. 2003. *Conversando con Maturana de Educación*. Ediciones Aljibe, S.L. Málaga.

prudence, responsibility and respect for others as human beings must be addressed in the new curriculum.

d. Institutional reform of ministries of agriculture

Several institutional responsibilities, such as extension and research, which were once carried out by the Ministry of Agriculture, are now being undertaken by private-sector agencies and NGOs. This suggests the need to reform the Ministries of Agriculture to cope with the new multi-dimensional role of the sector.

The structural adjustment programs of the recent past have resulted in fewer budgetary resources being allocated to the Ministries of Agriculture of some of the countries in the hemisphere. However, the global scenario requires that the State play a key role in providing the regulatory framework for agriculture, together with a policy framework and support services such as rural infrastructure, security of land tenure, and training, research and extension, all of which are necessary for the development of a competitive agricultural sector. Traditional private-sector and non-governmental organizations are increasingly involved in the provision of technical services to the sector, but the role of government in building new strategic partnerships with them is a critical one.

The reform of the Ministries of Agriculture must ensure that the new model promotes cooperation and closer ties between the State and civil society. This should be considered within the framework of strong government at the community level and a

new role for the public sector, the private sector and international organizations in rural community development.

We are convinced that unless the role of the Ministries of Agriculture is redefined and agriculture's true contribution to national development is recognized, the true potential of the rural sector in economic development will not be realized.

e. A new strategy of consumption and nutrition

Traditionally, we have depended on the supply of wheat, corn, rice, potatoes and soya beans as the basis of our daily nutritional requirements. Of the 250,000 species of plants in the world, 90,000 of which are found in our hemisphere, we depend on these five as the pillars of our nutrition. Clearly, the time has come for us to exploit the nutritional value of our own tropical crops, such as cassava, sweet potatoes, bananas, yams, and many others, as a source of our daily nutritional requirements. Nutritional programs should take into consideration this biodiversity as a way to decrease the occurrence of obesity and malnutrition faced by some developed countries.

In addition, the lack of attention to other crops with the potential to feed humanity may result in their disappearance from the biodiversity of the world and, should a major catastrophe affect one of our five traditional crops, we will need that biodiversity. Let us not forget the potato famine in Ireland in the 18th century.



countries invested less in technology and innovation, and we have dismantled our agricultural extension services. When reduced government expenditure became necessary during the period of structural adjustment, we reduced the size of the Ministries of Agriculture. The investment in the rural economy, where 40% of our population lives, is on average 6% of our national budgets.

Past and even current development models have an anti-rural bias in which the recommended approach to modernizing the economy is based on industrialization and privileged growth of urban areas. Some consequences of these models include:

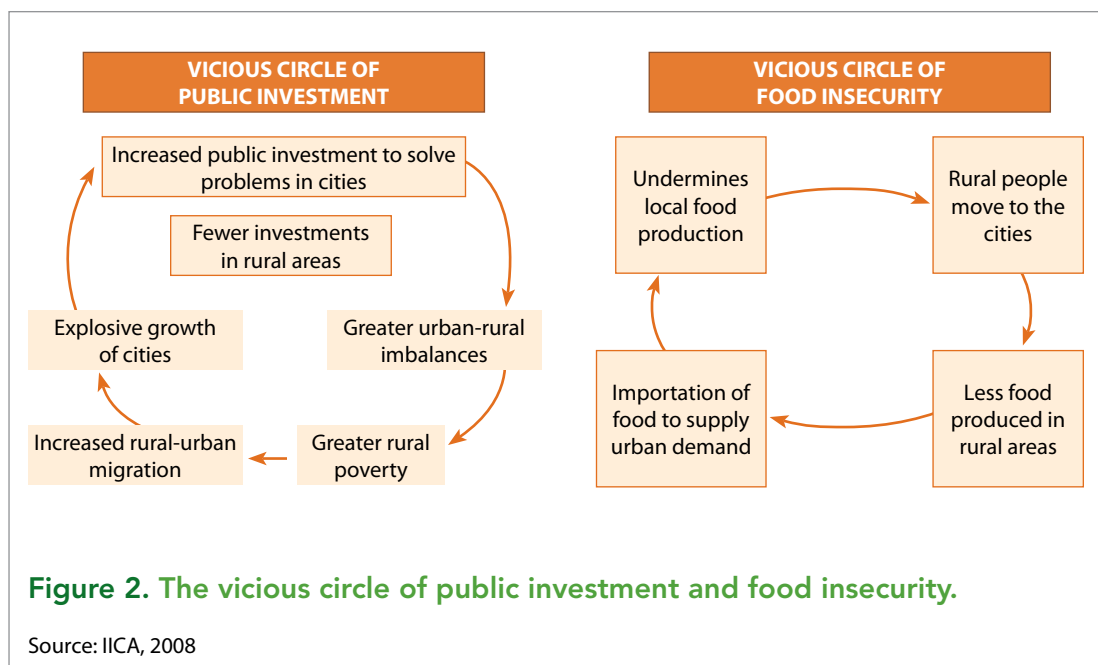
- The concentration of the population in cities; their political importance results in greater public investments in services for urban areas.
- Greater inflow of private investment into urban areas as a result of the externalities from public investments.
- Continued inequality between urban and rural areas, despite economic reforms implemented in the mid-1980s and during the 1990s.
- A limited inflow of resources and improvements in infrastructure in rural areas due to inappropriate public policies on investment, trade, and taxes.
- A rise in violence and growing social and political insecurity in the urban economy resulting in an increased allocation from the national budget to solve the social problems of the cities.

These five initiatives (a-e) must be supported by:

i. Increased allocation of national resources to agriculture and rural life

Over the last 25 years, the world has seen a decrease in attention to agriculture and its financing. Some development banks dismantled their agricultural divisions, the Governments of our

- The continued competitive disadvantage of the rural sector, despite investments in areas with a great deal of potential.
- The continuing vicious circle of less public investment in rural areas and its effects on food security (see figure 2).




The increasing migration of the rural population from rural areas and the limited investment in the rural economy may result in less agricultural production, with the consequence that the Government then imports more food (normally cheap food) to satisfy urban demands, and this further undermines the rural sector's capacity to produce. The result is another vicious circle of food insecurity that needs to be re-examined to transform it into a virtuous circle so as to increase investment, reduce migration, improve opportunities in rural areas and in agriculture, and increase the production of food.

The increasing migration of the rural population from rural areas and the limited investment in the rural economy may result in less agricultural production, with the consequence that the Government then imports more food (normally cheap food) to satisfy urban demands, and this further undermines the rural sector's capacity to produce.

ii. More international development assistance

As mentioned, it has been reported that between 1985 and 2002, official development assistance (ODA) to agriculture declined by about 66% in real dollar terms⁸. Agriculture became marginalized in bilateral agencies and in development banks: (i) the World Bank agricultural lending fell from 30% in 1980 to 7% in 2003. In 2002, only 3% of the loan portfolio of the Inter-American Development Bank was devoted to the food and agriculture sector in the

 *Funding for agriculture has been increasing, and development banks are reverting to investing in agriculture and rural development, because they “have discovered that development without rural development is impossible.”*

Americas; (ii) FAO has recently reported that, although 40% of the population of Latin America and the Caribbean lives in rural areas, only 6.6% of public budgetary expenditure is devoted to agriculture and related rural activities; and (iii) the amount being invested in the rural economy in Latin America and the Caribbean declined from \$205 per capita between 1985 and 1990 to \$140 per capita between 1995 and 2001.

Recently, funding for agriculture has been increasing, and development banks are reverting to investing in agriculture and rural development, because they “have discovered that development without rural development is impossible.” On

this basis, the development banks and the international financial sector need to return to the agricultural sector and provide support to rural development in our countries.

iii. A new leadership dimension - the Minister of Agriculture of the 21st Century

The new vision for agriculture, as presented above, suggests that the leadership of the sector must have a global, multisectoral vision and access to global knowledge and information to meet the new challenges.

The Minister of Agriculture must be able to deal with issues of equity, the environment, health, trade, energy and the economy.

An examination of these issues demonstrates the need for leadership with a global vision and access to global knowledge and global information that is based on sound science. The IICA Leadership Center seeks to help the leaders of agriculture in the Hemisphere acquire this vision and this knowledge.

The 20th Century Minister of Agriculture was seen as a minister of production and, hence, a minister of the farming community. Today, with the emphasis on health, nutrition, food safety and food security, the Minister of Agriculture of the 21st Century is also the Minister of Consumers: a Minister who must ensure that the nation's food supply is adequate, safe and reasonably priced. The Minister of Agriculture of the

8 See Official Development Assistant to Agriculture Document. Paper written by Agriculture and Natural Resources Team of the UK. Department for International Development (DFID), 2004.

21st Century must therefore have a global multisectoral vision.

As the new United States Secretary of Agriculture, Tom Vilsack, stated to a staff writer from the Washington Post, referring to the new role of the United States Department of Agriculture:

“This is a Department that intersects the lives of Americans two to three times a day. Every single American,” he said. “So

The Minister of Agriculture of the 21st Century must be able to deal with issues of equity, the environment, health, trade, energy and the economy.

I absolutely see the constituency of this Department as broader than those who produce our food – it extends to those who consume it.” (Black, 2009)

The expected results from a new model for development

If the conditions for a broader model are provided, then the expected results should be:

- Better rural-urban balance through integral development of both urban and rural areas;
- Greater investments in rural areas, which are essential for:
 - i. Ensuring social and political stability
 - ii. Promoting the competitiveness of agriculture and rural economic activities
 - iii. Creating rural agricultural and non-agricultural employment that supports an acceptable level of livelihood in rural areas.
- Increases in productivity and an expansion in food supply to meet the growing food needs and market requirements;

Furthermore, it is critical that appropriate policies and strategies are adopted in order to:

- Increase investments in the rural sector, so as to facilitate the profitable and sustainable use of natural resources;
- Support investments in research, infrastructure and services that will make both the food and agriculture sector and non-agricultural activities in rural areas competitive, profitable and sustainable;
- Support investment for the development of human capital in the rural sector (rural education) so as to increase the skills of the population and improve their standard of living;
- Facilitate investment in the development of rural enterprises and institutions that strengthen rural-urban linkages and the generation of value-added activities and higher incomes.

Such a development model will transform rural isolation into a network of national global prosperity. It is our view that only by pursuing these noble goals can we truly contribute to reducing rural poverty and assist our countries to achieve the MDGs of reducing poverty by 50% by 2015. A life of dignity for the rural poor can be achieved in our time if we provide the education, the infrastructure, and the appropriate policies to unleash the creativity and enterprise of our people.

Final remarks

As societies, we have spent money on infrastructure and capacity-building for personal security, health, education and the provision of shelter, but we have left the provision of food to the vagaries of the market. This, in our view, contributes to our high levels of food insecurity.



Unless we promote rural prosperity, there can be no urban peace. The rural poor will rise up and will be a challenge to peaceful social existence and democratic governance.

Our levels of poverty cannot and should not continue. We must modernize the rural sector, strengthen rural communities and provide education, health care, infrastructure, access to technology and credit so that the poor can achieve their dreams. Unless we promote rural prosperity, there can be no urban peace. The rural poor will rise up and will be a

challenge to peaceful social existence and democratic governance in our countries.

In IICA, we are aware that only by pursuing state policies of social inclusion, policies of equity and transparency, and policies that promote education and a culture of entrepreneurship and innovation will we win the war against poverty. It is clear that, in the absence of policies in these areas, poverty and marginalization in the rural economy will continue. One area, however, that must be highlighted is financial democracy; in all our societies, the rural poor need to have access to financial resources to support agricultural development.

This is a war that will not be won by the traditional weapons of war, but by the new weapons of education, knowledge, the application of technology, investment, and the promotion of an environment that favors the growth and development of the population.

It must be our responsibility to reduce the inequality and social injustice that prevail in so many countries of our hemisphere. Modern agriculture and rural development are keys to poverty reduction, because the majority of the poor live in rural areas.

We are convinced that we need a new development model that can unleash the talent, the energy and the enterprise



We have a sacred responsibility, a responsibility to humanity, a responsibility to the future of our planet. We must not fail to provide viable solutions today, in order to ensure a tomorrow of social equity and rural prosperity.



of the people of the Americas so that the agricultural and rural sectors can compete internationally. This model will also facilitate a culture of excellence that results in the generation of information, knowledge, leadership and technical support, which will help to improve the lives of the population and ensure the prosperity of the nations of the hemisphere.

But even more than a new model of development, we need new leadership that understands the multifunctional, multidimensional role of the agricultural sector and that can integrate the social, technical, environmental and political dimensions of the sector into a strategic instrument for development.

Mahatma Gandhi, that great apostle of peace and brotherhood, reminded us in "Lesson in Leadership," that, unless we take care, seven things will destroy us: wealth without work, pleasure without conscience, knowledge without character, commerce without morality,

worship without sacrifice, science without humanity, and politics without principles.

We, as leaders in the agriculture and food sector, need to define the road map to food security, to re-examine our current actions, and to define a road to the future. This future must include policies of social inclusion that ensure equity, sustainability, competitiveness and environmental responsibility, where the agricultural and rural sector of our countries is seen as a key component of integral development. If this is not our goal, then the crisis we face will worsen and the social and political progress we have achieved will be undermined.

Therefore, we have a sacred responsibility, a responsibility to humanity, a responsibility to the future of our planet. We must not fail to provide viable solutions today, in order to ensure a tomorrow of social equity and rural prosperity. We cannot continue to live in a world of declarations and unfulfilled promises; now is not the time for more declarations, now is the time to realize the MDGs and to deliver results for the people of the Americas so that they can experience the true meaning of the dream of Simon Bolivar, who said in his famous letter from Jamaica in 1815:



We shall make little or no progress in promoting human prosperity, energy security, and environmental sustainability unless food security, agricultural development, and the rural economy are priorities on national and international development agendas.

“More than anyone else, I desire to see the Americas fashioned into the greatest nation in the world; greatest not so much by virtue of her area and wealth as by her freedom and glory.” (Salcedo, J. et al, 1991)

Food is a basic right for every citizen of the world and, therefore, the food and agricultural sector must be a central component of the development agenda of every country and must be given the appropriate resources for its development and sustainability.

In April of 2009, the Heads of State and Government of the Americas met for the Fifth Summit of the Americas in Port of Spain, Trinidad and Tobago. The theme of this important encounter was: “Securing Our Citizens’ Future by Promoting Human Prosperity, Energy Security and Environmental Sustainability.” We have indicated that we shall make little or no progress in promoting human prosperity, energy security, and environmental sustainability unless food security, agricultural development, and the rural economy are priorities on national and international development agendas.

We are not insensitive to the major challenges that lie ahead, but we believe that, at the beginning of this 21st Century, we have the means, the technology and the resources to eliminate hunger and suffering from our world. There is no morally justifiable reason for the continued existence of hunger and misery from lack of food and opportunity in a world of global prosperity.



References

- ACIAR (Australian Centre for International Agricultural Research). 2008- 2009. Partners. Finsbury Green. Australia.
- Black, J. 2009. Vilsack: USDA Must Serve Eaters as Well as Farmers (on line). Washington, DC, US. Consulted Feb. 5. Available at <http://www.washingtonpost.com>.
- Brathwaite, Ch. 2002. Transforming IICA: Report of the Director General. San Jose, CR.
- ECLAC (Economic Commission for Latin America and the Caribbean). 2007. Estudio económico de América Latina y el Caribe. Santiago, CL, United Nations.
- FAO (Food and Agriculture Organization of the United Nations). 2008. Informe Políticas para promover y/o fortalecer la participación y la acción conjunta entre actores público-privados en el desarrollo rural. Brasilia, BR.
- Gandhi, M. 1984. The collected works of Mahatma Gandhi. Ministry of Information and Broadcasting, Publications Division, India.
- Gore, A. 2007. Acceptance Speech for the Nobel Peace Prize. Oslo, NO.
- High-level Meeting on Food Security for All (on line). Madrid, Spain. Consulted Jan. 2009. Available at http://www.ransa2009.org/docs/docs/declaracion_esp_ransa009.pdf
- IFPRI (The International Food Policy Research Institute). 2008. High Food Prices: The What, Who, and How of Proposed Policy Actions. Policy Brief.
- IICA (Inter-American Institute for Cooperation on Agriculture). 2006. 2006-2010 Medium Term Plan. CR. (Official Documents Series).
- _____. 2008. Estrategia del IICA para la cooperación técnica en seguridad alimentaria. Not published.
- _____, CR. 2008. Temas relevantes: Seguridad alimentaria. Consulted Feb. 2009. Available at <http://www.iica.int>
- Lopez Melero, M.; Maturana Romecin, H.; Perez Gomez, A.; Santos Guerra, MA. 2003. Conversando con Maturana de Educación. Malaga, Aljibe, SL.
- OAS (Organization of American States). 2008 (on line). Address by the Executive Director of the World Food Programme, Josette Sheeran. Washington, DC, US. Consulted Dec. 2008. Available at: <http://www.oas.org>
- Paz, J.; Benavides, H. 2008. Higher Food Prices and their Possible Impact on Agriculture in Latin America and the Caribbean. *ComunIICA* January-April 2008:10-29.
- Rodriguez, A. 2008. Latin America: Beyond the Food Crisis. Institute of the Americas, Andean Development Corporation (CAF), ECLAC.
- Salcedo, J. *et al.* 1991. Latin America: an agonizing dilemma. Violeta Publisher. Miami, Florida.
- Sheeran, J. 2008. Twenty-Ninth Lecture of the Series of the Americas: "Confronting the challenge of the Global Food Crisis in the Americas". Washington, DC, US.
- Trejos, R. 2007. Agriculture and the new challenges of development. *ComunIICA* May August 2007: 27-41
- World Bank. 2008. Agriculture for Development. World Development Report 2008, Washington, DC, US.

