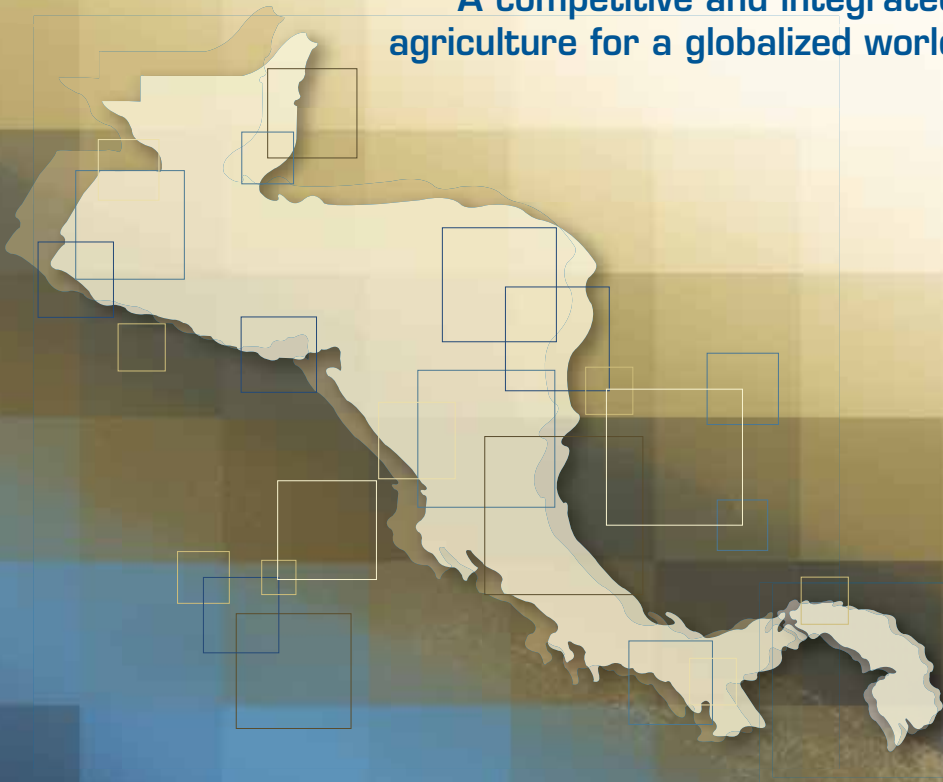




Central American Agricultural Policy 2008 - 2017

A competitive and integrated
agriculture for a globalized world



Belize



Costa Rica



El Salvador



Guatemala



Honduras



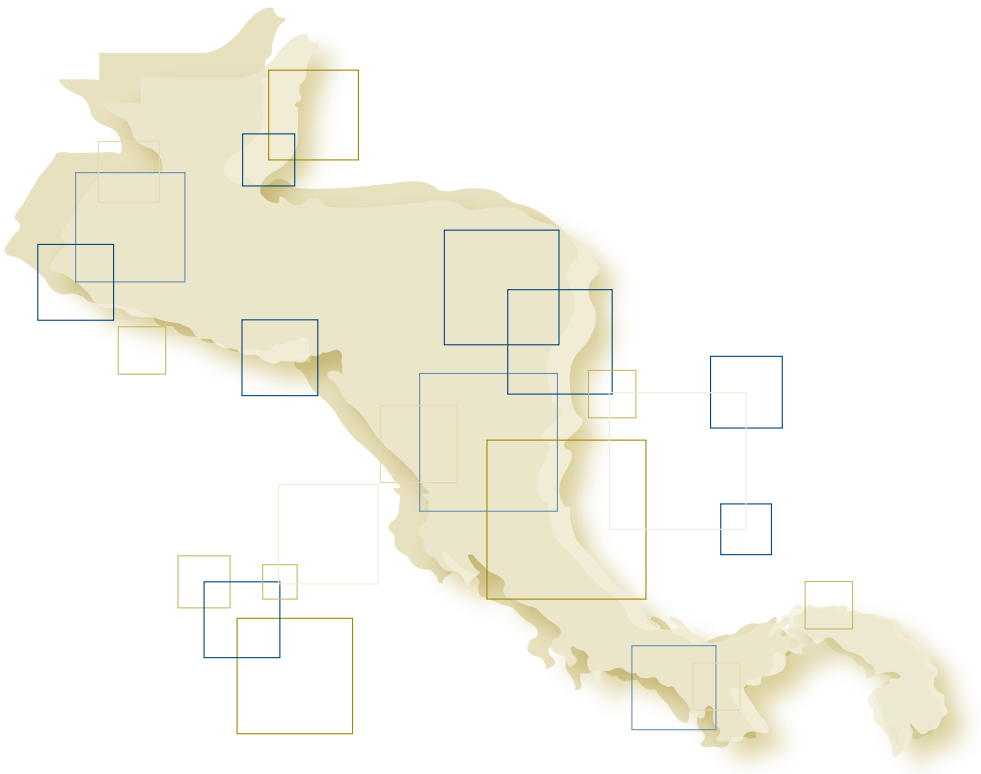
Nicaragua



Panamá

Central American Agricultural Policy 2008 - 2017

A competitive and integrated
agriculture for a globalized world



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ACRONYMS

ACEAS	Central American Association of Higher Agricultural Education
ACICAFOC	Central American Community Agro-forestry Indigenous and Peasant Coordination Association
ADAPCCA	Project to Support the Design and Implementation of Common Central American Policies
AICA	Central American Sugar Association
ALIDES	Central American Alliance for Sustainable Development
CABEI	Central American Bank for Economic Integration
CAC	Central American Agricultural Council
CCAD	Central American Commission for Environment and Development
CCC-CA	Caribbean and Central American Confederation of Cooperatives
CCIE	Consultative Committee on Economic Integration
CEPREDENAC	Central American Coordination Center for Natural Disaster Prevention
COMIECO	Council of Ministers for Economic Integration

COMISCA	Council of Central American Health Ministers
CRRH	Regional Committee on Hydraulic Resources
EAS	Expanded Agricultural Sector
ECLAC	Economic Commission for Latin America and the Caribbean
FAO	Food and Agriculture Organization of the United Nations
FECAEXCA	Federation of Chambers and Associations of Central American and Caribbean Exporters
FECAGRO	Federation of Central American Agricultural and Agroindustrial Chambers
FECALAC	Central American Dairy Federation
FECARROZ	Central American Rice Federation
FECCAPORC	Federation of Central American and Caribbean Pork Producers
FECESCABO	Central American Beef Federation
FEDAVICAC	Federation of Central American and Caribbean Poultry Producers
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GDP Ag	Agricultural Gross Domestic Product
GLP	Good Laboratory Practices
ICT	Information and Communication Technologies

IDB	Inter-American Development Bank
IICA	Inter-American Institute for Cooperation on Agriculture
INCAP	Institute of Nutrition of Central America and Panama
INTA	National Institute for Agricultural Technology
IPP	International Phytosanitary Portal
IPPC	International Plant Protection Convention
MAG	Ministry of Agriculture and Livestock
MIOA	Market Information Organization of the Americas
NGO	Non-Governmental Organization
ODECA	Organization of Central American States
OIE	World Organization for Animal Health
OIRSA	International Regional Organization for Animal Health
OSPESCA	Central American Organization of the Fisheries and Aquaculture Sector
PQR	Plant Quarantine Report
QMS	Quality Management System
RAS	Regional Agro-environmental Strategy
RUTA	Regional Unit for Technical Assistance
SCAC	Secretariat of the Central American Agricultural Council

SG-SICA	General Secretariat of the Central American Integration System
SICA	Central American Integration System
SICAgro	Central American Agricultural Information System
SICTA	Central American Agricultural Technology Integration System
SIECA	Secretariat for Central American Economic Integration
SISCA	Secretariat for Central American Social Integration
SNITA	National Innovation and Agricultural Technology System
SPS	Sanitary and Phytosanitary Measures
UAC	Central American Customs Union

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The formulation of the Central American Agricultural Policy has been a comprehensive process involving the efforts of officials of the Central American public agricultural sector and of related sectors, regional and international institutions, representatives of regional and national organizations that represent the private agricultural sector, cooperatives and civil society, academics and suppliers of inputs and services, whose opinions have been taken into consideration, and, in the great majority of cases, incorporated into this document.