Résumé / Resumo / Abstract

► **Sécurité alimentaire dans les Amériques : Exigence d'un nouveau modèle de développement pour le XXI^e siècle**

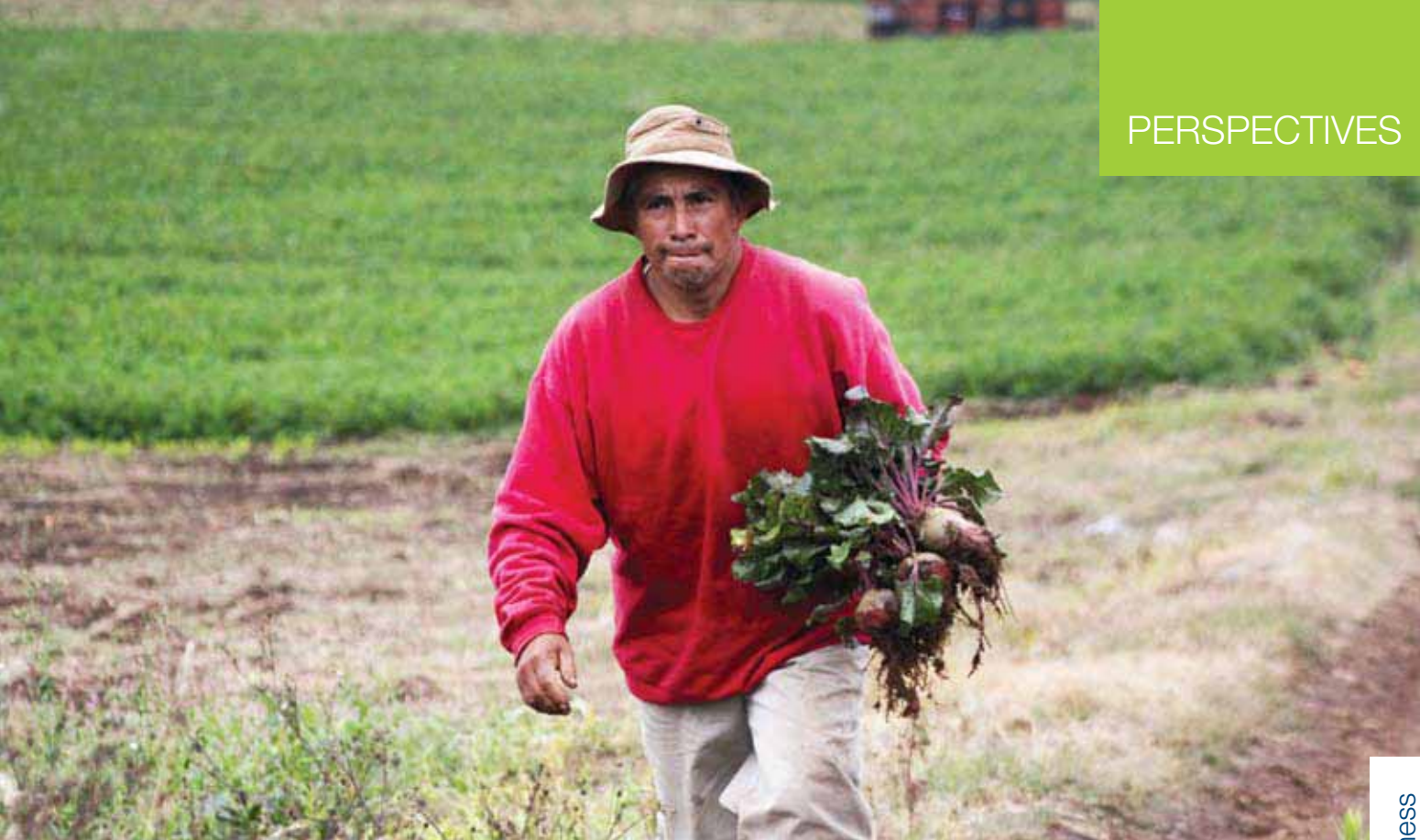
Dans le contexte de la crise financière mondiale, la récente crise alimentaire, loin de se résorber, est devenue un facteur stratégique qui exige un suivi constant, un travail d'analyse et des mesures de la part des agents publics et privés œuvrant en faveur du développement, qui cherchent à éviter qu'une grande partie de la population ne tombe dans la pauvreté et, partant, ne devienne de moins en moins capable d'avoir accès à une alimentation de qualité. Étant donné que tous les pays du Continent font face aux mêmes défis et compte tenu des mesures prises par ces pays, le principal objectif du présent article est de proposer un nouveau modèle de développement centré sur le potentiel existant et sur les contributions que l'agriculture peut apporter dans les efforts en vue de promouvoir le développement humain intégré dans les zones rurales du Continent.

► **A segurança alimentar nas Américas: A exigência de um novo modelo de desenvolvimento para o século XXI**

No contexto da crise financeira mundial, a recente crise de alimentos, longe de perder em importância, passou a ser um fator estratégico que exige constante acompanhamento, análise e ação por parte dos atores públicos e privados envolvidos na promoção do desenvolvimento, tendo em vista seu interesse em evitar a possibilidade de que grande parte da população sucumba à pobreza e, dessa forma, tenha reduzida sua capacidade de acesso a alimentos de qualidade. Como todos os países do Hemisfério estão enfrentando os mesmos desafios e levando em conta as medidas que vêm adotando, a principal razão deste artigo é propor um novo modelo de desenvolvimento, centrado no potencial da agricultura e nas contribuições que esta pode oferecer para promover o desenvolvimento humano integral nas áreas rurais do Hemisfério.

► **La seguridad alimentaria en las Américas: La exigencia de un nuevo modelo de desarrollo para el siglo XXI**

En el contexto del descalabro financiero mundial, la reciente crisis alimentaria, lejos de decrecer en importancia, ha llegado a convertirse en un factor estratégico que exige seguimiento continuo, análisis y acciones por parte de los actores públicos y privados que fomentan el desarrollo, quienes están interesados en evitar la posibilidad de que la mayoría de la población sucumba ante la pobreza y, por ende, vea reducida su capacidad para tener acceso a alimentos de calidad. Dado que cada país del continente enfrenta desafíos similares y, tomando en cuenta las acciones que emprenden al respecto, la finalidad de este artículo es proponer un nuevo modelo de desarrollo centrado en el potencial existente y en la contribución de la agricultura y la economía rural a la promoción de un desarrollo humano integral en las zonas rurales del continente.



Microfinance and microinsurance in Latin America and the Caribbean: situation and outlook

Jesus Rivera Velasco¹ and Jorge Caro Crapivisky²


Summary

This document provides an overview of the current situation of microfinance - and, in particular, of microinsurance - in certain Latin American countries³. The research focuses on microinsurance coverage for agriculture and rural communities. Most microinsurance initiatives are related to multi-risk coverage for crops and livestock. The last part of the document contains a summary of lessons learned by microfinance institutions, governments and institutions that support the microfinance sector. These lessons are intended to contribute to IICA's process of systematizing experiences and devising action strategies.

¹ Rural Development Specialist, IICA-Colombia, jesus.rivera@iica.int

² IICA Representative in Colombia, jorge.caro@iica.int

³ Specifically, in Bolivia, Brazil, Chile, Colombia, El Salvador, Peru, Guatemala, Haiti and Panama.



Key words: *microfinance, microinsurance, Latin America and the Caribbean, agent-partner model, life insurance, agricultural microinsurance.*

The microfinance and microinsurance market: general introduction

Microfinance

Microfinance is a growing market in Latin America and the Caribbean (LAC). Several factors have contributed to its development, including improvements in the regulatory framework, the economic growth of certain countries and the spread of the concept of entrepreneurial responsibility.

The microfinance institutions (MFIs) operating in LAC are mostly commercial banks, finance companies, foundations, cooperatives and non-governmental organizations (NGOs). The most common microfinance services in the region are microloans, savings, remittances, insurance and leasing.

According to a study carried out recently by the Inter-American Development Bank (IDB) in 26 Latin America countries⁴, in 2007 over 600 institutions were providing

microloans to more than eight million customers, with a total portfolio worth US\$8.6 billion. Substantial progress has been made since 2001, when the number of microfinance customers was put at less than two million, and the value of the total portfolio was only a little over one billion dollars⁵. A list of 325 institutions that offer services to low-income groups in LAC can be consulted at <http://www.mixmarket.org>.

This study also provides other key data on the microcredit market in the region. For example, research shows that the average rate of interest in the region is roughly 30%, but with major variations. The rates in some countries (Bolivia and El Salvador) are below 25%, while two countries (Mexico and Paraguay) have rates of over 40%. It is worth noting that the 30% microfinance interest rate is, on average, six percentage points more than the rate charged by commercial banks. A number of factors have an important bearing on these rates, including the specific economic characteristics of individual countries, the competitive and regulatory frameworks and institutional efficiency.

4 Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, Panama, Peru, Saint Lucia, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

5 According to IFPRI-INIA (2003), during the 1980s few institutions offered savings and loan services to the poor in developing countries. There are now over 7000 microfinance institutions worldwide, a level that was unimaginable 20 years ago.

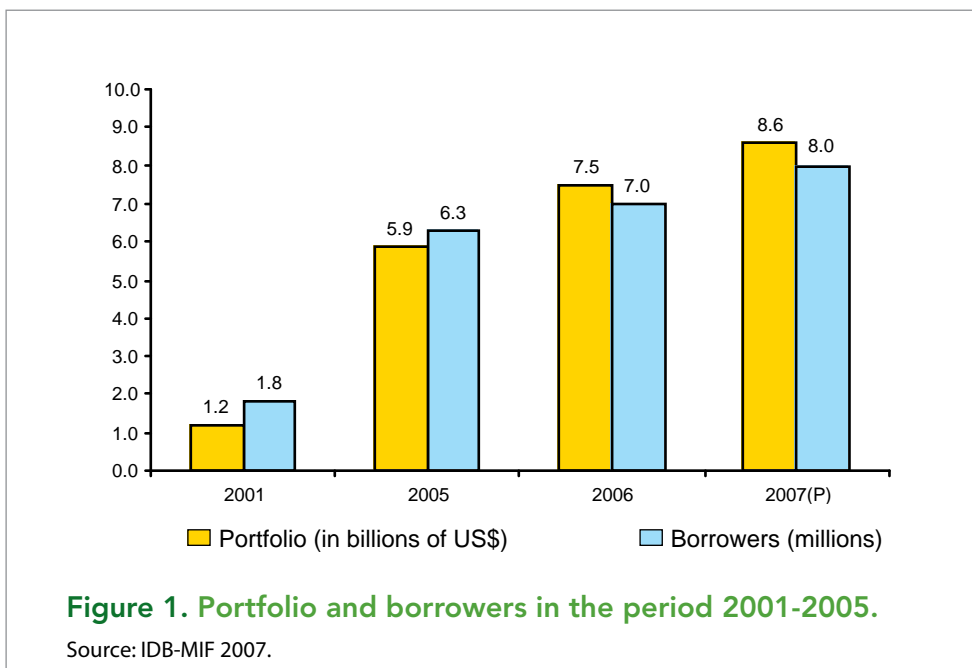


Table 1. Annual rate of interest (2006).

Country	Microfinance		Banks		Premium microfinance (a-b)
	Number of institutions	Interest rates (a)	Number of banks	Interest rates (b)	
Ecuador	58	15.5	24	26.5	-11
Bolivia	17	21	12	11.5	9.5
El Salvador	11	22.7	13	14.9	7.8
Guatemala	27	23.4	23	17.8	5.6
Panama	3	25.4	41	10.3	15.1
Colombia	14	27.9	17	17.7	10.2
Argentina	5	28	71	22	6
Nicaragua	20	31.8	7	23.5	8.3
Peru	38	32.2	12	16.2	16
Dominican Republic	3	34.7	12	21.3	13.4
Honduras	11	36.6	16	15.9	20.7
Paraguay	7	40.5	12	80.4	-39.9
Mexico	44	64.9	16	31	33.9
Selected countries	258	30	276	24	6
All countries	303	30.4			

Source: IDB-MIF 2007

The microfinance environment in the region varies widely. According to the Microscope's data, developed by the Economist Intelligence Unit (IDB and CAF 2007), in small countries like Bolivia, Peru, Ecuador and El Salvador the environment for the development of the microfinance market is relatively favorable in comparison with larger countries such as Argentina, Brazil and Mexico. To prepare this indicator (Table 2) 13 groups of sub-indicators were considered, divided into the following categories:

- **Regulatory framework:** Regulation of microcredit operations, formation and operations of regulated/supervised MFIs, formation and operations of

non-regulated MFIs, and regulatory and examination capacity.

- **Investment climate:** Political stability, capital market stability, judicial system, accounting standards, governance standards and MFI transparency.
- **Institutional development:** Range of MFI services, credit bureaus and level of competition.

Other findings of this study include the fact that the more favorable the business environment of a country, the higher the percentage of the population using microfinance services tends to be.

Table 2. Indicators of the microfinance environment in Latin America and the Caribbean.

Country / overall score		Regulatory framework		Investment climate		Institutional development	
Bolivia	79.4	Bolivia	100.0	Chile	75.0	Bolivia	75.0
Peru	74.1	Peru	81.3	Brazil	62.1	Rep. Dominican	75.0
Ecuador	68.3	Ecuador	75.0	Mexico	58.3	Ecuador	75.0
El Salvador	61.5	El Salvador	62.5	Peru	57.9	Peru	75.0
Dom. Rep.	57.5	Paraguay	62.5	Uruguay	54.2	El Salvador	66.7
Nicaragua	53.8	Guatemala	56.3	El Salvador	49.2	Nicaragua	58.3
Paraguay	52.9	Nicaragua	56.3	Bolivia	47.1	Paraguay	50.0
Chile	48.3	Chile	50.0	Colombia	47.1	Colombia	41.7
Mexico	48.3	Colombia	50.0	Argentina	46.7	Mexico	41.7
Colombia	46.1	Dom. Rep.	50.0	Ecuador	41.3	Brazil	33.3
Guatemala	44.0	Mexico	50.0	Venezuela	41.3	Chile	33.3
Brazil	43.3	Brazil	43.8	Guatemala	40.8	Guatemala	33.3
Uruguay	35.8	Uruguay	37.5	Nicaragua	40.0	Argentina	25.0
Venezuela	27.4	Venezuela	31.3	Paraguay	39.6	Uruguay	25.0
Argentina	26.8	Argentina	18.8	Dominican Rep.	37.5	Venezuela	16.7

Source: Economist Intelligence Unit (Inter-American Development Bank and CAF 2007).

Microinsurance

The word “microinsurance” first appeared at the beginning of the 1990s with the growth of microcredit and the need for cover for loans of that kind. The concept has evolved over the years but, in general, it refers to specific policies for individuals with low incomes who are not normally covered by conventional types of insurance.

Microinsurance covers carefully defined specific risks and the premiums are affordable for low-income customers. It is usually linked to a microcredit loan. Furthermore, individual insurance and microinsurance are linked in most countries, making it difficult to compile concrete information on the subject, since they are combined with different categories of individual insurance and involve personal rather than business activities.

The target group for microinsurance is concentrated in poor urban areas and, primarily, in rural areas. Nevertheless, not all poor people have access to services of this kind. Normally, for-profit MFIs do not work with the extreme poor but with those with some capacity to pay. In those sub-segments, the objectives of microinsurance are primarily of a social nature, usually aimed at expanding health coverage.

The predominant distribution model, and the most successful form of

Not all poor people have access to services of this kind. Normally, for-profit MFIs do not work with the extreme poor but with those with some capacity to pay.



microinsurance, involves “partner-agent” schemes. These consist of a partnership between a microfinance entity and an insurance company. The benefits include fewer problems with regard to information and lower transaction costs. Under such schemes, the insurance company (partner) does not need to invest resources to develop a new operating structure, train staff and meet the regulatory requirements. Instead, it uses the platform of the MFI (agent), thereby achieving important savings in verification costs, since the poor usually operate in the informal economy. The arrangement also allows the MFI to access new markets with an existing financial history, which also favors the identification of new customers. This reduces costs, because the institutions specialize in the activity.

Other schemes operate via mutual societies, cooperatives and mutual insurers and the direct sale of products by insurers. Insurers are involved in every aspect of the business, from the development of products and services to the claim assessment process and marketing, all of which can raise costs considerably and even make them prohibitive. As a result, microinsurance schemes run by insurers are less common⁶.

⁶ In some countries, insurers may use non-conventional distribution channels, such as stores and small commercial establishments, to reach their target customers. This may permit them to get around some of the difficulties involved but they still have to contend with the marketing, publicity and product design costs.

▶ *Approximately 7.6 million people have life microinsurance in Latin America. They are concentrated in Peru (4 million) and Colombia (2.5 million).*

The growth of the fledgling microinsurance market over the last decade has been remarkable. Nonetheless, it is much smaller than the microfinance market in general, covering less than 7% of the potential population in the region. According to data cited by Jimenez (2007),

approximately 7.6 million people have life microinsurance in Latin America. They are concentrated in Peru (4 million) and Colombia (2.5 million)⁷, where life cover is linked to loans granted by financial institutions (payment protection insurance). One of the reasons why the use of microinsurance is still very limited is that the poorest segments of the population have little information about its potential benefits.

Table 3. Relative size of the microinsurance market in LAC.

Country	MFI customers (a)	Number of companies (a)	Microenterprises that have cover (percentage) (b)	Number of people with life microinsurance (c)
Argentina	10 649	3 787 634		
Bolivia	548 242	1 736 984	55.7	250 000
Brazil	289 697	22 407 968		
Chile	297 995	1 497 112	28.0	
Colombia	608 282	8 723 336	13.6	2 559 000
Costa Rica	45 607	516 527		
Ecuador	327 065	1 991 091		551 422
El Salvador	143 461	885 748	26.8	
Guatemala	363 286	1 600 041	6.0	105 600
Honduras	143 118	1 036 684	3.9	
Peru	1 174 361	4 993 399	18.7	4 091 292
Dominican Republic	145 332	1 399 785	10.1	525
Mexico	1 217 920	10 394 629	6.8	
Nicaragua	399 614	684 885		29 035
Venezuela	44 969	3 247 271	0.8	23 375
Total	5 759 598	64 903 094	17.04	7 610 249

Source: a) Navajas and Tejerina 2007; b) Murulanda and Otero 2005; c) Roth et al. 2007, cited by Jimenez 2007.