The members of the Working Group of the Ministries of Agriculture deserve special acknowledgement for their technical leadership of the process to formulate the Central American Agricultural Policy, as does the Secretariat of the Central American Agricultural Council (SCAC), which coordinated this initiative. RUTA and IICA also provided valuable technical and financial support from the outset, together with the CABEL, FAO, OIRSA, SICTA and SIECA.

The CAC is also grateful for the contributions of all the organizations, business people, consultants and experts who participated in the Technical and Experts Groups and to the ETEA Foundation for Development and Cooperation, which accompanied the entire process.

I Introduction

Central America is going through a historic moment in its process of integration into the international economy as a means to promote its sustainable economic and social development.

Joint action is enabling the seven countries of the region to more effectively address the common challenges associated with this process and to take advantage of the traditional benefits of integration, such as the construction of an integrated market, with more ambitious commercial strategies based on economies of scale; the ability to attract increased external and internal investment; and to make better use of international cooperation and increase its negotiating capacity with other countries and regions.

All these factors are becoming increasingly important to the agricultural sector, understood in its expanded concept including not only primary production, farming and livestock activities, but also the processing and marketing of agricultural products, given that the structural changes taking place in the global markets are transforming the role of agriculture.

On the one hand, open trade implies numerous challenges for the agricultural sector in its traditional role as supplier of foodstuffs and raw materials. These include: demand for safe, good quality food; increased levels of competition,

both in international markets and within the regional market itself; the concentration of value added in the links of the agricultural production-trade chains that are closest to the end consumer; technological advances based on information and communication technologies (ICT) and on the development of knowledge; the need to protect and strengthen the region's sanitary and phytosanitary conditions; and a greater commitment to environmental conservation.

At the same time, the agricultural sector has begun to play a leading role in energy production, an area of strategic international importance. This has led to a reappraisal of some strategic agricultural activities, such as the production of basic grains, in which thousands of small Central American farmers participate and which is closely associated with the region's food security. Furthermore, agriculture has begun to take on other non-traditional roles, for example in the areas of tourism and environmental services.

Thus, the Central American Agricultural Policy – hereinafter referred to as the Policy - seeks to build a renewed and shared vision of agriculture that will guide this sector's actions to help it meet the challenges of the early 21st century and achieve a greater level of development during the next ten years.

The Policy contents are the result of a comprehensive discussion process between the public sector, the private sector and civil society, within each of the seven Central American countries and also at the regional level. This effort, led by the CAC, has also received support from regional and international organizations that provide cooperation to the region's agricultural sector.

The Policy was approved by the Council of Ministers of the CAC and endorsed by the Heads of State and Government of the countries of the Central American Integration System (SICA), on October 19 and December 12, 2007, respectively, as a *“key instrument for strengthening regional integration, the competitiveness of the agricultural sector, regional food security, and promoting increased access for small and medium-scale producers to the benefits of regional integration and the complementarity between the public and private sectors”* (Resolution 20 of the Declaration of the Thirty-first Summit of Heads of State and Government of the SICA Countries).

*Bernardo López
Minister of Agriculture, Livestock and Food
of Guatemala and President Pro Tempore
of the Central American Agricultural Council*



I. IMPORTANCE, CHALLENGES AND OPPORTUNITIES FOR THE AGRICULTURAL SECTOR IN CENTRAL AMERICA

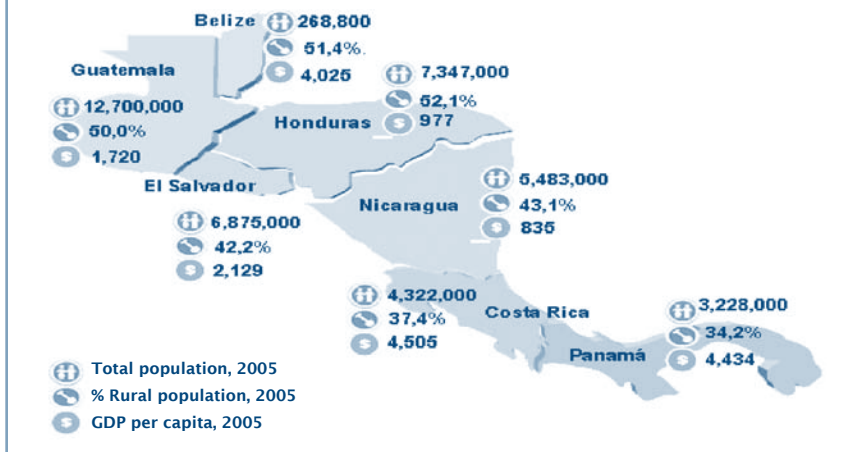
The agricultural sector plays a very important role in Central America's economic and social development. It is a traditional source of employment, a supplier of food to rural and urban populations and it produces approximately half of the total value of the region's exports. In the last two decades, a series of important political, economic and social changes have taken place that have had a significant impact on the sector and also pose new challenges and opportunities.

I. STATUS AND IMPORTANCE OF THE AGRICULTURAL SECTOR IN THE REGION

Central America: a region with similar characteristics...

The seven countries of the Central American isthmus together cover an area of 521,610 km². They possess an abundance of natural resources and contain a great wealth of soils, water resources, forests and marine resources, as well as some of the richest biodiversity in the world.

Figure 1. Central America: total population, rural population and GDP per capita.



Source: ECLAC, 2007.

Note: GDP per capita expressed in constant US\$ for the year 2000.

Central America has some 40.2 million inhabitants, with the rural population representing nearly half (45.5% in 2005) of the total. The most populous country is Guatemala, with just under 13 million inhabitants, and the least populated is Belize, with just 268,000 people. In Belize, Guatemala and Honduras, the rural population accounts for more than 50% of the total population, while in Costa Rica, El Salvador, Nicaragua and Panamá it represents nearly 40% of the total¹.

in which agriculture plays a very important role in the economy...

In recent years, the agricultural sector's direct contribution to GDP, as measured in the countries' national accounts, has

¹ ECLAC, 2007: *Statistical Yearbook for Latin America and the Caribbean 2006*.

represented nearly 20% in Guatemala and Nicaragua, between 10% and 15% in Honduras, El Salvador and Belize and less than 10% of GDP in Costa Rica and Panama. Although this percentage has gradually decreased since 1990, agriculture has strong backward and forward linkages with other sectors of the economy.