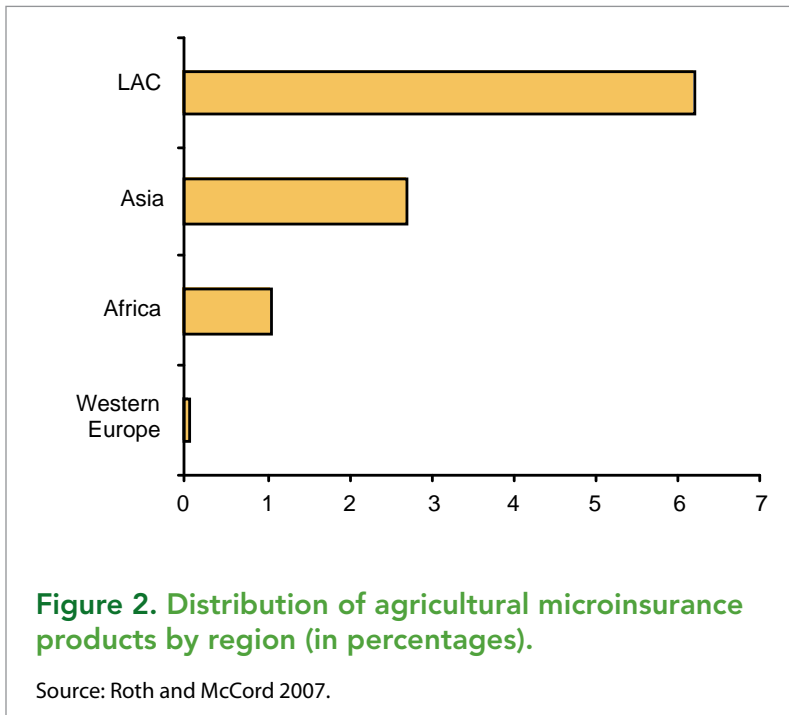
⁷ More recent information provided by FASECOLDA (2008) suggests that, as of 31 December 2007, nearly six million Colombians (almost 13.5% of the total population) had some type of microinsurance. As many as 55% of these people have funeral insurance, 34% have a group life policy, while 10% have cover for personal accidents and 1% for occupational hazards. However, microinsurance accounts for only 0.66% of all insurance policies issued in Colombia.

Roth and McCord (2007) determined that around 122 agricultural microinsurance products are available worldwide for low-income rural inhabitants - over 60% of them in LAC. The reason for this is not clear. One possible explanation is the fact that nearly every system in the region is heavily subsidized by its respective government, suggesting that there may be political pressure to expand schemes to include the poor.

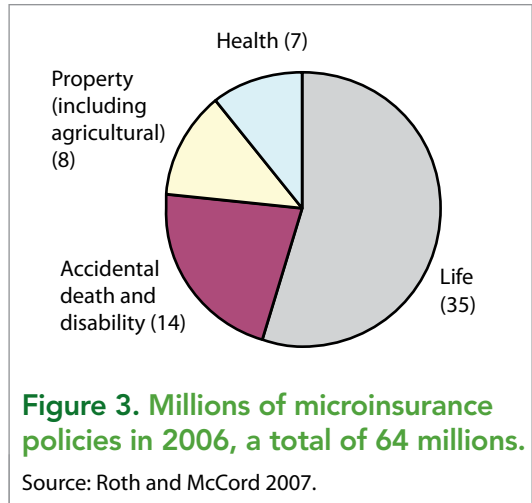
The research also found that a large proportion of the world's agricultural microinsurance is for livestock (nearly 43%). The figures for multi-crop and mono-crop systems and aquaculture are smaller.



In 2006, a total of 64 million microinsurance policies were sold worldwide⁸ (See figure 3). Nearly 50% (35 million) of those policies were for life insurance, followed by 14 million for accidental death and disability, 8 million for property (including agricultural insurance) and 7 million for health.



⁸ According to a study in the 100 poorest countries carried out by Roth and McCord (2007), of The Microinsurance Center.



Some microinsurance experiences in LAC

Different kinds of microinsurance are available in LAC. The most common are payment protection plans, temporary life insurance, annuity and retirement insurance, health insurance, cover for tangible assets and disability insurance. A few countries also have some more complex types, such as agricultural, education and health insurance. Table 4 contains a list of institutions and the most important types of insurance in 13 countries in the region.

Table 4. Institutions and main types of microinsurance.

Country	Institutions/programs	Types of insurance
Bolivia	<i>BancoSol, Banco Procredit/Caja Los Andes</i>	Life, property, disability
Brazil	<i>Banco do Nordeste, Banco do Brasil, Banco AMN, AMRO Real - Realmicrodito, PRONAF-PROAGROMAIS, Bolsa Familia</i>	Life, agricultural, vehicle, education
Chile	<i>Banco Estado, Banco Santander Banefe, INDAP-CORFO</i>	Life, health, education, vehicle, agricultural
Colombia	<i>AIG, Bancoldex, Fundación WWB Colombia/Cali, Popayán, Bucaramanga and Bogotá Microenterprise Development Corporation, Seguros La Equidad, Banco Agrario de Colombia, Acción Social, Programa Oportunidades Rurales (Ministry of agriculture), MAFRE-CODENSA</i>	Life, fire, material damage, agricultural
Ecuador	<i>Banco Solidario</i>	Life-disability
Costa Rica	<i>Banco Nacional de Costa Rica - Banco Credicorp Coop. Ltda.</i>	Life, vehicle and real estate
El Salvador	<i>Banco Multisectorial de Inversiones (BMI), Calpia / Banco Procredit</i>	Agricultural, funeral insurance
Guatemala	<i>Federación Nacional de Cooperativas de Ahorro y Crédito (FENACOAC), Seguros Columna, Aseguradora Mundial Guatemala (World Bank), Aseguradora Rural (Banco de Desarrollo Rural -BANRURAL), El Fideicomiso de Desarrollo Rural (Seguros G&T, Seguros Tikal, Seguros Agromercantil)</i>	Life and agricultural
Haiti	<i>Compañía de Seguros Alternativa, Fonkoze</i>	Life
Honduras	<i>Aseguradora Equidad, Seguros Atlantida - Banco Atlantida, PROAGRO in partnership with Interamericana de Seguros and HSBC</i>	Life, damage and finance, agricultural
Mexico	<i>Banco Compartamos, Finsol, Alsol (Choiapas and Zurich), Seguros Azteca</i>	Life, funeral
Panama	<i>Banco de Desarrollo Agropecuario and Instituto de Seguro Agropecuario</i>	Agricultural
Peru	<i>Pro Mujer</i>	Life

Source: Prepared based on Jimenez (2007) and information provided by the IICA Offices in the respective countries.

Life insurance and related types of coverage

Life insurance is available in the 13 countries studied by Jimenez (2007). The premiums range from US\$12 to US\$48 per year. In some cases, the amount is in relation to a factor multiplied by the amount of the loan or deposit.

Compensation ranges from US\$15 to US\$300. The schemes offer additional services, such as funeral assistance and legal assistance.

One of the main types of life insurance is payment protection, which ensures that if a customer dies his or her debt will be paid. The money owed may be for a mortgage, consumer credit or credit



► *Chile's Banco del Estado offers various types of insurance, mostly targeted at microenterprises that have accounts with the bank. Since 2001, the total number of the bank's microinsurance policies has risen from 1,335,000 to almost 3,000,000.*

card debt, or related to production. The premium is normally calculated based on a factor of the credit requested and included in the loan payments. In some cases, it also covers payments in the event of illness. One of the reasons why hybrid microinsurance cover exists is that paying a monthly premium is more attractive.

Generally speaking, life microinsurance is a mass-market product, because it permits insurers to trim costs. Furthermore, verifying loans is relatively inexpensive, because no specialized training is required for an MFI loan officer to verify the death of a borrower or a member of the borrower's family. (Roth and McCord 2007)

One of the biggest success stories in Latin America's development banking system is Chile's *Banco del Estado*. The institution offers various types of insurance, mostly targeted at microenterprises that have accounts with the bank. Since 2001, the

total number of the bank's microinsurance policies has risen from 1,335,000 to almost 3,000,000. Most of these policies were requested by the customers concerned, which shows the bank's market penetration and its success in recognizing the needs of the target group concerned.

Another interesting experience is that of the Banco Popular, the microfinance arm of the Banco do Brasil, which offers its customers voluntary life insurance. The insurance provides for compensation of US\$1400 and the cost of the premium is US\$6.5 every six months for an individual and US\$12 every six months for a couple. The cover begins 24 hours after the contract has been signed and includes funeral assistance of up to US\$1400.

In Peru, the Corporación Financiera de Desarrollo (COFIDE) developed an innovative product that offers various services, including insurance. *Mi Taxi* is a loan program that enables taxi drivers to purchase vehicles and convert them to gas. Every time the driver (borrower) fills up the tank, he uses a chip to pay part of his monthly installment on the loan. The payment also includes monthly contributions to a retirement pension, accident insurance and family health

Agricultural microinsurance systems operate principally in Chile, El Salvador, Brazil, Honduras, Guatemala, Panama, Colombia and Mexico.

insurance. Around 250,000 taxi drivers (and their families) are involved in the program.

Also in Peru, the NGO *Pro Mujer* and *Invita Cía. de Seguros* implemented a life insurance policy that costs US\$0.33 per month. Through the insurer, women entrepreneurs in the interior of the country have access to 40,000 new customers.

Other initiatives worth mentioning are those of the Banco Nacional de Costa Rica (BNCR), which has an insurance branch within its holding company, the Banco Credicorp Coop. Ltda., which in turn has a subsidiary that offers life cover and vehicle insurance and commercial protection for goods and chattels and real estate.

In Mexico, *Financiera Solidaria S.A.* (FINSOL) and the Argos insurance company developed a life microinsurance policy and were expecting to attract around 300,000 new low-income customers by the end of 2008.

In Colombia, an interesting case worth mentioning is the product developed by the firm *MAFRE Seguros Generales* and *CODENSA*, an energy supplier in the Department and Bogotá. These companies entered into a successful partnership for the large-scale distribution of microinsurance that customers pay for along with their electricity bill. (Bejarano 2008)⁹ This partnership started in 2001 and by December 2007 had already insured over one million people, more than 90% of whom belong to the poorest strata of society. The partnership offers

nine different products but the most popular are funeral assistance, life and personal accident insurance, business protection and extended guarantees. The average cost of a policy is US\$3.5 per month. Over 11,500 clients are shopkeepers and taxi drivers who have special insurance that guarantees the continuity of their businesses.

Agricultural microinsurance and other microinsurance that impact the rural milieu

Agricultural microinsurance systems operate principally in Chile, El Salvador, Brazil, Honduras, Guatemala, Panama, Colombia and Mexico. Most of them have been instituted by development finance institutions and are associated with microloans. The following are some of the agricultural initiatives implemented in the countries mentioned:



⁹ Experience presented during the Fourth World Conference on Microinsurance, held in Cartagena from 5-7 November 2008.

- **Chile.** Since 2002, the Agricultural Development Institute (INDAP) and the Production Development Corporation (CORFO) have been implementing and promoting agricultural insurance mainly for micro and small farmers, enabling them to transfer weather risk to the private insurers that participate in the program. So far, over US\$10 million worth of production has been insured.
- **El Salvador.** The Multisectoral Investment Bank (BMI) of El Salvador has developed agricultural insurance schemes that offer protection against adverse weather conditions. They cover a wide range of crops, from staple grains to coffee, fruits and vegetables. They offer production guarantee, plant (multi-peril) and crop-yield insurance. The cover ranges from 100% of the direct and financial costs to 30% of the expected profits. In this case the premium is variable - 5.8% of the resources invested in planting, payable in two parts (half when the contract is signed and the other half 45 days after planting).
- **Brazil.** The Proagro MAIS, coordinated by the Ministry of Agrarian Development, and the National Family Agriculture Program of the Central Bank implemented an insurance scheme for family agriculture in 2004. The insurance covers up to 100% of the value of the loan plus 65% of the liquid income expected by the family farmer¹⁰. Producers of cotton, rice, beans, apples, corn, soybean, sorghum, wheat, banana, cashews, manioc, castor oil and grapes are eligible for this insurance. The areas are determined in advance using the agricultural zoning system of the Ministry of Agriculture, Fisheries and Food.
- **Guatemala.** The rural development trust, known within the country as Guate Invierte, offers a wide range of services, including agricultural loans and insurance. With regard to insurance, the program subsidizes up to 70% of the cost of the premium for small and medium-scale agricultural producers in all 22 departments of the country. As of October 2007, 6300 animals and 5082 hectares were insured under the program.
- **Honduras.** Since 2002, agricultural insurance has gradually been adjusted to take the form of microinsurance through agricultural loans. Seguros Atlantida has the biggest share of the agricultural insurance market, as it handles the entire agricultural portfolio of Banco Atlantida and most of the loans granted by the National Agricultural Development Bank (BANADESA). The crops for which there is the biggest demand for insurance are bananas, African palm, export vegetables, staple grains (corn

10 The term “family farmer” refers to producers whose families obtain at least 60% of their income from on-farm agricultural and non-agricultural activities; family members are responsible for most of the work on the farm; laborers are only hired as an exception when seasonal activities make it necessary; and gross annual family income is between R\$4000 and R\$18,000, excluding social benefits and social security payments resulting from rural activities.

and rice), melon, and watermelon. In the case of staple grains (corn and rice), efforts have been made to adjust conventional insurance and mainly meet the needs of small farmers. Collective cover is offered under a single policy, although losses are assessed individually. However, due to the absence of regulations governing this service, the results have not been entirely satisfactory.

The *Empresa Protección Agropecuaria de Honduras S.A. (PROAGRO)* is a Mexican insurance company specializing in agricultural insurance that operates in 28 Mexican states and 4 Central American countries. In Honduras, the firm works via strategic partnerships with HSBC and Interamericana de Seguros. Compensation is paid for total or partial loss of crops, investment, profits, the production cycle and financial assets. Payment protection insurance is also available. The types of schemes or products on offer include production guarantee, plant (multi-peril) and crop-yield insurance, cover for small farmers, and livestock and aquaculture insurance.

- **Panama.** Panama's Agricultural Insurance Institute recently implemented an insurance scheme for hand-planted corn and rice and yam that is offered with the microloans granted by the Agrarian Development Bank¹¹, provided the Institute's insurance conditions are met. The risks covered are drought, excessive precipitation, flood, pests, disease and



fire. The cost of the premium ranges from 4% for hand-planted rice in certain provinces to 8% of per-hectare production costs for the Darien variety of yam.

- **Colombia.** For the most part, agricultural insurance is targeted at agribusinesses. However, certain institutions in the country have recently begun developing or implementing microinsurance schemes for small farmers (mainly life insurance plans).

The institutions and programs that structure or offer insurance for the agricultural or rural sectors include the *Banco Agrario y Acción Social* and the Rural Opportunities Program, co-financed with resources of the Ministry of Agriculture and Rural Development and IFAD. Working with Aon Affinity de Colombia and *Seguros La Equidad*, this program has devised three types

11 This Bank offers loans to small farmers (maximum of US\$4000).

of microinsurance for small farmers: life, microenterprise and household insurance. The insurance will be channeled through certain producers' associations located in different parties of the country that have benefited from program. The products will be launched in 2009.

The Microfinance Management Unit of the Banco Agrario of Colombia is designing a microinsurance product for the rural sector with support from the More Investment for Sustainable Development Program (MIDAS) of the U.S. Agency for International Development (USAID). This product is due to be launched in the near future.

In 2008, the President's Agency for Social Action and International Cooperation created a life microinsurance scheme for the most vulnerable segment of the population, which receives assistance under its different programs. The product is a life microinsurance policy for which anyone aged 18-72 is eligible. It covers all causes of death, whereas accidental death is the norm. If the policyholder dies, the beneficiaries receive compensation of nearly US\$2200, distributed among them as stipulated by the deceased. They also receive one million pesos for funeral expenses. In the event of partial or total disability, the policyholder receives compensation of five million pesos. The annual cost of the policy is 10,000 pesos (US\$4.30). In some cases, the municipalities finance part of the cost of the policy. The agency expects nearly 30,000 of its beneficiaries to

have taken out a life microinsurance policy by the end of 2008.

- **Mexico.** The Red Solidaria de Microseguros Rurales (REMIS) is comprised of the Asociación Mexicana de Uniones de Crédito del Sector Solidario (AMUCSS), a group of MFIs, the SEP Group and the Zurich insurance company. It began operations in 2000 and now has nearly 45,000 policyholders, including indigenous communities, and 94 outlets - different types of credit unions (*cajas solidarias* and *cajas reguladas*), microbanks and rural organizations). REMIS offers mainly life insurance, with policies that cost between US\$2.50 and US\$50 (Munich Re Foundation 2008). The policies are very simple and are sold in the community. The network's operations are based on the strong social and community links that exist in the countryside (*cajas solidarias*, producers' and women's organizations, etc.).

Lessons learned

Some experiences and case studies in Latin American countries point to the following results with regard to the implementation of microinsurance in rural areas:

- Since the low-income market includes a large number of small policies, the insurance companies share the risk, thus allowing them to continue and to increase their operations among the neglected segments of the population.
- The poorest social strata frequently face higher risks in coping with difficult

economic situations - when the family breadwinner dies, funeral expenses, the reopening of microenterprises - as well as concern that their assets may be stolen.

- It is important to regard associations of agricultural producers as channels for the distribution of microinsurance. This reduces the moral risk involved in this activity and the transaction costs for the parties.
- The studies carried out suggest that the poor rural population, despite its limited income, in general is in a position to purchase an insurance policy.
- In the large-scale promotion of microinsurance, it is essential to consider marketing channels for products and services that already exist, such as public utility companies and banks with branches in rural areas.
- It is feasible to produce simple policies for poor communities.
- Group or collective life insurance can be sold easily to individuals with low incomes because it is simple to administer and protects their savings and loans for a relatively small cost.
- Since the policyholders receive their insurance through credit unions and cooperatives or governmental organizations (GOs), they are often not aware of the insurance company providing the cover.



MFIs will need to adjust their microinsurance services, in general microfinance services, to household saving and spending habits, the culture, the resources available, agroecological characteristics, the division of labor by gender and historical experience.