More specifically, primary agriculture is closely linked with other sectors, for example, the agroindustrial and food production sectors, through agricultural production-trade chains in commodities such as coffee, banana, sugar cane, oils, flours and meals, concentrates, fruits, meat, dairy products, fisheries and aquaculture, among others. Therefore, if the expanded agricultural sector (EAS) is considered as a whole, its share of GDP is far more significant. For example, in Guatemala, Honduras and Nicaragua, the estimated contribution of the EAS to GDP in 2004 exceeded 30%².

The importance of the agricultural sector is also evident in its contribution to intra and extra-regional trade. Since 1990, intra-regional trade has grown significantly, with agriculture taking a major share. Intra-regional exports increased from US\$671 million in 1990 to US\$ 3,912 million in 2005, with 32% corresponding to exports of agricultural goods. However, there is still great potential for growth, reflected in the fact that in 2006 intra-regional exports reached US\$4,429 million. With respect to extra-regional trade, agriculture plays an even more important role, given that in 2005 this sector's exports represented 47.5% of the total regional exports³.

2 *CEPAL, 2005: Istmo centroamericano - evolución del sector agropecuario: 2003-2004.*

3 *SIECA, 2006: Situación de la integración económica Centroamericana.*

and is one of the most important sources of employment at the regional level and the main source in the rural milieu...

The agricultural sector is not only the most important source of employment in the rural milieu, but it also acts as a “buffer” or “cushion” for urban employment in times of crisis. For this reason, the percentage of people employed in agricultural activities is considerably higher than the sector’s contribution to regional production.

In 2005, 36% of the employed population in Guatemala and Honduras worked in agriculture, in Nicaragua 29%, in Panama and in El Salvador around 19% and in Costa Rica 15%. A large number of these agricultural jobs, particularly in countries with the highest percentages, correspond to the so-called “peasant economy”, made up of self-employed workers and unremunerated family workers, who operate in a subsistence economy characterized by low productivity and high levels of poverty.

In the regional rural milieu, the agricultural sector absorbs more than half the rural workers of the entire region (54.1%), although its relative importance varies from one country to another. Its importance is greater in Nicaragua, Honduras, Guatemala and Panama, where agriculture employs more than half of rural workers. In Belize and El Salvador, less than half of all rural workers are employed in the agricultural sector, while in Costa Rica only one-third work in agriculture.

It is also important to bear in mind that agricultural development per se has created demand for rural services, such as trade, transportation, processing and others. The growth of such services has meant that the proportion of agricultural jobs with

respect to total rural employment has declined over the last decade. Between 1993 and 2003, agricultural employment as a percentage of total rural employment decreased from 63% to 53.4%, while non-agricultural jobs increased their share in the economy from 37% to 46.6%⁴.

but with a low productivity that limits the competitiveness of Central American products...

Despite the fact that between 1990 and 2000 the productivity of the region's agricultural sector increased by an average of 20%, in terms of the value of production per capita in constant values (i.e. an average of nearly 2% annually), this substantial increase was due mainly to the economic recovery that began in 1990, after the sharp decline suffered during the 1980s.

During the period 1980-2000, average productivity experienced a very slow annual growth rate of only 0.4%⁵. These low productivity levels, which limit the competitiveness of Central America's agricultural sector compared with other countries, have been influenced by factors such as a poorly educated workforce, limited adoption of new technologies and technology transfer processes and low public-private investment, among others.

However, in terms of its insertion into international markets, Central America has been very successful with products such as sugar, coffee, fruits and vegetables, among others, in which the region has demonstrated its competitiveness. These experiences underscore the fact that the agricultural sector has the capacity to take advantage of trade opportunities in the international sphere.

4 RUTA, 2007: *Study on rural workers in the Central American Isthmus*.

5 ECLAC, 2004: *Social Panorama of Latin America and the Caribbean, 2002-2003*.

and poverty is predominant in the rural milieu...

In Central America, poverty rates are higher in rural areas than in urban zones. In 2003, of the 18.7 million poor people living in the region, 12 million lived in rural areas; in other words, 64% of the poor live in rural areas. This pattern is repeated in all the countries: the incidence of poverty among rural dwellers is higher than among urban dwellers in every country in the region (see Table 1). Furthermore, poverty rates are higher among rural workers engaged in agriculture (70.9%) than among those working in non-agricultural activities (40.6%)⁶.

Rural dwellers must also contend with a series of unsatisfied basic needs, such as access to potable water and sanitation services, education, health care and electricity, among others. And, although access to certain services has improved considerably over the last decade, public investment in rural areas remains insufficient, given that the needs of rural households continue to be greater than those of urban households.

Table 1: Percentage of incidence of poverty in Central America

	CA	BLZ	CRI	SLV	GTM	HND	NIC	PAN
	2003	1995	2005	2004	2002	2003	2001	2005
Total Poverty	48,4	33,0	21,2	47,5	60,2	74,8	69,3	33,0
Rural	65,1	42,5	22,7	56,8	68,0	84,8	76,9	47,8
Urban	33,2	20,6	20,0	41,2	45,3	62,7	63,8	24,4

Source: Belize: Kairi Consultants Ltd, 1996; other countries: ECLAC, 2007.

⁶ RUTA, 2007: *Study on rural workers in the Central American Isthmus*.

without forgetting the vulnerability of the agricultural sector...

Due to its location and geography, the Central American region is exposed to a variety of natural hazards (hurricanes, the El Niño phenomenon, volcanic eruptions, floods, landslides and others), to which agriculture and the rural milieu are particularly vulnerable. The data available on the most recent disasters to affect Central America confirm that a major proportion of the losses sustained were concentrated in the agricultural sector. By way of example, of the more than US\$6,000 million in damages attributed to Hurricane Mitch in 1998, practically half (49%) occurred in the agricultural sector⁷.

In addition to the scale and recurrence of natural hazards, another element that increases the vulnerability of the region's agricultural sector is environmental fragility. Among the factors that have increased the region's environmental vulnerability are: inappropriate land use, including disordered and unplanned urbanization processes, and the adoption of unsustainable practices, such as inadequate waste disposal, overexploitation of water resources and poor treatment of sewage, deforestation and hillside agriculture without the application of management plans or soil conservation practices.

In addition to natural and environmental risks, the Central American agricultural sector is vulnerable to other types of risk: market risks (due to changes in international prices of agricultural commodities or to changes in the consumption patterns of third countries); financial risks (due to fluctuating exchange rates); and risks to animal and plant health (due to the introduction and spread of pests and diseases).

⁷ Executive Secretariat of the CAC, based on data from ECLAC.

and its institutional weakness...

The reforms implemented in the nineties (in the context of the so-called *Washington Consensus*) led to the dismantling of some agricultural-sector organizations and to certain changes in aspects of their institutional framework (laws, regulations), significantly limiting their capacity to define sectoral policies. Their assets and tasks were privatized, their budgets were cut, their personnel were reduced and their actions were focused on providing public services for the most vulnerable groups⁸. In this new context, the ministries of agriculture also lost many of their traditional policymaking instruments (the setting of prices, tariffs, import and export quotas, preferential interest rates, etc.).