- The development of this industry generates multiple benefits. First, the MFI adds a new product that generates income and microinsurance is a tool for improving the financial stability of their portfolio. Second, the insurance companies benefit by discovering a potential market made up of 19% of Latin American households.
- MFIs will need to adjust their microinsurance services, in general microfinance services, to household saving and spending habits, the culture, the resources available, agroecological characteristics, the division of labor by gender and historical experience. For example, the poor lack the traditional types of guarantees, so MFIs will have to find substitute guarantees based on local conditions to achieve substantial improvements in access to credit. Payment arrangements also have to be based on local production cycles.

References

Bejarano, V. 2008. Distribución masiva y eficiente de microseguros. La alianza MAFRE-CODENSA.

FASECOLDA (Federación de Aseguradores Colombianos). 2008. Microseguros en Colombia: Resultados preliminares.

IDB (Inter-American Development Bank); CAF (Andean Development Corporation). 2007. Microscope on the Microfinance Business Environment in Latin America. Economist Intelligence Unit. Available at: <http://www.mixmarket.org>.

_____; MIF (Multilateral Investment Fund). 2007. Microfinanzas en América Latina y el Caribe - Actualización de datos 2008.

IFPRI (International Food Policy Research Institute); INIA (Instituto Nacional de Investigación Agropecuaria). 2003. La banca para los pobres: cómo liberar los beneficios de las microfinanzas.

Jiménez Mori, R. 2007. Una aproximación a los microseguros. Centro de Estudios Económicos y Desarrollo Empresarial.

Navajas, S; Tejerina, L. 2007. Las microfinanzas en América Latina y el Caribe ¿Cuál es la magnitud del mercado? IDB, Sustainable Development Department (Series of Reports on Good Practices).

Munich Re Foundation, 2008. 4th International Microinsurance Conference 2008: Making insurance work for the poor. Report. 5-7 November 2008, Cartagena, Colombia.

Murulanda, B; Otero, M. 2005. Perfil de las microfinanzas en Latinoamérica en 10 años: visión y características. ACCION International.

Roth, J; McCord, M. J. 2007. Agricultural Microinsurance: Global Practices and Prospects. Microinsurance Center.

_____; McCord, M. J.; Liber, D. 2007. The landscape of microinsurance in the world's 100 poorest countries. The MicroInsurance Centre, LLC.

► **La microfinance et la microassurance en Amérique latine et dans la Caraïbe : situation et perspectives**

L'article présente quelques indices sur la situation actuelle de la microfinance, en se concentrant principalement sur la microassurance dans plusieurs pays latino-américains. L'étude est axée sur la microassurance agricole ou celle qui est destinée aux communautés rurales. La plupart des expériences en matière de microassurance correspondent aux cultures et à l'élevage et sont de type « multirisques ». Dans sa dernière partie, l'article résume quelques-uns des enseignements tirés par les institutions de microfinancement, les gouvernements et les institutions qui appuient le secteur de la microfinance. Il vise à faire des contributions au processus de systématisation des données d'expérience et des stratégies d'action de l'IICA.

► **As microfinanças e os microsseguros na América Latina e no Caribe: situação e perspectivas**

São apresentados alguns indícios sobre a situação atual das microfinanças com ênfase nos microsseguros em certos países da América Latina. A pesquisa está focalizada nos microsseguros agrícolas ou nos que estão voltados para as comunidades rurais. A maior parte das experiências em microsseguros corresponde à área agrícola de culturas e pecuária do tipo multirisco. Na última parte do artigo estão sintetizadas algumas lições aprendidas pelas instituições microfinanceiras, pelos governos e pelas entidades de apoio ao setor das microfinanças. Com isso pretende-se contribuir para o processo de sistematização de experiências e estratégias de ação do IICA.

► **Las microfinanzas y los microsseguros en América Latina y el Caribe: situación y perspectivas**

Se presentan algunos indicios sobre la situación actual de las microfinanzas con énfasis en los microsseguros en ciertos países de América Latina. La investigación se enfoca en los microsseguros agrícolas o los que están dirigidos hacia las comunidades rurales. La mayor parte de las experiencias en microsseguros corresponden al área agrícola de cultivos y ganado, del tipo multirisgo. En la última parte del artículo se sintetizan algunas lecciones aprendidas por parte de las instituciones microfinancieras, los gobiernos y las instituciones de apoyo al sector de las microfinanzas. Con ello se pretende contribuir con el proceso de sistematización de experiencias y estrategias de acción del IICA.



Current status of and outlook for the multilateral negotiations of the WTO (Doha Round)

Antonio Donizeti Beraldo¹

Summary

The current economic crisis has stalled the conclusion of the Doha Round of trade negotiations of the World Trade Organization (WTO), which came very close to being concluded in 2008, after seven years of long conversations between the 150 member countries of the WTO. The agriculture negotiations at the WTO basically focused on the traditional issues of market access, domestic support and export subsidies. However, the progress achieved to date will make it possible to continue with the trade liberalization process at the multilateral level. The successful conclusion of the Round could serve as a powerful antidote to the current crisis, reinvigorating trade and restoring the confidence of the markets. In order not to miss out on this unparalleled opportunity to boost world trade through the progressive reduction of trade barriers, it is essential to restart the negotiations as soon as possible and ensure that countries have the necessary goodwill and flexibility to not jeopardize what could be the most comprehensive and ambitious round of multilateral negotiations, in order to avoid a return to protectionism in the world agricultural markets.

¹ Director of Policies and Trade, IICA. antonio.donizeti@iica.int. The author wishes to express his thanks to Julio Paz and Federico Sancho, IICA staff, for their comments and suggestions.

Key words: *World Trade Organization (WTO), Doha Round, trade liberalization, agricultural protectionism, market access, domestic support, export subsidies, special agricultural safeguards.*

Introduction

With the advent of the global economic crisis during the second semester of 2008, the urgent effort to conclude the first and most ambitious round of multilateral negotiations at the World Trade Organization (WTO), the so-called Doha Round, was unfortunately relegated to second place on the international agenda of priorities of the countries, given that the entire world is now more concerned with adopting measures to mitigate the negative effects of the current global economic crisis.


This new round of WTO talks was problematic from the outset until the phase of its launch. The final act of the first Multilateral Round of the former General Agreement on Tariffs and Trade (GATT) - the Uruguay Round, which concluded in 1994 and gave rise to the WTO in its present form - included a program (Built-in Agenda) that envisaged the launch of a new Round, at the latest by the year 2000.

This initiative took place in 1999 in Seattle, when efforts were made to launch the Millennium Round. As we know, this attempt failed, because the 135 countries that were WTO members at the time were unable to reach agreement on a minimum commitment that would permit the launch

a new round of multilateral negotiations. The plain fact is that the negotiating climate was not favorable at that time, due to recent effects of the Russian and Asian crises, which caused a sharp drop in the prices of the world's leading commodities, particularly agricultural products. This



generated numerous trade conflicts and a wave of protectionist measures in many countries. An exogenous event was needed to unblock the process and allow the launch of the Round. Finally, in November 2001, with the world still reeling from the impact of the events of September 11, 2001 in the United States, the new Round of WTO trade negotiations, known as the "Doha Development Agenda", was launched in Doha, Qatar.

 *In the area of agriculture, the atmosphere at the launch of this new round of talks was one of optimism and caution. Optimism, because the launch of a new round would temporarily dispel the risk of a crisis in the world trade system; and caution, based on the experience and outcomes of the Uruguay Round, whose results were very modest and ended up by frustrating the expectations of many developing countries.*

In the area of agriculture, the atmosphere at the launch of this new round of talks was, simultaneously, one of optimism and caution. Optimism, because the launch of a new round would temporarily dispel the risk of a crisis in the world trade system; and caution, based on the experience and outcomes of the Uruguay Round, whose results were very modest and ended up by frustrating the expectations of many developing countries.

The Ministerial Declaration of Doha, the legal act that formally launched the Round, envisaged the conclusion of the talks by the end of 2005. In fact, the deadlines have never been met and have now lost all credibility. Nevertheless, the current Round is continuing at a much slower pace than the previous one and, although it was expected to conclude in four years, it has taken seven years to conclude.

In the course of these negotiations, four Ministerial Conferences took place: Doha in 2001, Cancun in 2003, Hong Kong in 2005 and Geneva at the end of 2008. This enormous negotiating effort was still not sufficient to complete even the intermediate stage of the talks – the approval of methods and modalities – despite being the most important stage.

Progress of the negotiations: the draft modalities of July 2008 and the revised text of December 2008

For the conclusion of a round of multilateral trade negotiations, it is basically necessary to complete three stages:

- a) The **Mandate** of the Ministerial Declaration that launches the Round, which describes, in general terms, the levels of ambition desired.
- b) The **Modalities** that define the methodology for the fulfillment of the mandate (criteria for tariff reductions, domestic support and other commitments).
- c) The **List of Commitments** to be assumed by countries based on the modalities defined in the subsequent stage, which are notified to the WTO for monitoring and verification purposes.

In this case, the mandate that emerged from the negotiations was fairly ambitious, since it called for substantive advances in the trade liberalization process, specifically with regard to the trade in agricultural and non-agricultural goods, services, antidumping rules and the improvement of the dispute settlement mechanism.



It also included additional talks on the agreements of the 1996 Ministerial Conference of Singapore, in relation to the so-called “Singapore issues”: trade and investment, trade and competition policies, transparency in government procurement and trade facilitation.

However, at the Ministerial Conference of 2003, held in Cancun, Mexico, not only were the draft modalities prepared by the then Chairperson of the Agriculture Committee, Stuart Harbinson, not approved, but the Singapore issues were also eliminated from the Negotiating Agenda, thereby moderating the level of ambition of the Round.

After the failure of Cancun, the negotiations were deadlocked until July 2004, when the 2004 Framework Agreement was approved in Geneva. Given that the WTO member countries were unable to agree on full modalities, countries were given the option of approving an “intermediary stage” document that would better define conceptual aspects of the modalities, without making progress on specific formulas to reduce tariffs, domestic support, export subsidies and other commitments.

The agricultural chapter of the Framework established that all domestic support would be subject to an effective cut by tiers or bands in the group of overall trade-distorting support measures, including the aggregate measurement of support (AMS), specific and non-specific *de minimis levels* and Blue Box measures. The across-the-board cut constituted a major step forward, since it contemplated

reductions in all measures considered to be distorting, unlike the Uruguay Round, which only contemplated reductions in AMS.

With respect to market access, the Framework also determined that the tariff-cutting formula should be based on a tiered system, with larger reductions for higher tariffs and vice-versa. This was important to avoid the pitfalls of the average reduction of the Uruguay Round.

In the section on export subsidies it was established that, in addition to setting a date for the complete elimination of direct export subsidies, it would be necessary to define a treatment for other measures with equivalent effects, such as export credits, state trading enterprises and food aid.

Although the Framework had represented a step forward and provided a good base for defining the full modalities, the Ministerial Conference of Hong Kong in December 2005 was not successful in securing their approval. The only concrete progress achieved at this Meeting was to establish 2013 as the deadline for the elimination of export subsidies.

After Hong Kong, the negotiations were moved to Geneva. The experiences of large ministerial meetings organized in WTO member countries, such as those held in Seattle, Cancun and Hong Kong produced



few results and were utilized as a platform for large demonstrations against the WTO by anti-globalization movements. The negotiating environment at these meetings was found to be inappropriate, with the delegations finding it difficult to move around and requiring major security operations that hindered the talks. Once in Geneva, the negotiations proceeded through formal meetings at the special

► *Until the collapse of talks in July 2008, the agricultural negotiations at the WTO had basically focused on the traditional pillars of market access, domestic support and export subsidies.*

sessions of the agricultural negotiating group and also through more informal consultations among the leading players in the negotiations, such as the United States, the European Union, G-20, G-33, among others.

In July 2008, New Zealand Ambassador Crawford Falconer, Chairman of the WTO Agriculture Negotiating Group, presented his draft modalities, the second proposal since the start of the Round. This new draft was prepared for the Ministerial Conference of July 2008 in Geneva. Known as the “July Package”, it reflected, to some extent, the level of consensus reached by the member countries to date.

Nevertheless, some crucial aspects of the text still remained in square brackets, which, in WTO jargon, imply a lack of consensus.

In view of the fact that the “July Package” was the outcome of a long and difficult consultation process, it was on the verge of being approved in the Ministerial Meeting of July 2008.

However, the negotiators’ failure to devote sufficient attention to the issue of special agricultural safeguards, which is addressed in the section on market access, led to the collapse of the talks.

After the breakdown of the July talks, and based on the negotiators’ perceptions that an agreement had been imminent, the consultation process continued with a view to submitted another revised draft at a new Ministerial Meeting proposed for December, during which delegates hoped to approve the modalities prior to the end of the administration of George W. Bush in the United States. The revised draft, which incorporated the advances made at the Ministerial Conference of July 2008, was finally presented in December 2008. However, due to the deepening global economic crisis and the US elections, the proposed ministerial meeting did not take place and the new draft was not even considered by the member countries.

Thus, the proposals included in the July 2008 draft, and subsequently improved in the revised version of December, contained important advances for pressing forward with the trade liberalization process which, undoubtedly, constituted a lost opportunity that once again threatened the multilateral trade system. Until the collapse of talks in July 2008, the

agricultural negotiations at the WTO had basically focused on the traditional pillars of market access, domestic support and export subsidies.

■ Market access

The architecture of “tiered tariff cuts” was undoubtedly a major step forward, since it allowed for a differential treatment for the different tariff bands or tiers- in other words, larger cuts in the higher bands and smaller ones in the lower bands (Table 1). Four tariff tiers were proposed, ranging from zero to more than 90% for developed countries, and from zero to more than 130% for developing countries.

The cuts proposed in the July draft and in the revised version of December were the same, except for the cuts in the final tier of the July draft, which were still in the range of 66% to 73%, since there was still no consensus among countries on the level of the cuts in this last tier. The revised version of December set the final percentage of the reduction at 75%. For developing countries, larger tariff ranges were established and, under the principle of special and differential treatment, the proposed cuts corresponded to $\frac{2}{3}$ of those suggested for developed countries.

The proposed cuts in the tiers were very close to what had originally been proposed by the G-20, a coalition of developing countries, including India and China, with the leadership of Brazil. These allowed for an average reduction of approximately

55% in the tariffs of developed countries over a five-year period, and of 36% for developing countries over the following ten years. Nearly 80% of the agricultural tariff headings of the European Union (EU) - the economic block that had to make the most concessions in this pillar - would be subject to reduction, which would significantly increase opportunities for access to community markets.

It is important to recognize that this proposal, especially in the case of most developing countries, would only remove part of the “cushion” effect of their tariffs, once their bound tariffs were much greater than the applied ones. Since the cuts affect the bound tariffs, effective reductions in their applied tariffs would possibly not occur, which would have little effect on these countries’ conditions of market access.

Another important point on this issue is the treatment of so-called sensitive products, for which the tariff cuts, by definition, would be lower than the overall reduction formula applied to the rest of the products. The revised version of the draft proposes that developed countries may designate up to 4% of their tariff

Table 1. Market Access: Proposal for Tariff Cuts

Tiers	Developed countries (DC)			Developing Countries	
	Ranges	Cuts		Ranges	Cuts
		Jul. 08	Dec. 08		Jul. and dec. 08
1	0% - 20%	50%	50%	0% - 30%	$\frac{2}{3}$ - PD
2	20% - 60%	57%	57%	30% - 80%	$\frac{2}{3}$ - PD
3	60% - 80%	64%	64%	80% - 130%	$\frac{2}{3}$ - PD
4	>90%	[66%-73%]	75%	>130%	$\frac{2}{3}$ - PD

Source: WTO 2008b.



The last proposal of the Doha Round introduced the category of special products and special agricultural safeguards (SSG). These two mechanisms were introduced to accommodate the concerns of net food-importing developing countries whose agricultural production is vulnerable and not very competitive.

headings as sensitive. For these products, the tariff cuts could vary by $\frac{1}{3}$, $\frac{1}{2}$ or $\frac{2}{3}$ from the general reduction formula. To prevent the designation of sensitive products from affecting the level of ambition on this issue, a mechanism was introduced whereby countries would be compensated for tariff cuts through an increase in two tariff-rate quotas. Their scale would be inversely proportional to the size of the variation of the cut with respect to the overall cut.

This was an important step forward, given that most of the products of interest to countries that currently export to the EU - including the majority of developing countries - would be designated by the EU as sensitive. The use of domestic consumption as a reference variable to calculate the respective increase in quotas is another major advance, since it simplifies the process and avoids the need to calculate the compensation through complicated mathematical formulas, as the EU had been proposing. The beef and poultry meat sectors, in particular, would benefit from a quota corresponding to 4% of European domestic consumption, this being the percentage of compensation for the larger variations, which is very significant.

While in the Uruguay Round, concluded in 1994, the special and differential treatment for developing countries focused on allowing longer periods for implementing the agreed commitments,

the last proposal on modalities in the Doha Round introduced the category of special products and special agricultural safeguards (SSG). These two mechanisms were introduced to accommodate the concerns of net food-importing developing countries whose agricultural production is vulnerable and not very competitive.

■ Domestic support

With regard to domestic support, a formula of tiered cuts similar to the one proposed for the pillar on market access was also applied, with larger reductions for the highest levels of OTDS (Overall Trade-Distorting Support) and vice-versa (Table 2). Although the tariff ranges in the tiers had already been agreed, no agreement was reached on the percentage of the cuts in the July 2008 draft, since these were still in square brackets. Those percentages were defined in the revised text at the end of 2008.

The tier that concerns exporting countries - whose competitiveness is affected by domestic support measures that have the effect of indirect export subsidies - is the tier in which the OTDS levels for the USA are. In this case, the proposed cut was 70%, which would mean that the total OTDS outlay for the USA would decrease from the current bound rates of US\$47.7 billion to US\$11.9 billion. Although this does not represent a significant cut in the current OTDS levels, estimated at nearly US\$10 billion in 2008, the OTDS ceiling resulting from the proposed cuts would represent a form of insurance for the future, particularly in the event of a sharp fall in the international prices of the main agricultural commodities.

Table 2. Proposals for cutting overall trade distorting support measures (OTDS).

Tiers (billion)	Cuts		Bound rates (billion)	Applied rates (billion)	Bound rates of the cuts (billion)	Cuts over the applied rates
	Jul-08	Dec-08				
0-10	[50%-60%]	55%	-	-	-	-
10-60	[66%-73%]	70%	US\$47.7	US\$21.4	US\$11.9	USA - 45%
>60	[75%-85%]	80%	€110.3	€61.2	€22.0	UE - 64%

Source: WTO 2008 a and b.

The July 2008 draft and the revised text of that same year contemplated a five-year period for the implementation of tariff reduction commitments by developed countries and introduced the requirement of an initial reduction (downpayment) of $\frac{1}{3}$ in OTDS during the base period for countries in the last two tiers (greater than US\$ 60 billion and from US\$10 billion-US\$60 billion) and of 25% for those in the first tier (less than US\$10 billion). The introduction of the downpayment is positive because it accelerates the process to reduce OTDS and would be a kind of early harvest in the Doha Round.

With respect to the AMS (Table 3), the draft modalities reflect the relative consensus reached by countries on tariff reduction levels. The proposed percentage of the cut (60%) in the second tier (from US\$15 billion to US\$40 billion) would mean that the AMS limit for the USA would remain at US\$7.64 billion, slightly above the US\$5.7 billion proposed by G-20 (a 70% cut). However, there would be a significant reduction of 60% in the bound rates and 47% in the applied rates in the USA, the country that has been under the most pressure to make concessions in this area.

Table 3. Proposals for AMS reductions.

Tiers (billions)	Cuts	Bound rates (billions)	Applied rates (billions)	Bound rates of the cuts (billions)	Cuts on Applied rates
0-15	45%				
15-40	60%	US\$19.1	US\$14.4	US\$7.64	USA - 47%
>40	70%	€67.2	€39.2	€13.4	UE - 66%

Source: WTO 2008 a and b.

The product-specific AMS limits (AMS caps) introduced in the draft were another very positive point. Some analysts consider that this mechanism could constitute the major triumph of the Round, since it would keep countries from concentrating support on certain products in the event of a major fall in prices and, in consequence, major outlays for specific products. According to the draft proposal, AMS caps in the USA would remain at US\$1.20 billion for soybean, US\$1.72 for cotton, US\$1.16 for maize and US\$327 for rice, much lower sums than those achieved in the past. In addition, this mechanism would avoid the application of distorting policies to benefit a particular product.

Another important agreement reached in the negotiations and reflected in the draft modalities was the establishment of disciplines for the reduction of all market-distorting measures (AMS, Blue Box and *de minimis* levels) - and not only those contained in the AMS, also known as Amber Box measures - in accordance with the Uruguay Round commitments. The

grouping of all these distorting measures in the concept of overall trade-distorting support (OTDS) was undoubtedly a notable advance, since it created the basis for a broader reduction.

The proposal for a new Blue Box is intended to accommodate the domestic support policies adopted by the US, which were ruled illegal by the WTO Cotton Panel, particularly with regard to direct and counter-cyclical payments. However, the text maintains the Blue Box limit at 2.5% of the value of production, which could also be considered an advance, since previously there were no limits. Previously, only the EU notified the WTO of the use of Blue Box policies approved in the Uruguay Round agreement, with the aim of accommodating its set-aside policies. These policies were implemented during the nineties as part of the reform of the Common Agricultural Policy (CAP), and refer to controls on the use of land to avoid overproduction (surpluses). Given that these policies were not linked to production levels, they were considered *decoupled* and, therefore, less market-distorting.



All other measures with effects equivalent to export subsidies, such as credits, credit guarantees or insurance programs, as well as state trading enterprises and international food aid, would be subject to disciplines.

The draft expanded the scope of the Blue Box defined in the Uruguay Round Agreement on Agriculture, with the incorporation of direct payments, based on areas and fixed yields - in other words, decoupled from current production levels. It also reduced the 5% limit on the value of production as a ceiling for the implementation of these policies to 2.5%. For the application of the new limit, the EU's bound and applied rates would be reduced from €23.7 billion to €12.3 billion, and a space of US\$4.8 billion would be opened up for the US to implement policies characterized as *decoupled*.

■ Export subsidies

The draft modalities adopt the agreements reached at the Ministerial Conference of Hong Kong that contemplated the total elimination of export subsidies by 2013. The new component is that the draft established a 50% reduction as a "downpayment" by the end of 2010 and the rest by 2013, with these conditions being applied from the start of the implementation period of the commitments. For their part, the developing countries would have to eliminate their export subsidies by 2016.

In order to prevent evasion, all other measures with effects equivalent to export subsidies, such as credits, credit guarantees or insurance programs, as well as state trading enterprises and international food aid, would be subject

to disciplines to avoid disguised forms of export subsidies. The progress made in this regard was also significant.

Special agricultural safeguards: the Achilles heel of the Doha Round

The main reason for the collapse of the negotiations in July 2008 was the suspension of talks on the issue of the *Special Safeguard Mechanism - SSM*)². This topic was introduced in the Ministerial Declaration of Doha at the insistence of net food-importing developing countries, whose original intention was to protect themselves against possible sudden increases in agricultural imports that could have negative impacts on food security. After the failure of the Ministerial Meeting of July, there were other attempts to resuscitate the negotiation process, but all these encountered strong resistance from some countries, particularly India, to efforts to move forward on the issue of SSM.

The G-20 included several developing countries and had been a major new negotiating force to counter the traditional polarization between the United States and Europe. However, this group, which

² Safeguards are special restrictions on imports that can be applied temporarily in exceptional circumstances, for example, a sudden increase in imports. The creation of the SSM is contemplated in the Doha Declaration and is designed to be used by developing countries once the developed countries have the special safeguards (SSG) introduced in the Uruguay Round.



▶ *The two main points responsible for blocking an agreement on safeguard mechanisms were the failure to define the percentage of the increase of imports that would trigger the SSM and the limit of the tariff increases.*

includes not only net food importers such as India, China and Indonesia, but also net food exporters such as Brazil, Argentina and Uruguay, seems to have been definitively weakened following the lack of consensus on SSM. This lack of consensus among the countries stemmed from the fact that the mechanism was designed to be applied to imports of all origins. It is important to recall that in countries such as Brazil more than 50% of agricultural exports are destined for developing countries.

During the negotiations in the WTO Committee on Agriculture, discussion on the SSM proposal was deferred for the final stage of the negotiation, under the supposition that this was a secondary issue. However, history showed that this was not the case. Consequently, much of the negotiating effort focused on the three pillars of the agricultural agreement: market access, domestic support and export subsidies.

The two main points responsible for blocking an agreement on safeguard mechanisms were the failure to define the

percentage of the increase of imports that would trigger the SSM and the limit of the tariff increases. On the one hand, the G-33 countries, which included the majority of net food-importing developing countries, argued that a minimum increase in imports of 10% should be sufficient to trigger the SSM mechanism, while other countries took the view that SSM should not be triggered as a result of normal price fluctuations or the normal growth of trade. Furthermore, the first group refused to accept the imposition of limits on tariff increases, while the second group opposed the idea that the SSM could be higher than the bound tariffs in the Uruguay Round. Their argument was that this would represent a regression in the process of trade liberalization. Nor were the countries able to agree on the number of tariff lines that might benefit from the SSM (for example, 2.5% of the products).

Prospective scenario of the WTO multilateral negotiations

If the agricultural negotiations begun before the breakdown of July 2008 had succeeded, a major step would have been taken toward the liberalization of agricultural markets and the improvement of WTO rules. This would have facilitated the creation of a freer and fairer trade system, with fewer distortions, which in turn would have led to more open markets, to the prevention protectionist measures and to the mitigation of the effects of the food crisis.

There is a feeling among the negotiators that the success of the Round was at hand and that the time was right. The final



stage of the negotiations coincided with period of high agricultural prices, which would have demanded few efforts on the part of countries to fulfill the prospective commitments. There were no winners in this process, only losers. The developing countries, undoubtedly, are among the greatest losers. World Bank studies estimate that an ambitious liberalization process in the chapter on agriculture could generate overall benefits equivalent to US\$193 billion and the greatest beneficiaries of these reforms would be the developing countries with profits of US\$101 billion.

In addition to the loss of revenues that might have been generated by multilateral liberalization, many partial agreements were compromised by the failure of the Doha Round. Various sectoral agreements that depended on the successful conclusion of the Round were adversely affected. For example:

- The agreement on the complete elimination of export subsidies in 2013 is at risk, since this depended on individual agreements on the other pillars to be validated.
- The agreement reached with the EU to reduce tariffs on banana imports, which would be of particular benefit to the Central American countries.

- An increase in US ethanol quotas that would expand the export markets for Brazil and other Latin American countries.
- The parallel negotiations that were taking place in the Committee on Trade and Environment on a more rapid liberalization of so-called environmental goods. This agreement would also have offered advantages to biofuel exporters, once the talks had advanced sufficiently to include ethanol in the list of environmental goods.

The risks implied by the collapse of the multilateral negotiations are well known, but it is useful to emphasize these.

- Proliferation of protectionist measures in the absence of restrictions in the multilateral context. This possibility is even more serious in a global economic crisis like the current one.
- Efforts by countries to reach bilateral agreements, which are of limited scope, being restricted to negotiations on tariff reductions. The systemic issues, such as domestic support and export subsidies can only be negotiated in the multilateral context.
- Increase in the number of disputes submitted to the WTO dispute



► *The current scenario would not appear to favor a return to the negotiating table for the future conclusion of the Doha Round. With the present crisis affecting nearly all WTO Members, the countries are prioritizing their domestic agendas and have relegated multilateral negotiations to the “back-burner”.*

settlement body. Unfortunately, the poorest countries seldom have the necessary technical capacity or resources to complete the long dispute settlement process in the WTO.

Thus, the current scenario would not appear to favor a return to the negotiating table for the future conclusion of the Doha Round. With the present crisis affecting nearly all WTO Members, the countries are prioritizing their domestic agendas and have relegated multilateral negotiations to the “back-burner”. Although many recognize that the conclusion of the Doha Round would be a powerful antidote to protectionism and a very positive signal to restore confidence in the markets, for now - and at least in the short term - there is insufficient leadership to move the negotiations forward.

Another element that could affect the resumption of talks is the new US Farm Bill approved for the period 2008-2013. The Bill retains nearly all the commodity programs that already existed in the previous legislation, many of which are considered illegal by the WTO. It has also kept the three subprograms that were included in the previous law: direct payments, counter-cyclical payments and marketing loans. In addition to these three programs, the new Farm Bill created a new and controversial program called *Average Crop Revenue Election - ACRE*, which is surely the most contentious part of the new legislation, and could have implications for the WTO trade negotiations. Together, the aforementioned commodity programs have the effect of protecting farmers from price fluctuations that fall below the guaranteed revenue levels established by law.

Despite the recommendations made by the WTO dispute settlement body arising from the cotton dispute, these programs were not modified and their continuity is assured in the 2008 Farm Bill, which will probably result in new trade disputes. Furthermore, the new bill introduces a certain rigidity into the US negotiating process, considering this to be valid for

the period 2008-2013, during which time the current Doha Round negotiations should theoretically be concluded.

Other variables could also affect the continuity of the Round, such as the expiry of the Trade Promotion Authority (TPA), an authorization granted by Congress that allows the US Trade Representation (USTR) to negotiate agreements directly, without these being subject to the approval of lawmakers.

The last TPA expired in July 2007 and has not yet been renewed by Congress. The new US administration would need to propose the renewal of the TPA in order to give its negotiators credibility. At this stage of the negotiations, it is essential that the US exercises its political leadership in order to assure the conclusion of the Round. In this regard, the new trade agenda recently unveiled by the new US administration, stating that the negotiators in the Doha Round had sought to correct “imbalances” and introduce stricter labor and environmental requirements, could further complicate the negotiations.

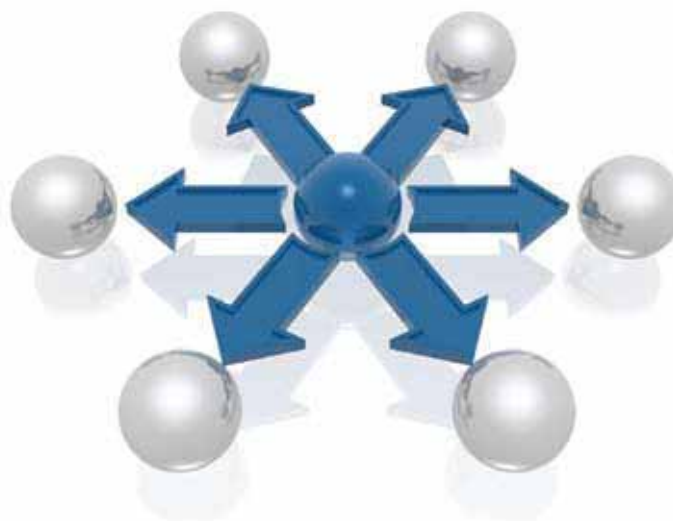
Final comments

With the collapse of the Doha Round of negotiations, a great opportunity was missed to move forward in the effort to establish more just and fair trade rules and disciplines. The successful conclusion of this Round would have helped to reduce the obstacles to creating a freer trade system that would have led to greater economic growth and, consequently, to the reduction of poverty. It would

also have generated a more efficient pattern of global production that would maximize the comparative advantages and promote the economic wellbeing of all the countries.

The successful conclusion of the Doha Round would have created a more integrated world economy and, with the reduction of the existing trade barriers, would certainly have provided greater opportunities for all countries to take advantage of the benefits offered by the growth of trade.

The various trade liberalization processes undertaken in recent years by a number of countries, especially in Latin America and the Caribbean, have clearly shown that trade can indeed be a powerful tool for stimulating growth and economic development by creating job opportunities and increasing per capita income.





The successful conclusion of the Doha Round would have created a more integrated world economy and, with the reduction of the existing trade barriers, would certainly have provided greater opportunities for all countries to take advantage of the benefits offered by the growth of trade.

It is important to reaffirm the direct links between the reduction of global agricultural protectionism and trade-distorting subsidies, in their most diverse forms, with the specific possibility of rural development, especially in the poorest countries. This, in some cases, seems unattainable in the current scenario of distortions in the global commodity markets.

References

WTO (World Trade Organization) 2008a. Revised Draft Modalities for Agriculture. Committee on Agriculture, Special Session, Jul. (TN/AG/W/4/Rev.4).

_____. 2008b. Revised Draft Modalities for Agriculture. Committee on Agriculture, Special Session, Dec. (TN/AG/W/4/Rev.4).

ICTSD (International Centre for Trade and Sustainable Development). 2008. News US Farm Bill Could Complicate WTO Negotiations. News and Analysis May.

_____. 2008. Farm Bill and Doha, lost opportunity. Puentes 9(3).

Llana Pérez, C. 2008. La nueva ley agrícola de los Estados Unidos y su consistencia con las disciplinas de la OMC. Revista de CEL.

Nassar, A; Costa, C; Chiodi, L. 2008. Implications for Brazil of the July 2008 Draft Agricultural Modalities. ICTSD.

USTR (United States Trade Representation). 2009. Trade Policy Agenda and 2008. Annual Report of the President of the United States on Trade Agreements Program.

► **État actuel et perspectives des négociations multilatérales de l'OMC (Cycle de Doha)**

La crise économique actuelle a relégué au second plan la conclusion des négociations commerciales du cycle de Doha de l'Organisation mondiale du commerce (OMC) qui ont été bien près d'aboutir en 2008, au terme de sept années de longues conversations entre les 150 pays membres de l'OMC. Les négociations agricoles de l'OMC ont été axées essentiellement sur les thèmes traditionnels : l'accès aux marchés, les appuis au niveau national et les subventions aux exportations. Pourtant, les progrès réalisés permettraient de poursuivre le processus de libéralisation des échanges commerciaux multilatéraux. Si les négociations arrivaient à bonne fin, elles pourraient devenir un puissant antidote contre la crise, dynamisant le commerce et faisant renaître la confiance des marchés. Pour ne pas perdre cette occasion unique de donner une impulsion au commerce mondial grâce à la diminution progressive des barrières commerciales, il faut que les négociations reprennent le plus tôt possible et que les pays fassent preuve de la bonne volonté et de la souplesse nécessaires pour ne pas mettre en danger ce qui serait le cycle de négociations commerciales le plus vaste et le plus ambitieux et éviter le retour au protectionnisme des marchés agricoles mondiaux.

► **Situação atual e perspectivas das negociações multilaterais da OMC (Rodada de Doha)**

A atual crise econômica relegou a segundo plano a conclusão da Rodada de Doha de Negociações Comerciais da Organização Mundial do Comércio (OMC), que esteve muito próxima de ser concluída em 2008, depois de sete anos de longas conversações entre os 150 países membros da OMC. As negociações agrícolas na OMC estiveram basicamente concentradas nos temas tradicionais: acesso a mercados, apoio doméstico e subsídios às exportações. Não obstante, os avanços obtidos permitiram continuar o processo de liberalização comercial em nível multilateral. Sua bem-sucedida conclusão poderia funcionar como um poderoso antídoto contra a crise, que dinamizaria o comércio e recuperaria a confiança dos mercados. Para que essa oportunidade ímpar de impulsionar o comércio mundial mediante a redução progressiva das barreiras comerciais não seja perdida, é preciso retomar as negociações o mais breve possível e contar com a boa vontade e flexibilidade dos países para não pôr em risco o que seria a mais ampla e ambiciosa rodada de negociações multilaterais, a fim de evitar a volta do protecionismo nos mercados agrícolas mundiais.

► **Estado actual y perspectivas de las negociaciones multilaterales de OMC (Ronda Doha)**

La crisis económica actual puso en segundo plano la conclusión de la Ronda Doha de Negociaciones Comerciales de la Organización Mundial del Comercio (OMC), que estuvo muy cerca de ser concluida en el 2008, después de siete años de largas conversaciones entre los 150 países miembros de la OMC. Las negociaciones agrícolas en la OMC estuvieron básicamente concentradas en los temas tradicionales: acceso a mercados, apoyo doméstico y subsidios a las exportaciones. No obstante, los avances logrados permitirían continuar con el proceso de liberalización comercial a nivel multilateral. Su conclusión exitosa podría funcionar como un poderoso antídoto contra la crisis, que dinamizaría el comercio y recuperaría la confianza de los mercados. Para no perder esta oportunidad ímpar de impulsar el comercio mundial con la reducción progresiva de las barreras comerciales, es necesario retomar las negociaciones lo antes posible y que los países tengan la buena voluntad y la debida flexibilidad para no arriesgar lo que sería la más amplia y ambiciosa ronda de negociaciones multilaterales, con el fin de evitar que retorne el proteccionismo en los mercados agrícolas mundiales.