Furthermore, between 1990 and 2001, there was a contraction in real public expenditure on agriculture in most of the Central American countries (except Nicaragua), particularly in the areas of infrastructure, research and technology transfer⁹. These budget cuts in the nineties severely limited investment in roads, rural schools, agricultural colleges and drainage and irrigation works, affecting efforts to promote the sustainable growth of agriculture and the rural milieu.

Constraints in the public sector have resulted in the market taking on a more decisive role in aspects such as setting prices or defining marketing strategies. However, the few existing private institutions, mainly producers' associations linked to certain products (particularly export goods), have not achieved greater levels of efficiency. Limited competition in markets means that the benefits are often not distributed equitably among producers, intermediaries and consumers.

8 Trejos, R.; Pomareda, C.; Villasuso, J.M. 2004: *Políticas e instituciones para la agricultura de cara al siglo XXI*. IICA.

9 ECLAC, 2003. *Pobreza y vulnerabilidad social: mercado de trabajo e inversión social en el Istmo Centroamericano a inicios del milenio*.

2. CHALLENGES AND OPPORTUNITIES FACING THE AGRICULTURAL SECTOR

The current situation in the Central American agricultural sector, described in the previous section, presents numerous challenges to be met and opportunities to be seized. By identifying key actions and implementing these correctly, the Central American agricultural sector will be able to strengthen its role as a generator of wealth and contribute to poverty reduction.

With regard to the regional economic integration process, the challenge lies in taking full advantage of the Central American market's potential for agriculture. To do so, the region's economies must develop production structures that increasingly complement each other. This process is not only occurring at the political level, but also within the market itself, with the emergence of new actors such as the regional supermarket chains, which are restructuring the Central American agricultural markets.

For agriculture, the main challenge is to boost its competitiveness in order to take advantage of the favorable commercial environment resulting from the advances in trade liberalization at the multilateral level and the free trade agreements signed (or in the process of being signed) by the region. The goal is to make the most of the growing business opportunities in third markets - but also to maintain or increase its presence in the Central American market – by developing and expanding the economic integration process, mainly through the establishment of the Central American Customs Union. The reason for this is that trade liberalization is a two-way process: in addition to consolidating the region's exportable supply it opens up regional markets to products from other trading partners.

In order to maximize the advantages of open trade and integration, it is essential to increase productivity through a better use of the factors of production (land, labor, capital, knowledge) by the region's large, medium and small farmers. As mentioned previously, while substantial increases in productivity have been achieved in some products, in others productivity remains very low. In this regard, the emergence of new solutions that combine traditional technologies and biotechnologies ("eco-technologies"), and organic agriculture, offer new opportunities for economic development.

Another challenge for the agricultural sector is to formulate policies that take into account the diversity of stakeholders present in the region, particularly small-scale producers, who encounter the greatest difficulties in gaining access to markets and benefiting from open trade processes. Even among small farmers it is important to differentiate between indigenous communities, young people and rural women, the groups that face the greatest constraints in terms of access to the means of production, and financial and human resources to increase their output.

To help boost productivity, the Central American countries must increase their investment in human capital and physical infrastructure, which makes it necessary to build consensus with other public institutions. A concerted effort to develop human capital through improvements in education and professional training (especially technical and agricultural education), and health and job security in rural areas, is crucial to increase labor productivity and productive growth. At the same time, additional investment is required for the modernization and development of infrastructure (ports, airports, roads, and telecommunications) to enable producers to access new markets and reduce transaction costs.

The trade liberalization processes, in turn, generate major challenges, such as strengthening the region's sanitary and phytosanitary standards by improving the quarantine systems and complying with international sanitary and phytosanitary requirements and those of the region's main trading partners.

However, opportunities are being generated that will make it possible to reduce these gaps in production:

- The great store of technology available internationally, which has already been partially adopted in the region, contributes to improve both the production and marketing of Central American products. One example is the development of information and communication technologies, which will provide small and medium-scale producers with closer links to markets or better access to training at a lower cost.
- High oil prices in 2006 have given a renewed impetus to initiatives to produce energy from vegetal products. Bioenergy production provides an opportunity to generate jobs and income in rural areas, although it is important to ensure that it does not compete with food production and jeopardize the population's food security.
- Major efforts are under way in the region in the area of risk management in agriculture, through the implementation of forecasting, early warning and risk monitoring systems. Establishing efficient agricultural insurance and other coverage instruments would contribute to reduce the risks inherent to this sector and make agriculture more attractive to private investment.
- Activities such as agro-tourism can generate more jobs and income in rural areas and serve to diversify the agricultural activities of some producers.

- Migratory flows within the region generated the sum of US\$1.140 million in remittances in 2006. Potentially, these remittances provide families with a source of investment in production and social activities. However, emigration also implies important challenges for the sector, due to the abandonment of the countryside -especially by better trained individuals and young people - and family separation.



II. THE HEMISPHERIC AND REGIONAL CONTEXT

During the Second Ministerial Meeting on Agriculture and Rural Life in the Americas held in Panama in 2003, the ministers of agriculture adopted a common long-term agenda for the improvement of agriculture and rural life in the Americas: the AGRO Plan 2003-2015. The Hemispheric Ministerial Agreement of Panama was endorsed by the Presidents and Heads of State in the Declaration of Nueva Leon, at the Special Summit of the Americas (Monterrey 2004).

The AGRO Plan 2003-2015 for Agriculture and Rural Life contemplates a shared vision of agriculture to 2015, with strategic objectives that focus all efforts and strategic actions on the achievement of its goals and the formulation and implementation of biannual hemispheric agendas, the most recent of which was approved in Antigua, Guatemala, in July 2007.

The general objective that guides the actions of the Central American Agricultural Policy is consistent with the sustainable development of agriculture and of rural communities, the overarching goal of the AGRO Plan. In addition, the Policy will contribute significantly to achieving the strategic objectives of rural prosperity, food security, international positioning, competitiveness, sustainability, equity and good governance contemplated in the AGRO Plan.

The Policy also operates within the framework of the Central American Integration System (SICA), constituted in 1991, whose main goal is to achieve the integration of the Central

American countries, thereby consolidating a region of peace, freedom, democracy and development. One of SICA's objectives is to promote the economic, social, cultural and political development of its member States and of the region as a whole, in a harmonious and balanced way, strengthening it as an economic bloc in order to facilitate its successful insertion into the global economy.

The Central American Agricultural Council (CAC), comprising the Ministers of Agriculture of the seven countries of the isthmus, has provided technical and political leadership in the formulation of the Central American Agricultural Policy. The CAC coordinates its actions with other sectoral ministerial forums in the context of SICA, with which it shares a common agenda of intersectoral issues. The Policy will strengthen existing intersectoral relations, particularly those established with the Council of Ministers for Economic Integration (COMIECO), the Central American Commission on Environment and Development (CCAD) and the Council of Central American Health Ministers (COMISCA).

In the context of Central American economic integration, the Central American Agricultural Policy is directly involved in efforts to create the Central American Customs Union, a process involving Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, through the execution of action plans. These plans aim to resolve issues that directly affect the agricultural sector, including: harmonized tariffs for sensitive agricultural products; liberalization of products not yet traded freely within the region; and the harmonization or convergence of sanitary and phytosanitary measures, including the strengthening of quarantine services in Peripheral Customs Posts. Another important issue for this sector is the coordination of measures for the administration of quotas and donations of agricultural inputs and products, and mutual recognition of sanitary or health permits.