Photo CENTA

Measuring agricultural GDP performance: a technical note

Julio Paz¹, Henry Benavides² and Joaquin Arias³

Summary:

Agricultural product and input prices have been on a rollercoaster for the last three years, impacting not only market incentives for production worldwide, but also access to food for consumers, especially those in low income brackets in developing countries. Both of these impacts have been studied by international institutions, which have analyzed price transmission and generated food security indicators. However, there is another important aspect that needs to be analyzed, the impact of this price variability on agricultural incomes, which is addressed in this technical note. It is shown how, with very simple calculations and using current national accounts, it is possible to obtain indicators of change in the income of the factors of production in agriculture by making adjustments in production volumes and in real agricultural prices. This can be very useful in designing policies, but further analysis is required of how agricultural performance, income generation and poverty alleviation are linked (Valdes *et al.* 2008).

1 IICA Consultant, Headquarters, julio.paz@iica.int

2 Specialist in Policies and Trade of IICA, Headquarters, henry.benavides@iica.int

3 Specialist in Policies and Trade, Andean Region, joaquin.arias@iica.int

Key words: *Gross agricultural product- estimation, prices, agricultural sector-incomes, agricultural products, indicators.*

Introduction

Agricultural product and input prices have been highly volatile for the last three years. A number of studies have been published on this topic. (Dutoit *et al*; Von Cramon-Taubadel *et al.* 2009; ECLAC 2009; FAO 2008, IFPRI 2008; IICA 2008) However, there is another important aspect not often analyzed in the technical literature: the impact of this price variability on agricultural income.

There is a generally accepted notion that countries that are net exporters of agricultural products will be winners and that countries that are net importers of such products will be losers as a result of rising prices for agricultural goods on the international market. This is related mostly to the implicit evolution of the external terms of trade and its effect on real gross domestic income (GDI). A country's status as a net exporter or net importer of agricultural products does not determine the possible impact on incomes in their agricultural sectors. This effect depends mostly on the degree to which international agricultural product and input prices are transmitted to domestic prices, on how the agricultural sector reacts and on the evolution of other prices in the economy with respect to agricultural prices (intersectoral terms of trade).

The reaction of the agricultural sector is normally defined as the growth of the Agricultural Gross Domestic Product

There is a notion that countries that are net exporters of agricultural products will be winners and that countries that are net importers of such products will be losers as a result of rising prices for agricultural goods on the international market.

(AGDP), in real terms or at constant prices, which is an important indicator of growth in the volume of production. However, it is just as important to analyze agricultural performance in terms of income generation, especially in times of great variability in the prices that have an impact on the value of the sale of products and on the cost of inputs.

With very simple adjustments, and using current national accounts, it is possible to obtain indicators of change in the income of the factors of production in agriculture by making adjustments in volumes of production volumes and in real agricultural prices. However, further analysis is required of how agricultural performance, income generation and poverty alleviation are linked. (Valdes *et al.* 2008)

Real Gross Domestic Income and Terms of Trade

At the national aggregate level, there is a clear distinction between the real GDP (at market prices in constant terms) and the real (GDI). GDP at market prices in constant terms is essentially a measurement of

production volume, calculated each year for the economy as a whole, which uses the constant value of market prices in the base year. The concept of GDI goes further and attempts to measure the total real income residents derive from domestic production. The GDI represents the total buying power generated in the economy during the process of production. To arrive at GDI, it is necessary to add the external terms of trade effect to GDP.

When the external terms of trade of a country improve (the prices it receives for its exports grow more, relatively, than those paid for imports), it means that a given volume of its exports can cover a bigger portion of its imports.

“An improvement in the (external) terms of trade makes it possible for residents to acquire greater volume of goods and services out of the income generated by a given level of domestic production.” (Valdes *et al.* 2008)

An example will help to illustrate the importance of and relationship between these two indicators. Costa Rica and Peru both showed similar annual average growth in GDP (5.4%) from 2000-2007. However, during the same period, average growth in GDI in Peru (7.2%) was 1.8 percentage points higher than growth in GDP. In contrast, growth in GDI in Costa Rica (4.0%) was 1.4 percentage points lower than growth in GDP. The difference was due to a very positive evolution of the external terms of trade in Peru, and negative evolution of same in Costa Rica.

Income of production factors of agriculture and Intersectoral Terms of Trade

La misma lógica aplicada a toda la economía se puede aplicar a nivel sectorial, especialmente en el caso de la agricultura, la cual constituye la fuente The same

Table 1. Relationship between GDP and GDI in Costa Rica and Peru, millions of US dollars.

		2000	2001	2002	2003	2004	2005	2006	2007	Average Annual Growth 00-07
Costa Rica	GDP, at constant prices 2000=100	15 947	16 188	16 586	17 648	18 400	19 485	21 202	22 756	5.4%
	GDI (GDP adjusted to terms of trade)	15 947	16 009	16 359	17 153	17 713	18 341	19 623	20 990	4.0%
	GDP annual growth %		1.1%	2.9%	6.4%	4.3%	5.9%	5.8%	7.3%	
	GDI annual growth %		0.4%	2.2%	4.9%	3.3%	3.5%	7.0%	7.0%	
	External Terms of Trade (PX/PM)	100	98.2	96.7	94.1	92.2	88.6	85.7	85.0	-2.5%
Peru	GDP, at constant prices 2000=100	53 336	53 450	56 133	58 397	61 382	65 522	70 473	76 732	5.4%
	GDI (GDP adjusted to terms of trade)	53 336	53 225	56 015	58 686	63 155	68 464	77 647	84 883	7.2%
	GDP annual growth %		0.2%	5.0%	4.0%	5.1%	6.7%	7.6%	8.9%	
	GDI annual growth %		-0.2%	5.2%	4.8%	7.6%	8.4%	13.4%	9.3%	
	External Terms of Trade (PX/PM)	100	96.9	98.6	102.8	115.2	120.6	148.4	152	7.1%

Source: Authors, based on data from World Bank (WDI).

rationale applied to the economy as a whole can be applied at the sectoral level, especially in the case of agriculture, which is the main source of income for the poorest quintiles of the population in developing countries. In many cases, “real” agricultural GDP has been used as if it were an indicator of the level of well-being of agricultural families, even though it only represents the amount of net production (discounting all inputs) valued at the prices of a certain base year.



Therefore, because real AGDP is calculated at “constant prices,” changes from one year to the next in same only reflect changes in the “volume” of agricultural production and do not take into account changes in relative agricultural prices, which often have a greater impact on agricultural incomes. It is not uncommon in agriculture for increases in production levels to lead to decreases in the income of producers, inasmuch as agricultural prices also fall due to oversupply or other factors.

► *It is not uncommon in agriculture for increases in production levels to lead to decreases in the income of producers, inasmuch as agricultural prices also fall due to oversupply or other factors.*

This is part of the very nature of a sector in which supply is inelastic, and even more so in the short term. “Good” agricultural performance, from the point of view of the domestic supply of products, often leads to “unhappy farmers” who see their incomes decline as a result of lower prices. To consider only the AGDP paints a very limited picture of what is happening in the sector. It is necessary to adjust the real AGDP, taking into account the evolution of relative agricultural prices domestically (agricultural terms of trade - ATT), in order to obtain an indicator of the purchasing power generated by the volume of agricultural production achieved during the period⁴.

4 ATT can be defined as the ratio of an agricultural price index with respect to a non-agricultural price index. In this case, the “implicit” index of prices from the national accounts statistics is being used. Also, the agricultural GDP deflator is measured with the total GDP deflator, and not only with respect to prices of non-agricultural products.



The concept of $ANVA_{fc}$ measures “the remuneration of all factors of production (land, capital and labor) and can be termed factor income, as it represents all the value generated by a unit engaged in a production activity.” EUROSTAT (1997)

In order to adjust real AGDP to take into account the effect of the agricultural terms of trade, it is necessary to solve the following equation:

$$1) \text{ AGDP adjusted to the ATT} = \text{Real AGDP} \times \text{ATT}$$

But,

$$2) \text{ Real AGDP} = \frac{\text{Nominal AGDP}}{\text{AGDP deflator}}$$

and,

$$3) \text{ ATT} = \frac{\text{AGDP deflator}}{\text{GDP deflator}}$$

then, using equations (2) and (3):

$$4) \text{ AGDP adjusted to the ATT} = \frac{\text{Nominal AGDP}}{\text{GDP deflator}}$$

According to equation (4), to adjust “real” AGDP to the index of agricultural terms of trade is equivalent to dividing (deflating) the “nominal” or “current” AGDP by the GDP deflator. The “nominal” AGDP is equal to the gross value added of agriculture, which is the amount of agricultural production valued at basic prices, minus the amount of intermediate inputs valued at market prices, during the current period. This concept is commonly found in international data bases of national account statistics under the name “agricultural gross value added at

basic prices” ($AGVA_{bp}$). It includes the returns on factors of production used in agriculture during a given period, but also includes the consumption of fixed capital (depreciation) during the period and the net amount of *taxes on production* (taxes minus subsidies)⁵.

In order to arrive at a true measurement of agricultural “factor income,” it will be necessary to subtract from $AGVA_{bp}$ the amounts corresponding to fixed capital consumption and net taxes on production to obtain the “agricultural net value added at factor cost” ($ANVA_{fc}$), as indicated below:

$$ANVA_{fc} = AGVA_{bp} - D - T + S$$

Where,

D = Consumption of fixed capital in agriculture (Depreciation)

T = Taxes on agricultural production

S = Subsidies on agricultural production

The concept of $ANVA_{fc}$ measures “the remuneration of all factors of production (land, capital and labor) and can be termed factor income, as it represents all

5 The concept of “agricultural gross value added at basic prices” ($AGVA_{bp}$) already excludes net taxes minus subsidies on products, which refers to taxes or subsidies on goods and services (excluding value added tax and import and export taxes) that become payable as a result of the production, sale, transfer, lease or delivery of those goods or services, or as a result of their use for personal consumption or personal capital formation. These taxes must be differentiated from taxes or subsidies *on production*, which mainly consist of current taxes or subsidies on the labor or capital used in production. (OECD n.d.)

the value generated by a unit engaged in a production activity” EUROSTAT (1997)⁶. This measurement refers to the income generated by agricultural activities during a given fiscal year, even though the part related to the corresponding earnings could be postponed.

Factor Income is the sum of “employee compensation” (salaries and other labor costs) and “net operating surplus” (profits, leases on land, net interest, self-employment income, etc.). This definition does not take into account the residence or location of the owners of the factors of production. Also, factor income should not be confused with farmers’ household income, which includes other sources of income (non-agricultural activities, rent, income transfers) in addition to income from agricultural activities.

Although $ANVA_{fc}$ is not always available in the national account statistics of many developing economies⁷, the nominal AGDP (or AGVAbp) could be used as a good “approximate value” if capital consumption is relatively low with respect to the value of production, and if the amount of taxes and subsidies on production are also low, as they usually are in developing economies. This rate of change could be a good estimator of the rate of change in the factor income⁸.

In order to use changes in the nominal AGVAbp as an approximate value of the changes in the “factor income” of agriculture, another step is involved to convert the nominal data to “real” figures, taking into account the evolution of relative agricultural prices. As indicated in equation (3), the nominal agricultural

Factor income should not be confused with farmers’ household income, which includes other sources of income (non-agricultural activities, rent, income transfers) in addition to income from agricultural activities.



6 See Chapter IV Agricultural Income Indicators in EUROSTAT (1997).

7 The concept of $ANVA_{fc}$ is not explicitly included in the System of National Accounts of the United Nations.

8 As an example, during 2000-07, in Peru, the percentage of fixed capital depreciation with respect to the value added of the agricultural sector was consistently below 2.5%, and the percentage of taxes, minus subsidies, was nil. In Costa Rica, the percentage of depreciation stayed within a narrow range (8.5% -10.0%) and taxes, minus subsidies, between 2.8% -3.0%. As a result, there was a strong correlation (0.99) between the growth rates of Agricultural GDP and the $ANVA_{fc}$.

GDP must be divided by the GDP deflator, which is a measurement of change in the prices of all domestically produced final goods and services in an economy. This adjustment provides a clearer picture

of the growth of the “factor income” of agriculture in real terms.

As an example, Table 2 shows three different cases of interaction among the

Table 2. Interaction between real AGDP and intersectoral terms of trade, and their impact on agricultural factor income in Costa Rica, Peru and Jamaica.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average Annual Growth 00-05	Average Annual Growth 05-08
Costa Rica											
Agric. GDP, at constant prices (2000=100)	423 053	428 949	414 948	445574	448806	467894	526188	563668	561502	2.1%	6.4%
Real Agric. Factor Income (adjusted Agric. GDP)	423 053	395 116	394 439	441721	441721	475249	527303	545976	526336	2.9%	3.5%
Agric. GDP Growth %		1.4%	-3.3%	0.7%	0.7%	4.3%	12.5%	7.1%	-0.4%		
Real Agric. Factor Income Growth %		-6.6%	-0.2%	2.6%	2.6%	7.3%	11.0%	3.5%	-3.6%		
Intersectoral terms of trade (P. agric / P. overall)	100	92.1	95.1	98.6	98.6	101.6	100,2	96.9	93.7	0.9%	-2.7%
Change in intersectoral terms of trade		-7.9%	3.2%	1.9%	1.9%	3.0%	-1.3%	-3.0%	3.2%		
Peru											
Agric. GDP at constant prices (2000=100)	12 775	12 855	13 639	14 045	14 076	14 746	15 830	16 340		3.0%	5.3%
Real Agric. Factor Income (adjusted Agric. GDP)	12 775	12 685	12 430	12 863	12 840	13 007	13 491	14 547		0.5%	5.8%
Agric. GDP Growth %		0.6%	6.1%	3.0%	0.2%	4.8%	7.4%	3.3%			
Real Agric. Factor Income Growth %		-0.7%	-2.0%	3.5%	-0.2%	1.3%	3.7%	4.4%			
Intersectoral terms of trade (P. agric / P. overall)	100	98.7	91.1	91.6	91,2	88.2	85.2	89.0		-2.4%	0.5%
Change in intersectoral terms of trade		-1.3%	-7.6%	0.5%	-0.4%	-3.3%	-3.4%	1.1%			
Jamaica											
Agric. GDP at constant prices (2000=100)	21 206	22 552	20 971	21 984	20 075	18 626	21 588	21 157		-2.7%	6.6%
Real Agric. Factor Income (adjusted Agric. GDP)	21 206	21 096	19 241	18 288	18 670	19 615	20 567	20 855		-2.3%	3.1%
Agric. GDP Growth %		6.3%	-7.0%	4.8%	-8.7%	-7.2%	15.9%	-2.0%			
Real Agric. Factor Income %		-0.5%	-8.8%	-5.0%	2.1%	5.1%	4.9%	1.4%			
Intersectoral terms of trade (P. agric / P. overall)	100	93.5	91.7	83.2	93	105.3	95.3	98.6		0.4%	-3.3%
Change in intersectoral terms of trade		-6.5%	-1.9%	-9.3%	11.8%	13.2%	-9.5%	3.5%			

Source: Authors, based on World Bank (WDI).

evolution of the volume of agricultural production (“real” AGDP), the evolution of domestic relative agricultural prices (intersectoral terms of trade), and the impact of both on the factor income of agriculture. These cases refer to Costa Rica, Peru and Jamaica during the period 2000 to 2007 (except for Costa Rica, which includes data for 2008). The time series have been divided into two sub-periods 2000-05 and 2005-07 (or 2008 in the case of Costa Rica), to show the change in domestic price trends and its relation to changes in international prices.

Note that, on average, from 2000-05, growth of “real” AGDP was greater in Peru (3.0%) than in Costa Rica (2.1%). However, the fact that relative agricultural prices (agricultural terms of trade) in their domestic markets evolved differently, the result in terms of agricultural factor income was reversed. Costa Rica grew at 2.9% a year, while Peru grew by only 0.5% a year during the period 2000-05. In Jamaica, the negative trend of real AGDP (-2.7%) was attenuated by a slight increase in agricultural terms of trade, and the impact on factor income was -2.3%.

During 2005-07, average growth in real AGDP was strong in all three countries (more than 5.3% yearly), but the trend in relative agricultural prices was negative in Costa Rica (-2.7%) and Jamaica (-3.3%), and slightly positive in Peru (0.5%). These results attenuated the effect on income in the first two countries and increased the quantitative effect on agricultural growth in Peru.

Conclusions

- Growth of Agricultural GDP, as it is normally published, is an important economic indicator used to measure progress in or the rate of expansion of the agricultural sector’s capacity to produce and supply finished products for consumption and intermediate use. However, it is just as important to look at the income generated by growth of agricultural GDP (measurement of “income”), as an indication of future consumption possibilities for agricultural households and as a means of improving their standard of living. As a result, it is necessary to link the evolution of “real” agriculture and market prices to their impact on the incomes and poverty of those who depend primarily on the agricultural sector.
- There is an urgent need to incorporate the analysis of prices more effectively into the analysis of agricultural policies, which must be based mostly on an appraisal of physical dimensions such as real GDP, production, yields, area under cultivation, etc. National account statistics are a good source of processed data for conducting a sectoral analysis, because the information on those accounts is usually provided by the ministries themselves.



- By making very simple adjustments, it is possible to make better use of agricultural national accounts, which can have important implications for policy design. There is much to gain from closer interaction between the statistical offices of the agricultural sector and those institutions responsible for social or national accounts, and from the periodic dissemination of their results to policymakers, researchers and other stakeholders.

References

Central Bank. 2006. National Accounts of Costa Rica 1991-2005. Economics Division, Social Accounting Department.

Dutoit, L.; Hernandez, K.; Urrutia, C. 2009. Transmisión de precios para los mercados de maíz y arroz en América Latina. CL, ECLAC.