At the same time, the Central American Bank for Economic Integration (CABEI) recently approved its Agribusiness Strategy for Central America. This plan aims to develop financial instruments and services for agriculture (e.g. weather insurance, futures contracts, partial credit guarantees, lines of credit adapted to regional agriculture, structured credit and value chains, long-term financing to boost the region's agroindustrial capacity, credit for agricultural training, etc.), research programs, mechanisms for the modernization of agricultural services and other instruments to promote the region's agribusiness. The alignment of the CABEI strategy with the Central American Agricultural Policy will generate the necessary synergy to increase its impact on the sector.

To complement the economic integration process, the environmental and the agricultural sectors have developed closer ties in recent years. The intersectoral agenda formulated jointly by the Council of Ministers of Agriculture and the Ministers of the Environment was the starting point of this process, which has been further consolidated with the participation of the Central American Health Ministers. In June 2006, it was agreed that a Regional Agro-environmental Strategy would be formulated to address the issues of sustainable land management (management of water and forest resources, land use), climate change, biodiversity and eco-business (green markets), among others.

The CAC's Executive Secretariat is responsible for coordinating the operational aspects of specific actions with other regional bodies and participates permanently in the Commission of Secretariats of SICA. It also works closely with other regional bodies, including the General Secretariat of SICA, SIECA, OSPESCA, INCAP, CABEI, CRRH, CEPREDENAC, SICTA, OIRSA and SISCA.

The private sector, for its part, has various regional agricultural organizations, or bodies directly linked to the sector, such as FECAGRO, FECAEXCA, FECALAC, FEDAVICAC, FECARROZ, FECCAPORC, FECECABO and AICA. These organizations participate in the institutional mechanisms for regional consultation, which serve as counterparts to the CAC, and will benefit directly from the execution of the Central American Agricultural Policy. Other regional bodies or networks that play an important role in the execution of the Policy include CCC-CA, ACICAFOC and ACEAS.



III. CONTRIBUTIONS OF A REGIONAL AGRICULTURAL POLICY

The Central American Agricultural Policy is an important step forward in the regional integration process and aims to show society the tangible benefits derived from this initiative.

In recent years, some preliminary steps were taken towards formulating a regional agricultural policy in the context of the Central American integration process; however, the Policy resulting from this process has achieved a greater focus in terms of the selection of proposals, concentrating only on certain policy areas that are important for the sector and proposing a new national and regional institutional framework for its execution. Moreover, this effort stems from the interest and initiative of the countries themselves, spearheaded by the ministries of agriculture, and has undergone a broad consultation process with the private sector and civil society.

As noted previously, a regional agricultural Policy can provide countries with a solid framework for designing and implementing actions that take full advantage of the traditional benefits of integration, including the development of an integrated market, more ambitious trade strategies based on economies of scale; the possibility of attracting increased external and internal investment and international cooperation; and enhancing their negotiating or bargaining capacity through joint action.

The Central American Agricultural Policy aims to:

- i)** Take advantage of the potential of the regional market to develop the competitiveness of the agricultural sector, based on new market opportunities created by the customs union and other decisions related to integration.
- ii)** Provide small and medium-scale producers with greater access to the benefits of regional integration, by facilitating their insertion into regional markets, and through production and trade alliances aimed at consolidating and developing regional and extra-regional markets.
- iii)** Strengthen regional public and private-sector agricultural institutions, creating a general framework for the design of national agricultural policies.
- iv)** Strengthen the region's human and social capital, both public and private, to address emerging issues and opportunities in the context of open trade, and with knowledge of the Central American regional integration process and its regulatory aspects.

The set of measures outlined in the Central American Agricultural Policy will also contribute to regional food security, the generation of employment and income stability for agricultural producers and workers, helping to guarantee availability, access, consumption and biological utilization of healthy, quality foods for Central American consumers, through production and trade.

The promotion of gender, ethnic and age inclusion, and of social responsibility in business, will be key elements in the design of implementation instruments for the Policy.

The Policy will also make important contributions to the search for joint solutions to a set of problems affecting the sector, which transcend national boundaries or are common to all countries, for example those related to the environment, agricultural health, technological innovation and risk management, as well as problems of vulnerability to recurring adverse climatic events in the region.

Similarly, the Central American Agricultural Policy will provide a platform for the agricultural sector to promote measures that are not strictly within its sphere of competence or that constitute an intersectoral responsibility. In this regard, some important issues have been identified that must be addressed as a complement to this Policy, for example the need to improve rural infrastructure (rural roads and production infrastructure) and to facilitate and regulate intra-regional migrations for agricultural tasks.



IV. PRINCIPLES, SCOPE AND OBJECTIVE

I. PRINCIPLES

The actions implemented in the context of the Central American Agricultural Policy will be based on the principles established in the Tegucigalpa Protocol to the Charter of the Organization of Central American States (ODECA) and on the Guatemala Protocol to the General Treaty on Central American Economic Integration, strengthened and complemented with the following:

- **Legality:** the actions undertaken in the context of this Policy will adhere to the regional legal framework established in the Tegucigalpa Protocol to the ODECA Charter, the Guatemala Protocol to the General Treaty on Economic Integration and its complementary and derivative instruments, and to national and multilateral regulations governing the Policy's implementation.
- **Regionality:** the Policy includes actions that are best implemented at the Central American level, rather than at national or local level. This is due, among other things, to the fact that if they are undertaken jointly they have a greater impact than individual actions in each country, generate economies of scale, promote the integration of regional markets, enhance the use of international cooperation resources and promote intra-regional horizontal cooperation.

- **Graduality:** the Central American Agricultural Policy will be executed in a gradual manner, through the effective and efficient implementation of instruments that guarantee the achievement of its objectives.
- **Sustainability:** the Policy will comprehensively incorporate the four areas of sustainable development: economic, social, environmental and political-institutional.
- **Accountability and transparency:** all programs, projects and actions executed as part of the Central American Agricultural Policy will be subject to a monitoring, evaluation and accountability process, which will be accessible to all stakeholders, through various mechanisms, including periodic reports submitted to the Council of Ministers of the CAC, to the Consultative Committee on Central American Economic Integration, to other competent regional forums responsible for specific thematic areas and to regional and international technical and financial cooperation organizations.
- **Participation:** As in the formulation process, the private sector and civil society will participate in consultations and in the implementation of the Policy.
- **Complementarity:** The Central American Agricultural Policy will take full advantage of the synergies and complementarities between the region's countries and the strategic areas selected, and also between public and private sectors and other major players involved in agriculture, including international cooperation agencies.

2. SCOPE AND BENEFICIARIES

The Policy will have the following scope:

- **Thematic Scope:** For the purposes of the Policy, the agricultural sector will be understood in its expanded conception, in other words, it will encompass primary production activities and the processing and marketing of agricultural products, based on the concept of agricultural production-trade chains, according to the competencies established by the existing regional legal framework.
- **Geographic Scope:** The Central American Agricultural Policy will cover the seven member countries of the CAC in the Central American isthmus: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.
- **Time Frame:** The Policy has a long-term time frame. The initial phase will be executed within a ten-year period and contemplates several stages with concrete results, prioritizing the actions and areas under the direct competency of the CAC and the ministries and secretariats of agriculture.

The Policy's beneficiaries will include all stakeholders of the agricultural sector: farmers, agripreneurs and their organizations; investors; suppliers of inputs and financial and non-financial services; consumers; the rural population in general; and, governments and technical and financial cooperation organizations, which will benefit from the alignment of their actions with a regional Policy.

3. OBJECTIVE

Promote a Central American agriculture that is sustainable, modern, competitive, equitable, articulated at the regional level and conceived as an expanded sector, capable of adapting to new roles and opportunities, and promoting complementarity between public and private-sector actors.



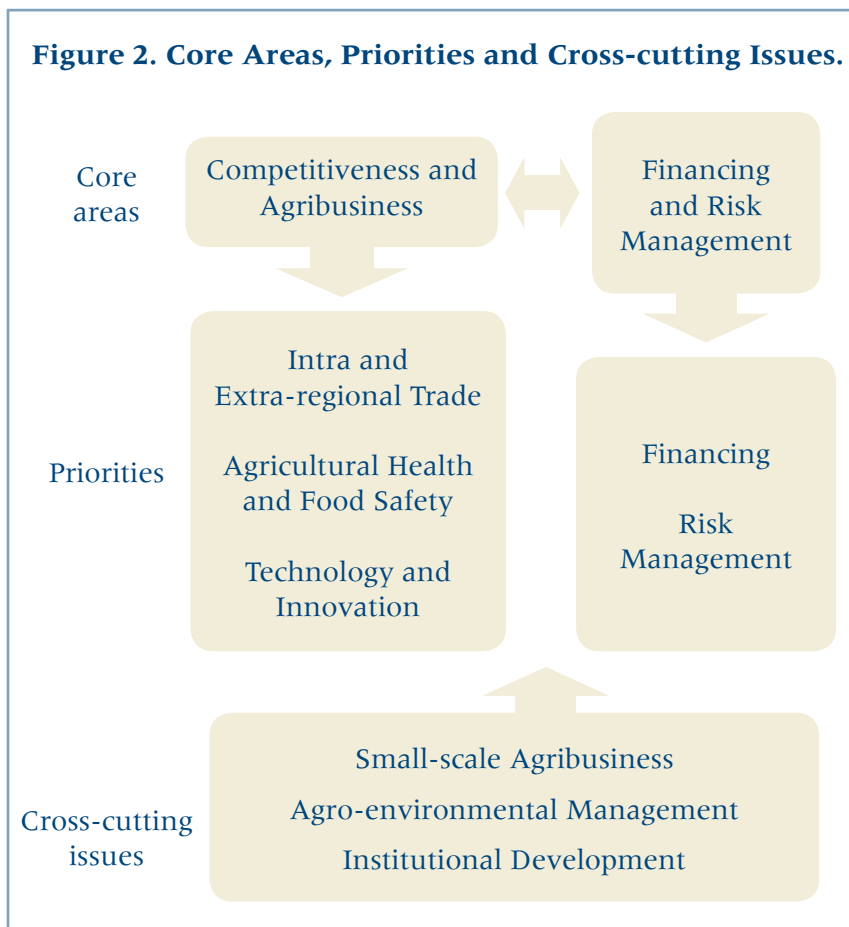
V. CORE AREAS, CROSS-CUTTING ISSUES AND REGIONAL MEASURES

The Central American Agricultural Policy is based on two articulating core areas: i) Competitiveness and Agribusiness and ii) Financing and Risk Management. The first includes policy areas related to intra and extra-regional trade, agricultural health, food safety and technology and innovation. The second includes the promotion of rural financial services and risk management.

In addition to these two core areas, the Policy contemplates three cross-cutting issues namely, special initiatives to address the needs of small-scale agribusiness, a commitment to environmental management and the necessary actions to develop the national and regional institutional framework to guarantee the Policy's implementation.

This chapter presents an assessment of the regional situation in the Policy's core areas and cross-cutting issues, together with the regional policy measures agreed in these aspects.

Figure 2. Core Areas, Priorities and Cross-cutting Issues.



This assessment of the regional situation stems from a comprehensive process of dialogue and discussion on the Policy contents and covers the most important aspects considered in the national and regional consultations held for its formulation.

It is important to note that the Policy's regional measures were defined bearing in mind the following aspects:

- i) The differences existing between countries and also within each country;
- ii) That some of the sector's main problems must be addressed on an intersectoral basis, not only with the participation of the CAC and the ministries of agriculture, but also with other major stakeholders in the region; therefore, strong action is required to promote their participation;
- iii) That the regional Policy complements, but does not replace, national efforts;
- iv) That the available resources and any that may be obtained to execute the Policy will always be limited in relation to existing necessities; this implies setting priorities;
- v) That important regional-level actions are being implemented in the sector, many of which could be aligned to support the execution of the regional Policy;
- vi) That the overall execution of the Policy's actions should contribute to the achievement of higher goals, such as food security, rural development, poverty reduction and good governance in the Central American nations.

I. AREA OF COMPETITIVENESS AND AGRIBUSINESS

The Area of Competitiveness and Agribusiness is based on an understanding of competitiveness as the capacity of a business or sector to implement strategies aimed at creating value, gaining market access and successfully remaining in the market.

Central American agribusiness has based its competitiveness almost exclusively on the comparative advantages provided by the region's natural resources and on low labor costs. In general, this sector has traditionally focused on producing agricultural commodities with little or no value added, with limited use of technology and low productivity. In a context of rapid technological development, in which power is increasingly concentrated in the distribution systems, it is essential to transform and modernize production in Central America's agricultural sector through a greater intersectoral integration, given the impact of its decisions on production, food security, public health, trade, competitiveness, tourism and the environment. Similarly, it is necessary to promote strategic integration and coordination between the public and private sectors, in order to energize the actors of the agricultural production-trade chains and the market for agricultural services.

Agricultural trade also implies special efforts in relation to sanitary and phytosanitary measures (including food safety) to protect the lives and health of people, animals and plants. The aim is to facilitate intra-regional and extra-regional trade and optimize the agricultural sector's competitive advantages, enabling the region to consolidate an exportable supply, in line with international sanitary and phytosanitary requirements and those of the region's trading partners.

This means that countries must develop the institutional capacity to effectively apply sanitary and phytosanitary regulations and, together with the private sector, define a shared vision to guarantee greater reliability in their processes and increase their credibility among consumers and trading partners.

The Central American agricultural sector has numerous examples that demonstrate its capacity to successfully penetrate and remain in international markets, thereby confirming its competitive potential.

However, during discussions on the formulation of the Central American Agricultural Policy, a number of constraints were identified, which prevent the region from taking full advantage of trade opportunities and making a greater contribution to the development of the rural milieu and to countries' overall development.

Some of these constraints are:

- Countries' limited capacity to comply with growing national, regional and global sanitary and phytosanitary requirements. This requires increased harmonization of binding sanitary and phytosanitary measures, the use of risk analysis, the recognition of equivalent systems to ensure appropriate levels of protection, the establishment of reliable traceability systems, intersectoral integration, regional coordination of efforts, the strengthening of the institutions involved and the articulation of the public and private sectors, industry, academia and consumers.
- A deficit in the supply of technologies and specialized services in the agricultural production-trade chains and in emerging businesses that directly serve producers and entrepreneurs.