ECLAC (Economic Commission for Latin America and the Caribbean). 2009. El proceso de liberalización comercial y su efecto sobre el mercado centroamericano del maíz: un análisis espacial de precios. MX, ECLAC. Forthcoming..

EUROSTAT (Statistical Office of the European Communities).1997. Manual on the Economic Accounts for Agriculture and Forestry, EAA/EAF 97 (Rev 1).

_____. 2006. Real Agricultural Income estimates for 2006. News Release 169/2006.

FAO (United Nations Food and Agriculture Organization). 2008. Food situation in Latin American and the Caribbean. Consulted April 16, 2009. Available at http://www.rlc.fao.org/iniciativa/pdf/bolobs2_en.pdf.

IFPRI (International Food Policy Research Institute). 2008. Local Impacts of a Global Crisis: Food Price Transmission and

Poverty Impacts in Ghana. Discussion Paper 00842. Washington DC.

IICA (Inter-American Institute for Cooperation on Agriculture). 2008. Higher food prices and their possible impact on agricultura in Latin America and the Caribbean. COMUNIIC 4(1). Year 4: 10-29.

IMF (International Monetary Fund). 2008. Globalization, Commodity Prices, and Developing Countries. Consulted April 16, 2009. Available at <http://www.imf.org/external/pubs/ft/weo/2008/01/pdf/c5.pdf>.

Instituto Nacional de Estadística e Informática. 2008. Oferta y Demanda Global 1991-2007: Año base 1994. Lima, PE, National Accounts Office.

Ireland Central Statistics Office. 2000. Output, Input, and Income in Agriculture: 2000 Advance estimate. IE.

Kohli, U. Real GDP, Real GDI, and Trading Gains: Canada 1981-2005, International Productivity Monitor 13.

Norton, RD. 1988. Policy Analysis for Agricultural Development: Basic Data Series and their Use.FAO. (Training Materials for Agricultural Planning 14)

OECD (Organization for Economic Cooperation and Development). No date. Glossary of Statistical Terms. Available at <http://stats.oecd.org/glossary>

United Nations. 1993. System of National Accounts. Statistics Division.

Valdés, A.; Foster, W.; Pérez, R.; Rivera, R. 2008 Evolución del Ingreso Agrícola Real en América Latina, 1990-2005: Evidencia en base a Cuentas Nacionales y Encuestas de Hogares". ECLAC.

Von Cramon-Taubadel, S.; Ihle, R.; Amijuzuno, J. Price Transmission in the Eastern Africa Maize Market. DE, University of Gotttingen.

World Bank. Statistical Manual, National Accounts, Terms of Trade Adjustment. Available at <http://www.bancomundial.org/>

Mesure des fluctuations du PIB agricole : note technique

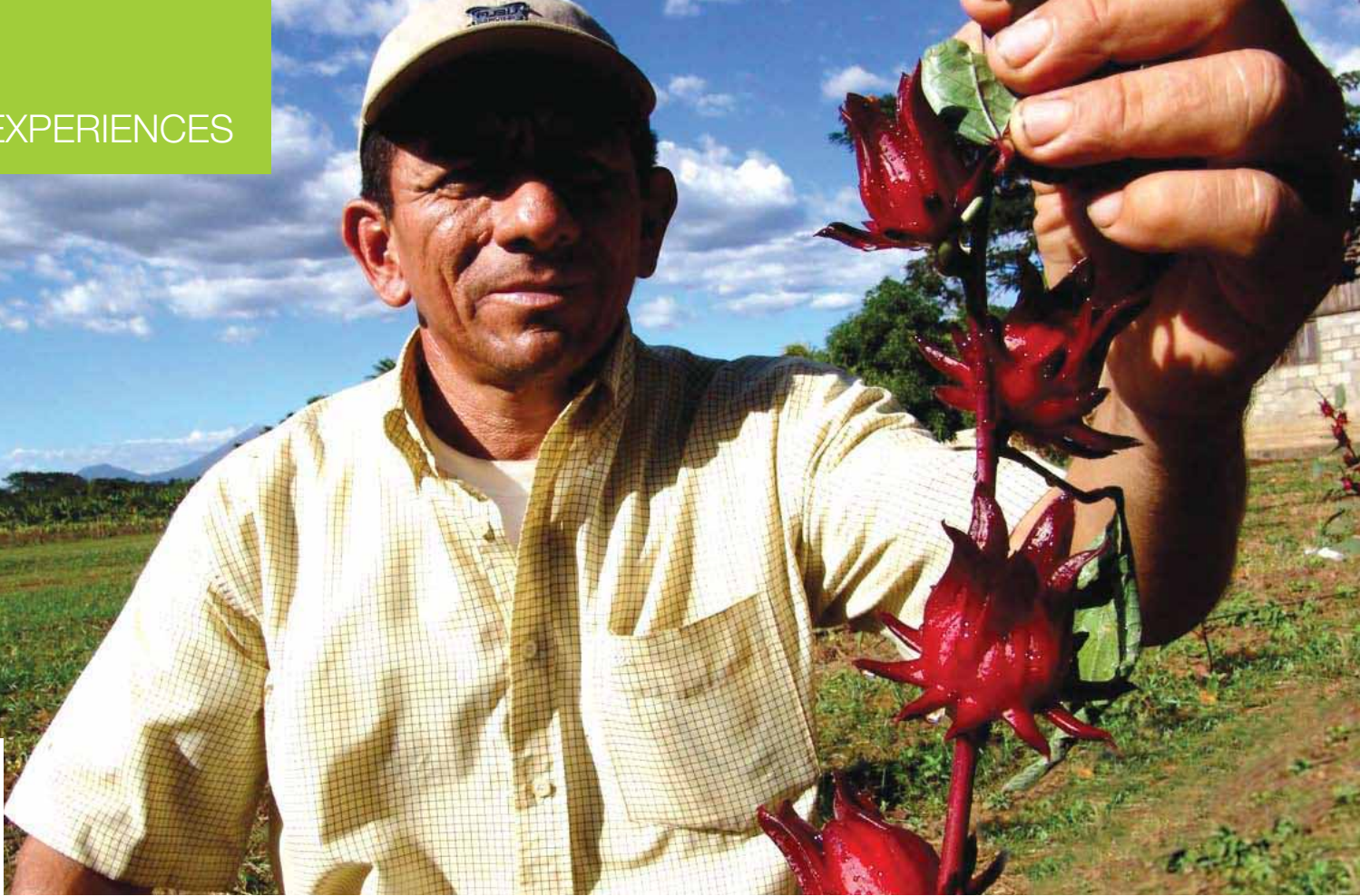
Ces trois dernières années, les prix des produits et des facteurs de production agricoles ont connu une forte volatilité, qui a eu un impact non seulement sur les incitations du marché à la production mondiale mais aussi sur l'accès des consommateurs aux aliments, notamment sur l'accès des consommateurs à faibles revenus des pays en développement. Diverses institutions internationales ont étudié ces deux aspects avec les techniques des prix de transfert et des indicateurs de sécurité alimentaire. Il existe cependant un autre aspect non négligeable de l'analyse portant sur l'impact sur les revenus agricoles de cette variabilité des prix, aspect qui est abordé dans la présente note technique. Celle-ci montre comment, avec des calculs simples et en utilisant les comptes nationaux en vigueur, il est possible d'obtenir des indicateurs du changement intervenu dans les revenus des facteurs de production et dans les prix agricoles réels. Cela peut s'avérer d'une grande utilité pour la formulation de politiques, même s'il faut procéder à une analyse plus profonde des liens entre les résultats de l'agriculture, la création de revenus et la diminution de la pauvreté (Valdez et d'autres, 2008).

Como medir o desempenho do PIB agrícola: uma nota técnica

Durante os últimos três anos, os preços dos produtos e insumos agrícolas sofreram uma forte volatilidade, causando impactos não apenas nos incentivos de mercado para a produção em nível mundial, mas, também, no acesso aos alimentos por parte dos consumidores, principalmente daqueles de baixa renda nos países em desenvolvimento. Esses dois aspectos vêm sendo estudados por diversas instituições internacionais mediante técnicas de análise de transmissão de preços e indicadores de segurança alimentar. No entanto, há outro aspecto de análise significativo, relacionado com o impacto dessa variabilidade de preços na renda agrícola, que é tema desta nota técnica. Aqui se mostra como, mediante cálculos simples e utilizando as contas nacionais em vigor, podem ser obtidos indicadores da mudança na renda dos fatores de produção na agricultura, para cujo efeito são utilizados ajustes nos volumes de produção e nos preços agrícolas reais. Isso pode ser muito útil na formulação de políticas, embora sejam necessárias maiores análises dos vínculos entre desempenho agrícola, geração de renda e redução da pobreza (Valdez et al. 2008).

Midiendo el desempeño del PIB agrícola: una nota técnica

Durante los últimos tres años, los precios de los productos y los insumos agrícolas han experimentado una fuerte volatilidad, que ha impactado no solo los incentivos de mercado para la producción a nivel mundial, sino también el acceso a los alimentos por parte de los consumidores, en especial de aquellos con un bajo nivel de ingreso en los países en desarrollo. Ambos aspectos han sido estudiados por diversas instituciones internacionales mediante técnicas de análisis de transmisión de precios e indicadores de seguridad alimentaria. Sin embargo, existe otro aspecto significativo de análisis relacionado con el impacto de esta variabilidad de precios en el ingreso agrícola, el cual se aborda en la presente nota técnica. Aquí se muestra cómo mediante cálculos simples y utilizando las cuentas nacionales vigentes, se pueden obtener indicadores del cambio en el ingreso de los factores de producción en la agricultura, para lo cual se utilizan ajustes en los volúmenes de producción y en los precios agrícolas reales. Esto puede ser de mucha utilidad en el diseño de políticas, aunque se requieren mayores análisis de los vínculos entre el desempeño agrícola, la generación de ingresos y la reducción de la pobreza (Valdez et al. 2008).



Public policy for rural development and social participation

*Carlos Luiz de Miranda and Breno Aragão Tiburcio*¹

Summary

This article presents the development strategy adopted at the First National Conference on Sustainable and Participatory Rural Development (CNDRSS). The objective of the conference was to lay the groundwork for a new national, sustainable and participatory rural development policy, adopting a strategic approach that recognized the importance of social actors. As important as the immediate results was the fact that a process designed to mobilize and sensitize the social actors and state entities involved, and ensure that both take part in the development of the policy, was institutionalized. Nearly 30,000 people participated in the initiative by means of 230 territorial, inter-municipal and municipal conferences, as well as other conferences held in Brazil's 26 states and in the Federal District. The national policy proposed by the conference was the result of a prolonged, complex and exhaustive process of social construction. This article also explains the role of IICA's Forum on Sustainable Rural Development (SRD) and highlights the challenges involved in implementing the results of the conference.

¹ Rural Development Specialists of the IICA Office in Brazil, carlos.miranda@iica.int and breno.tiburcio@iica.int



Key words: *National Conference on Sustainable and Participatory Rural Development (CNDRSS), public policy, rural development, sustainability, territoriality, social participation.*

Background

The 1988 Federal Constitution institutionalized the process of democratic opening following a succession of military governments. It also marked the beginning of a new stage of republican organization in Brazil that placed emphasis on political and administrative decentralization and the empowerment of broad sectors of civil society.

Before the 1988 Constitution, parliamentary representation was the only way in which the people could participate in public policies. The election of representatives to legislative and executive posts was the only means of participation open to the people, with elected officials alone responsible for defending society's interests and deciding policy.

With the adoption of the 1988 Federal Constitution, that paradigm was abandoned in favor of a combination of elected representatives and the direct participation of organized society in decision-making processes, through legal and political instruments that allow the people to play a direct role in numerous matters that concern them.

Draft legislation promoted by the people themselves, referendums, municipal and sectoral councils, participatory budgets, conferences and forums for specific segments of society are important tools that civil society uses to bring political

pressure to bear and thereby influence the design and control of public policies.

At the conferences convened by sectoral councils such as those on education, health, environment, nutrition and food security, this new form of organization of the Brazilian State permits specific segments of civil society to help determine and devise public policy. New legislation incorporating the decisions taken at the conferences is then drafted and enacted so that governments can implement them.

The First Conference National on Sustainable and Participatory Rural Development (CNDRSS), convened by the National Council on Sustainable Rural Development (CONDRAF), is just one example of the strategy used to consolidate the new participation

This is a groundbreaking initiative as far as public policies are concerned and a key element in society's efforts to develop mechanisms for social consensus-building that place emphasis on sustainability, social inclusion, diversity, equality and solidarity in Brazil's rural milieu.



mechanisms guaranteed by the 1988 Federal Constitution and widely promoted by the Federal Government in recent years. This important form of pluralistic dialogue and social participation is being used to draw up a national policy on sustainable rural development (PNDRS),

based on a series of debates on the issue of sustainable rural development. This is a groundbreaking initiative as far as public policies are concerned and a key element in society's efforts to develop mechanisms for social consensus-building that place emphasis on sustainability, social inclusion, diversity, equality and solidarity in Brazil's rural milieu.

The National Council on Sustainable Rural Development (CONDRAF) is a collegiate body that forms part of the basic structure of the Ministry of Agrarian Development. Its function is to propose guidelines for the formulation and implementation of public policies, and to serve as a mechanism for consensus building and coordination among the different levels of government and civil society organizations in the areas of sustainable rural development, agrarian reform and family agriculture. The Council has 38 members, who represent 19 institutions within the different branches of government and 19 civil society organizations.

Strategy for implementing the First CNDRSS

The First CNDRSS culminated in the construction of a public policy that addressed the challenges posed by the country's regional and social diversity. It took into account the gamut of organizational experiences, productive initiatives and innovations in public policies that already existed in the rural milieu; and affirmed and guaranteed the principles and values summed up by the theme of the conference: "For a rural Brazil with people: sustainability, inclusion, diversity, equality and solidarity."

The participants in the First CNDRSS set out to devise a national public policy for sustainable and participatory development for the rural milieu that represents the "rural Brazil that we want"



by adopting a strategic approach that attached importance to the role of men, women, young people and the elderly. The conference also endeavored to affirm a new vision of rural development and established courses of action and positions related to the challenges posed by the construction of a vision for rural Brazil, as part of a broader vision of national development.

The aim of the First CNDRSS was to achieve broad popular participation, and representatives of civil society and municipal, state and federal governments therefore took part. At each stage of the process, they discussed the proposed new types of rural organization and the territorial, regional and social dynamics, based on a plural and democratic process of interaction between the governments and social actors.

The First CNDRSS, held 25-28 June 2008, marked the consolidation of a broad process of mobilizing segments of society and galvanizing them into action, aimed at sustainable and participatory rural development. Over 30,000 people took part in the three stages of the process:

- **Preparatory stage.** As many as 225 municipal, inter-municipal and territorial conferences were held, as well as sectoral and thematic events, which were attended by 26,617 people.
- **State level.** A total of 26 conferences were held in the states, involving 7000 people.
- **National level.** Some 1572 people took part in the plenary: 1220 delegates



from civil society and the different branches and levels of government (federal, state and municipal officials), 115 observers and 237 national and international guests. A large number of women from all parts of Brazil took part in all the activities (over 42% of the participants).

Result of the process of devising a national public policy for sustainable rural development

Formulation and discussion of the base document

A base document, divided into two main parts, was drawn up to guide the discussions and the design of proposals.

- **"The rural Brazil that we have."** This section provides an overview of rural Brazil, dealing with aspects such as its economic and social makeup, regional diversity and segments of society, the effects of the conservative modernization process and the new scenario of public rural development

policies. The document also considers aspects of the international outlook and its impact on Brazil's rural development agenda.

■ **"The rural Brazil that we want."**

This section presents the elements and the proposals suggested for the preparation of the national sustainable rural development plan, comprised of strategic guidelines and focusing on four issues:

- a) Socioeconomic and environmental development: an analysis of the combination of economic, productive and environmental factors and territorial considerations.
- b) Agrarian reform and access to environmental resources: the document states that devising a national plan for sustainable and participatory rural development calls for the democratization of access to the land, knowledge, income and wealth that exists in Brazil's rural milieu.
- c) Quality of life in rural Brazil: this section sets out to demonstrate that promoting a process of sustainable and participatory rural development calls for greater economic and

social investment in aid of rural populations.


- d) Political participation and social organization in the rural milieu: this segment underlines the progress needed to establish "the rural Brazil that we want," such as close institutional-political coordination, the relationship among the Union, the states, the municipalities and the Federal District and the new institutional actors, and society's participation in political life.

The base document was designed to be the starting point for the deliberations. The participants in the earlier conferences and thematic and sectoral events were asked to critique it and suggest contributions.

Those contributions were incorporated into the second version of the document, which the states then discussed. The same procedure was followed for the preparation of the national version and the final document.

This participatory process encouraged all sectors to play an active role and made it possible to present demands and proposals at the municipal, state and rural territory levels. In that way, local, regional and national aspects were incorporated into the version of the base document.

For the discussions on the base document during the national stage of the process and the development of proposals by consensus, the participants were divided up into 21 thematic working groups. Efforts were made to preserve the inter-institutional nature of the work and reflect the diversity of people in rural areas.

 *This segment underlines the progress needed to establish "the rural Brazil that we want," such as close institutional-political coordination, the relationship among the Union, the states, the municipalities and the Federal District and the new institutional actors, and society's participation in political life.*

Outcome of the process: bases for formulating a national policy for sustainable and participatory rural development (PNDRSS)

The final version of the document approved at the First CNDRSS is a political text that includes declarations of principles and guidelines related to six thematic areas: a) public policies; b) agrarian and agricultural policy; c) social actors and the new institutional framework; d) social management of the policy; e) financing systems; and, f) the legal framework.

a) Public policy. One of the aims of the PNDRSS is to consolidate political linkages among the sectors committed to the democratization of access to land, water, energy and knowledge, environmental preservation and conservation, incentives for agroecological processes, sovereignty and food and nutritional security, and territorial production and development strategies aimed at promoting social justice. These issues require broad political debate and the coordination of social organizations to achieve a common strategic agenda.

b) Agrarian and agricultural policy. The State has a key role to play in ensuring that land performs its social function. Therefore, the policy has to give priority to agrarian reform, the regularization and reorganization of land, the sustainable development of settlement projects, the demarcation of lands traditionally inhabited by indigenous peoples and legal recognition of their ownership of



those lands, and the identification, recognition and titling of the *quilombola* territories (inhabited by descendants of slaves). All these are key issues in the process of social and economic inclusion for “the rural Brazil that we want.”

c) Social actors and the new institutional framework. The PNDRSS recognizes that social actors and their organizations form part of the new institutional framework. Public policies have to consider individuals as subjects, rather than objects, of development. Therefore, public policies must take into account the rights of women, children, young people, the elderly and the disabled, as well as those of indigenous populations, *quilombola* and traditional



Photo CENTA

communities and the homosexual, bisexual, transvestite, transgender and transsexual population in the rural milieu.

d) Social management of the policy.