Some agricultural services, such as technical assistance and technology transfer, were previously provided by the public sector. Now, the public sector's role in the provision of these services must be strengthened to increase their impact, but there should also be efforts to promote private-sector services and the forging of alliances with the public sector, academic and research institutions.

- Insufficient capacity to develop technologically innovative agribusiness initiatives directed towards specific market niches, with both regional and extra-regional projection.
- Lack of external tariff harmonization and low levels of equivalence, homologation and accreditation of non-tariff measures to facilitate intra-regional trade.
- Inadequate infrastructure that limits intra-regional and extra-regional trade.
- Deficient marketing services and distribution channels in the region.
- Weakness of public and private-sector organizations that promote and facilitate the insertion of agribusiness into the regional market.
- Weakness in the areas of innovation, research and development among technology companies that generate solutions to the problems affecting the regional and national agricultural production chains.

However, comprehensive efforts to address these and other issues that are critical to increase the competitiveness of

the region's agricultural sector are already under way, with national and regional actions to facilitate the implementation of measures included in this aspect of the Central American Agricultural Policy.

It is important to note that the timeframe for the application of the components of this core Area allows for the gradual evaluation and inclusion of necessary adjustments in response to the changing context of agriculture. This will make it possible to include any emerging issues that must be considered to achieve greater levels of competitiveness in the agricultural and rural sectors, and promote agribusiness, value chains and the inclusion of all those who depend on this economic activity.

REGIONAL MEASURES

1. Promote a positive image of expanded agriculture

This measure seeks to: i) reposition the sector in the national and regional contexts, thereby giving the ministries of agriculture and the CAC greater influence on the decision-making process, with the aim of increasing public investment in the sector; ii) improve the sector's image and highlight its profitable, competitive activities, with innovative technologies; and iii) improve public perceptions of rural jobs as modern, wealth-generating activities that are attractive to young rural dwellers.

Implementation instrument: regional program to convey a positive image of expanded agriculture.

2. Develop coordination mechanisms and regional actions to address exceptional situations affecting agricultural commodity markets

The structural changes occurring in the international commodity markets have had a major impact on the region. In response to this situation, more integrated national actions accompanied by a regional strategy may provide a way to reconcile economic interests, thereby contributing to poverty reduction and to food security.

One concrete example to address these emerging issues is the regional strategy for the production and trade of basic grains, already approved by the Council of Ministers of the CAC, in response to the exponential growth of international demand for yellow corn to produce biofuels, which has increased the import price of this strategic product for the region.

This strategy contemplates the following measures: increase regional production; enhance intra-regional free trade; prioritize the regional supply; establish an information system for grains and major inputs; monitor leading markets and international prices; use of climate and operational forecasts for the first planting, etc.; establish networks of specialists in technology and innovation; promote access to insurance, guarantee services and financial resources; promote investment and co-investment mechanisms to rehabilitate and modernize infrastructure; encourage joint negotiation to obtain seeds and key inputs for production; and, promote small and medium-scale producers' associations.

Implementation instrument: a public-private coordination mechanism to address exceptional situations that impact the agricultural sector.

3. Promote transparent, efficient and effective market mechanisms that contribute to the modernization of commercial intermediation services

To promote the market insertion of Central American agriculture, innovative marketing mechanisms must be developed that can be adapted to countries' specific socio-cultural conditions and to the needs of each agribusiness chain. These should foster the transparent use of information and negotiation, provide services with added value and facilitate the development of businesses, including those of small producers.

These mechanisms include non-traditional regional wholesalers, territorial collection points, public auctions and agricultural commodity exchanges with spot and futures markets; linkages with supermarket chains and contract agriculture. These instruments are at different stages of development in the Central American countries, but there are successful experiences in each country. Some have great potential as generators or facilitators of intra-regional trade.

The above mechanisms will be promoted through the creation of regional networks, the dissemination of services and the training of small and medium-scale producers in their use, the development of regulatory frameworks for their implementation and regionalization, and the exchange of experiences and information.

Implementation instruments: i) strengthening the commodity exchanges and integrating these at regional level; ii) developing new financial and risk management instruments; iii) training programs for farmers and buyers on the use of marketing mechanisms; iv) programs to develop contract agriculture and links with supermarket chains; and v) establish a Central American network of wholesalers.

4. Evaluate, strengthen and integrate information and competitive intelligence systems

The agricultural sector will be provided with an analysis of the competitive environment, business opportunities and data related to companies, agricultural production-trade chains and/or market sub-sectors.

A regional system will be established whose components will include capacity building for the gathering and analysis of country-level information, and its integration with the regional system; the identification and analysis of business opportunities; the management of secondary information on trade, prices, markets, production and on economic, legal and political indicators included in databases; and contextual and competitive analysis.

Special attention will be paid to disseminating information, capacity-building and assistance to enable the different stakeholders of the regional agricultural sector to use the information Systems in the best possible way.

As members of the Market Information Organization of the Americas (MIOA), the Central American countries are currently involved in the design of a program to strengthen agricultural market information systems, which could provide a platform for developing the instrument proposed in this measure.

Implementation instrument: Regional competitive intelligence system.

5. Promote mechanisms to facilitate the national and regional integration of actors involved in the agricultural production-trade chains, paying special attention to the insertion of small-scale agribusiness.

The forging of strategic public-private sector alliances leads to improved living conditions for the actors of the national and regional agricultural production-trade chains. In turn, the integration and strengthening of these chains can increase the sector's competitiveness, through a work agenda that takes into account the technical, economic, commercial, technological, environmental and social characteristics of the different stakeholders.

This measure will identify and prioritize chains that face problems common to all the CAC countries that can be addressed through joint regional actions as well as through existing structures or potential businesses that have regional linkages.

At country-level, the first step will be to define a work agenda, with actions aimed at improving the competitiveness of the chains. Subsequently, a representative committee will be established to monitor the implementation of the work agenda. This committee will include representatives of producers' associations, farmers' cooperatives, processing industries, agroindustrial cooperatives, packing plants, marketing and internal and external distribution firms; public institutions that play a major role in the chain; and consumers' associations. A technical secretariat will be established for each priority chain, which will execute the national agenda.

A regional committee will also be established for each chain to promote competitiveness among the stakeholders, improve market access and encourage regional linkages and exchanges aimed at achieving better positioning and greater competitiveness in regional and international markets. It will also promote regional pre-investment and investment programs that address the critical issues of each chain.

To take full advantage of access to international markets, it will be necessary to improve the dissemination, transfer and exchange of experiences in the areas of process and product development. This will be fundamental to advance more rapidly in improving the competitiveness of companies.

In addition, a trade promotion strategy is necessary to showcase and improve the positioning of the region's agricultural products in international markets. This would include business tours, trade missions, joint participation in trade fairs, the development of collective brands and other distinctive labels (denomination of origin and others). The strategy would seek to improve capacities to take full advantage of the trade agreements.

Implementation instruments: i) program to incorporate competitiveness agreements into the agricultural production-trade chains ii) regional program to promote trade; iii) horizontal cooperation program; and iv) regional program to link small farmers with the agricultural production-trade chains.