The execution of the PNDRSS should be characterized by social management, by principles and concepts related to the economic, social, cultural, environmental and ethical dimensions of diversity and sustainability, and by solidarity (i.e., collective and shared responsibility). This calls for the development of new institutional and intersectoral arrangements in the rural territories that will lead to actions more closely coordinated with public policies.

e) Financing systems.

New paradigms and practices have to be adopted to help improve the quality of life of rural dwellers. The solidary economy must be one of the main dimensions incorporated into financial mechanisms and types of financing, as well as the concept of the multi-functionality of family and small-scale agriculture. To that end, it is suggested that two funds be set up: a) a constitutional fund for the development of agriculture and family production and to strengthen agrarian reform (FUNDARA); and,

b) a municipal sustainable rural development fund (FDRS).

f) Legal framework. The PNDRSS emphasizes the urgent need to review the legal frameworks in place in Brazil and create new ones, particularly those related to:

- Execution of public policies by civil society organizations
- Education actions in the countryside
- Technical assistance and rural extension actions
- Legal and regulatory matters related to the right of access to land (acquisition, guarantees of ownership and succession) as well as legislation related to the “modulos fiscales” (size, in hectares, of properties included in the agrarian reform program)
- Environmental, sanitary and tax laws applicable to small-scale family agroindustries and family enterprises
- Management of consortia
- Constitutional, public and private funds and “fondos de aval” (public funds designed to guarantee the payment of loans made to family farmers)
- Rural credit

The First CNDRSS enabled Brazil to lay the groundwork for a public policy for sustainable and participatory rural development, working in a decentralized and participatory manner. Information about the strategies, methodologies and instruments developed should be disseminated, and they could be adapted and reproduced in other countries.

- General Law on the Cooperative Movement, to permit and facilitate the setting up of associations
- Socioeconomic and ecological zoning actions aimed at guaranteeing the country's sovereignty, to set the priorities for the occupation and use of the land and the subsoil
- Implementing regulations for the Family Farming Act.

The role of IICA and the standing Forum on Sustainable Rural Development (SRD)

To provide more technical assistance for the implementation of the actions proposed in the PNDRSS, with academic support from the Observatory of Public Policies for Agriculture (OPPA), linked to the Postgraduate Program in Development, Agriculture and Society of the Rural Federal University of Rio de Janeiro (CPDA/UFRRJ), and at the request of the CONDRAF, IICA and the SRD Forum have conducted studies of proposals related to the following thematic areas:

- a) Good practices with respect to territorial public policies in Brazil and in other countries
- b) New territorial institutional actors
- c) Good practices in relation to the social management of territories
- d) Development of technical and institutional capabilities in the territories
- e) Legal / regulatory framework for territorial development
- f) Systems for financing territorial strategic projects.

Final thoughts

The First CNDRSS enabled Brazil to lay the groundwork for a public policy for sustainable and participatory rural development, working in a decentralized and participatory manner. Information about the strategies, methodologies and instruments developed should be disseminated, and they could be adapted and reproduced in other countries.

The corollary of this initiative was the institutionalization of a process for mobilizing and sensitizing the social actors and government entities and ensuring that both participated in the construction of "the rural Brazil that we want," which was the theme of the conference.

Institutionalizing the process makes it possible to evaluate, review and update rural development policies in accordance with the dynamics of the society concerned.

The big challenge now is to consolidate the results of the First CNDRSS. This calls for the mobilization of institutions and political forces, to equip the branches of government and civil society organizations with the tools they need to implement the proposals. The diverse nature of rural territories means that differentiated strategies are required.

Reference

Conferencia Nacional de Desarrollo Sostenible y Solidario "Por un Brasil rural con gente" (1, 2008 Olinda, Pernambuco, BR). 2008. Relatorio final. Ministry of Agrarian Development. 114 pp.

► Politique publique de développement agricole et de participation sociale

L'article présente la stratégie de développement de la Première Conférence nationale de développement rural durable et solidaire (CNRSS), qui avait pour objectif de jeter les bases en vue d'une nouvelle politique nationale de développement rural durable et solidaire moyennant un projet stratégique qui valorise le rôle de premier plan que jouent les partenaires sociaux. Dans cette initiative, l'institutionnalisation d'un processus de mobilisation, de sensibilisation et de participation des partenaires sociaux et des organismes étatiques en vue de l'élaboration de la politique a été aussi importante que les résultats obtenus. Près de 30.000 personnes ont participé à l'initiative, dans le cadre de 230 conférences territoriales, intermunicipales et municipales dans les 26 États du Brésil et le District fédéral. La politique nationale proposée par la conférence a été le résultat d'un processus de construction sociale prolongé, complexe et exhaustif. L'article explique également le rôle que joue le Forum du développement rural durable de l'IICA et montre les défis que pose la mise en œuvre des résultats de la conférence.

► Política pública de desenvolvimento rural e participação social

O artigo apresenta a estratégia de desenvolvimento da I Conferência Nacional de Desenvolvimento Rural Sustentável e Solidário (CNRSS), cujo objetivo foi a construção de bases para uma nova política nacional de desenvolvimento rural sustentável e solidário pela via de um projeto estratégico que valoriza o protagonismo dos atores sociais. Nessa iniciativa, a institucionalização de um processo de mobilização, sensibilização e participação dos atores sociais e entidades estatais para a formulação da política foi tão importante como os resultados obtidos. Participaram cerca de 30.000 pessoas em 230 conferências territoriais, intermunicipais e municipais, bem como em conferências nos 26 Estados do Brasil e no Distrito Federal. A política nacional proposta pela conferência resulta de um processo de construção social prolongado, complexo e exaustivo. Também é explicitado o papel do Foro de Desenvolvimento Rural Sustentável (DRS) do IICA e são destacados os desafios que significa a implementação das conclusões da conferência.

► Política pública de desarrollo rural y participación social

El artículo presenta la estrategia de desarrollo de la I Conferencia Nacional de Desarrollo Rural Sostenible y Solidario (CNRSS), cuyo objetivo fue la construcción de bases para una nueva política nacional de desarrollo rural sostenible y solidario por la vía de un proyecto estratégico que valoriza el protagonismo de los actores sociales. En esta iniciativa, la institucionalización de un proceso de movilización, sensibilización y participación de los actores sociales y entidades estatales para la construcción de la política fue tan importante como los resultados obtenidos. Participaron en la iniciativa cerca de 30 000 personas, en 230 conferencias territoriales, intermunicipales y municipales, así como conferencias en los 26 estados del Brasil y en el Distrito Federal. La política nacional propuesta por la conferencia fue el resultado de un proceso de construcción social prolongado, complejo y exhaustivo. También se explicita el papel del Foro de Desarrollo Rural Sostenible (DRS) del IICA y se señalan los desafíos que plantea la implementación de los resultados de la conferencia.

New IICA Publications available in the Library at Headquarters

The following publications, in both print and digital format, have been received recently by the Venezuela Library at IICA Headquarters. The IICA Digital Library is available at: <http://orton.catie.ac.cr/bibliotecadigital>.

Rice chain – competitiveness

(Plan of action for making the rice chain in Panama more competitive. IICA, MIDA – 2009)

This document presents the plan of action for making the rice chain more competitive. It is used by the Chain Committee and the National Advisory Commission on Rice. It includes proposals in the following areas: a) research and generation of technology; b) technology transfer and technical assistance; c) funding and insurance; d) primary production; e) industrialization; f) domestic marketing; g) foreign trade; and h) national situation.

<http://webiica.iica.ac.cr/bibliotecas/repica/B0747e/B0747e.pdf>



Agribusiness

(Good agricultural practices: a guide for operators of small- and medium-scale agribusinesses – 2008)

This document provides general guidelines on “good agricultural practices” (GAP) and how to implement them.

Good agricultural practices make it easier to understand the most common risk factors in different agricultural production activities, and the attention producers should pay to them regardless of whether their products are destined for the international or the local market. IICA makes this guide available to operators of small- and medium-scale agribusinesses of the Americas, which reflects the latest national and international initiatives and standards in this field.

<http://webiica.iica.ac.cr/bibliotecas/repica/B0737e/B0737e.pdf>



Food safety

(Good manufacturing practices: a guide for operators of small- and medium-scale agribusinesses – 2008)

This document provides general guidelines on “good manufacturing practices” (GMP), based on the general principles of food hygiene of the Codex Alimentarius. It is part of the Agribusiness Series, a series of handbooks which deal matters related to the export market and present concepts and ideas that may facilitate decision making for those who wish to enter the international market successfully. In addition, it helps to make small- and medium-scale agribusinesses in the hemisphere more competitive.

<http://webiica.iica.ac.cr/bibliotecas/repici/B0739e/B0739e.pdf>



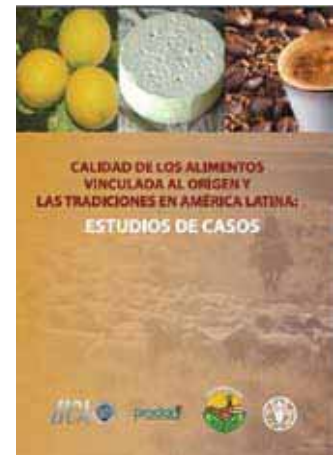
Agroindustry

(Food quality associated with place of origin and the traditions of Latin America: case studies – 2008)

The book offers information on the association of the quality of food with the place it is produced. This is a topic of particular importance in the field of rural development since some agricultural products possess certain qualities or enjoys a certain reputation due mostly to its geographical origin.

It presents eight case studies that illustrate the current situation regarding geographic indications (GI) and denominations of origin (DO) in Latin America.

<http://webiica.iica.ac.cr/bibliotecas/RepIICA/B0833E/B0833E.pdf>



Sanitary and phytosanitary measures

Performance, vision and strategy (PVS) for sanitary and phytosanitary measures: an institutional vision. 2. ed. – 2008

This instrument is used to evaluate the preparedness of countries to implement sanitary and phytosanitary measures (SPS) and to participate effectively in the international fora in which these norms are discussed. Experience has shown that countries whose animal and plant health services are more advanced and have earned the respect of their own users and their trading partners owe their success to the effective application of the SPS Agreement and to three fundamental components: a) the level of interaction among the different regulatory bodies in the public sector and between them and the private sector; b) the capacity to promote access to international markets; and c) sufficient financial and human resources. These components constitute the basis for preparing the present PVS-SPS instrument.

<http://webiica.iica.ac.cr/bibliotecas/repici/B0742E/B0742E.PDF> (Español)
<http://webiica.iica.ac.cr/bibliotecas/repici/B0744i/B0744i.PDF> (English)



Agribusiness

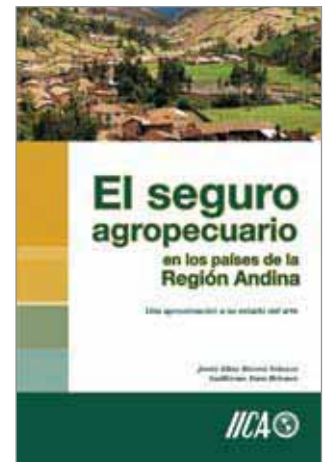
(Agricultural insurance in the countries of the Andean Region – 2008)

This document provides important information on the experiences of and lessons learned by the Andean countries in the area of agricultural insurance, and on strategies for promoting and implementing this important agricultural policy instrument.

It contains:

1. Existence of the service
2. Institutional framework (Bolivia, Colombia, Ecuador, Peru and Venezuela)
3. Coverage and size of market
4. Crops/animals and types of risk covered
5. Interest and priority (Bolivia, Colombia, Ecuador, Peru and Venezuela)

<http://webiica.iica.ac.cr/bibliotecas/repiica/B0738E/B0738e.PDF>

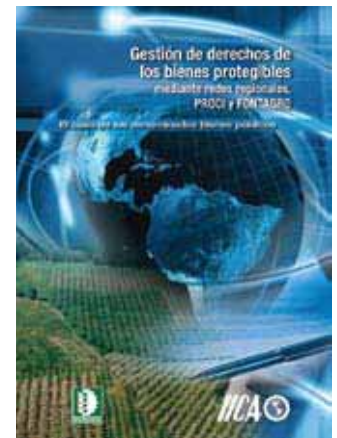


Technology and innovation

Management of the rights to protectable goods through regional networks, PROCIs and FONTAGRO. The case of public goods – 2009

The book addresses conceptual, legal and management-related aspects of this issue and makes it easier to understand and improve of the protection of the intermediate and final outputs of regional agricultural technology research and innovation projects. The first part of the study presents the current situation vis-à-vis intellectual property, as well as what is public and what is private as it relates to trade. Presented next are the elements needed for the proper management of what can be appropriated and protected. Finally, the book offers conclusions and recommendations summarizing the study in the context of the regional technology innovation system which IICA supports.

<http://webiica.iica.ac.cr/bibliotecas/repiica/B0741E/B0741E.PDF>



Rural development

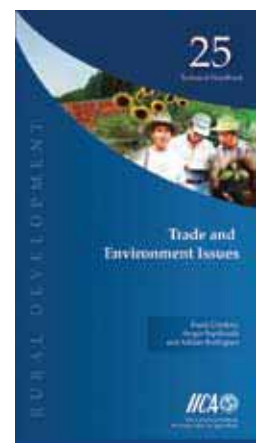
Trade and Environment Issues. Rural Development Technical Handbook n.º 25 - 2008

This handbook seeks to provide systematized information and knowledge on trade and environmental issues related to agriculture, of interest to professionals and decision-makers.

Its chapters address:

1. The effects of trade on the environment
2. Traditional and modern theories of international trade
3. Trade-related aspects of environmental policy
4. Environmental aspects of trade policy
5. Multilateral Environmental Agreements (MEAs) of importance to international trade and the treatment of environmental issues in trade policy
6. Compatibility between both types of policies
7. The way in which environmental issues are addressed in some free trade agreements

<http://webiica.iica.ac.cr/bibliotecas/repiica/B0733i/B0733i.PDF>



Rural development

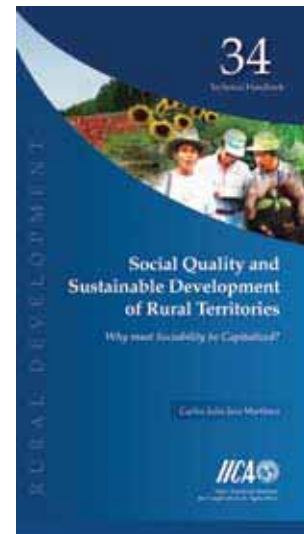
Social Quality and Sustainable Development of Rural Territories: Why must sociability be capitalized?- Rural Development Technical Handbook n.º 34 - 2008

The book proposes the construction of a new paradigm of sustainable development which must be imbued with territorial perspective and scale, and in which the quality of territorial development processes depends on how we construct social conditions within this reality. It promotes the creation of multidisciplinary approaches combining global and local elements, the State and civil society, the collective and the individual.

It contains:

- Locked in an iron cage
- Taking a new look at the rurality that still survives
- Sustainable development of rural territories
- Territories
- Some advantages of the territorial approach
- Sowing “social quality”
- Social capital compared to social quality
- Increasing the density of the social fabric: communications
- Changes in the political culture
- The new institutional framework
- Social quality and identity
- Associations and the associative culture
- Characteristics and perspectives of community associations

<http://webiica.iica.ac.cr/bibliotecas/replica/B0734i/B0734i.PDF>

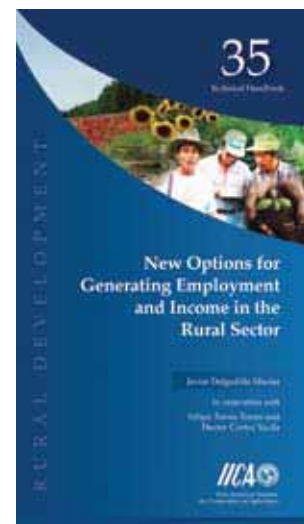


Rural development

New options for generating employment and income in the rural sector. Rural Development Technical Handbook n.º 35 - 2008

The proposed territorial approach to rural development targets those points where human systems interact with environmental systems. This is where it promotes the integration of rural production systems and generates sustainable well-being and inclusion for the largest possible number of social groups. The territory becomes an element that integrates agents, markets and public policies, while at the same time serving as the target of intended economic development.

<http://webiica.iica.ac.cr/bibliotecas/replica/B0735i/B0735i.PDF>



SIDALC

Servicio de Información y Documentación Agrícola de las Américas
Agricultural Information and Documentation Service of the Americas



¿Busca información agrícola y/o forestal? Nosotros podemos ayudar...
Searching for Agricultural and Forestry Information? We can help...

- **Expertos en la gestión de información agropecuaria y forestal**
Forestry and Agricultural Information Management Experts
- **Redes de bibliotecas agrícolas**
Agricultural Library Networks
- **Bibliotecas digitales**
Digital Libraries
- **Bases de datos referenciales y de texto completo**
Reference and full text Databases
- **Políticas de información agrícola**
Policies for Agricultural Information
- **Capacitación, metodologías y herramientas para la gestión de información**
Training, Methodologies and Tools for Information Management
- **Solicitudes en línea**
Online Requests

10  **ANIVERSARIO**
ANNIVERSARY
SIDALC



www.sidalc.net

COMUN//CA

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE
Headquarters P.O. Box 55-2200
San Jose, Vazquez de Coronado, San Isidro
11101 - Costa Rica
Phone: (506) 2216 0222 / Fax: (506) 2216 0233
e-mail: iicahq@iica.int
Web Site: www.iica.int