6. Modernize private-sector services directed at the agricultural sector

The purpose of this measure is to strengthen the regional market for specialized services, particularly technical assistance

services, technology transfer, mechanization, irrigation, training, information, marketing and business management. It also aims to promote business partnerships, modernize production, logistics, transport, and promote the certification of animal and plant genetic material, denomination of origin and other distinctive product labels.

Special emphasis will be given to supporting private-sector organizations interested in offering services that were formerly provided solely by public institutions.

Implementation instruments: i) regional competitive funds; ii) regional training program on the provision of services to the agricultural sector; and iii) investment program for the modernization of private services for agriculture.

7. Modernize the peripheral quarantine posts

The countries of the Central American Customs Union, in coordination with the Executive Secretariat of CAC and OIRSA, have designed a regional strategy to modernize the peripheral quarantine posts. This strategy, which is to be implemented in the period 2007-2010, aims to improve the efficiency and efficacy of quarantine services and facilitate trade. Its actions will be aimed at: i) modernizing infrastructure; ii) providing modern equipment and appropriate technology; iii) training and strengthening human resources; iv) eliminating discretionality at the quarantine posts; v) reducing waiting periods for diagnostic tests at the entry points; vi) establishing the necessary controls for monitoring and evaluation purposes; and vii) improving coordination between sanitary/phytosanitary authorities and the private sector.

Belize and Panama will be incorporated into the strategy once the assessments of their respective quarantine control posts have been completed, thereby expanding this measure to all seven countries of the Central American isthmus.

The strategy is being implemented in coordination with OIRSA and the Project to Support the Design and Application of Common Central American Policies (ADAPCCA), financed by the European Union and executed by SIECA.

Implementation instruments: i) regional project to modernize the UAC's peripheral quarantine posts; ii) program for the implementation of quality control standards and systems; iii) training program iv) an incentives plan for customs officials; and v) strategy for the selection and renewal of technical personnel.

8. Review and harmonize sanitary and phytosanitary regulations

Institutional capacity will be strengthened to achieve the harmonization or standardization of sanitary and phytosanitary regulations in the national and regional spheres, continuously updating these in line with international regulations.

In this regard, the review and updating of the Central American Regulations on Sanitary and Phytosanitary Measures and Procedures is a crucial factor, together with the implementation of the agreements that are currently being developed in the context of the Central American Customs Union, including: i) the identification, publication and application of sanitary and phytosanitary technical standards in the UAC countries; ii) sanitary and phytosanitary directives to facilitate the trade of agricultural products originating in the UAC's member States; iii) directives and procedures on

food safety; iv) implementation of the COMIECO resolutions 117-2004 and 175-2006, exempting 515 products and sub-products of vegetal origin from import permits and phytosanitary export certificates; and v) implementation of the recommendations contained in the evaluation report on the UAC quarantine posts.

Implementation instruments: i) operation and consolidation of the Central American SPS Committee; ii) strengthening the SPS Subgroup and coordination with other subgroups involved in the UAC process; iii) creation and/or strengthening of national SPS committees in the region; and iv) strengthening the National Codex Alimentarius Committees and articulating these with the National Committees on Sanitary and Phytosanitary Measures.

9. Create and adapt agricultural health and food safety certification systems

This measure focuses on the formulation of regulations and procedures to establish a harmonized and audited Central American sanitary and phytosanitary certification system.

Implementation instruments: i) training program on inspection, verification and certification procedures; ii) audit program; and iii) certification program for products and/or processes.

10. Strengthen the use of risk analysis in the countries of the region

A strategy will be developed to strengthen and consolidate the national analysis units on sanitary and phytosanitary risk,

which would include the creation of the Regional Sanitary and Phytosanitary Risk Analysis Unit together with a system to provide access to information on animal and plant health and food safety.

Implementation instruments: i) ongoing training program; ii) integrated information system for OIRSA, the OIE and the IPP-IPPC; iii) subscriptions to information sources (CAB Abstracts, Crop Protection Compendium, PQR, etc.); and iv) a Regional Sanitary and Phytosanitary Risk Analysis Unit.

11. Develop equivalence agreements on SPS between the Central American countries and their trading partners

The first step towards securing such agreements is to formulate and apply the technical and administrative procedures established in the Central American Regulations on Sanitary and Phytosanitary Measures and Procedures and in international reference regulations. Capacity-building is also required to evaluate the performance of the national agricultural health and food safety systems, in order to identify and strengthen the areas in which equivalent measures may be agreed.

Implementation instruments: i) continuous training program; ii) promote the exchange of experiences with countries that recognize SPS equivalence systems; iii) regional mechanism to follow up on the negotiations on equivalence agreements; and iv) the review and approval of equivalence agreements between the countries of the region and their trading partners.

12. Improve the capacity of official laboratories to guarantee their competence and obtain international recognition

In order to improve the capacity of official laboratories, guarantee their competence and obtain international recognition, it is first necessary to assess their current status and their specific needs in terms of infrastructure, equipment, technical capacity; it is also important to identify those laboratories that can be used at regional level, given their current or potential capacity.

Official laboratories can be strengthened through the implementation of quality assurance and accreditation systems, aimed at obtaining recognition of their technical competence and promoting their active participation in international networks. The aim is to improve their quality management systems and strengthen regional and international technical and scientific cooperation.

In the context of the Project to Support the Design and Application of Common Central American Policies (ADAPCCA), provision has been made for funding to purchase laboratory equipment in order to strengthen the official laboratories.

Implementation instruments: i) assessment of the laboratories; ii) implementation of quality management systems in the laboratories —ISO 17025, QMS (Quality Management System) — and of good laboratory practices, iii) accreditation of laboratories; iv) official recognition of private laboratories; and v) participation of official laboratories in international and regional networks.

13. Programs for the prevention, control and eradication of pests and diseases that restrict trade and endanger human health

The existing programs will be strengthened, including those aimed at preventing brucellosis, tuberculosis, rabies, swine diseases (erysipela, classic swine fever and salmonelosis) and avian diseases (Newcastle, avian influenza, laryngo-tracheitis and salmonelosis). Monitoring systems will also be established for regulated pests such as Thrips palmi, pink mealy bug, khapra beetle, golden nematode, coconut lethal yellowing disease, black sheath rot disease in rice and fruit fly.

Consideration will also be given to implementing new national and regional programs for the prevention, control and eradication of pests and diseases that restrict trade and to the establishment of pest and disease free areas, or of low prevalence, and of sanitary and phytosanitary corridors. Special efforts will be made to assist countries in developing their capacity to respond to emergency situations and other emerging issues.

This measure is consistent with the regional strategy to protect agricultural health in order to prevent a loss of competitiveness through the introduction of exotic pests and diseases, and at improving competitiveness through the eradication of internationally recognized pests and diseases.

Implementation instruments: i) strengthening the programs' economic and human resources; ii) increasing laboratories' diagnostic capacity; iii) private-sector participation in prevention, control and eradication campaigns; iv) review and adaptation of existing legislation and programs; and v) regional traceability program.

14. Develop operational mechanisms and procedures for the accreditation/ authorization/ officialization of third parties, in the provision of specific official services

This measure contemplates an assessment of existing national accreditation/authorization/officialization systems and a program to expand animal and plant health services through the delegation of actions to third parties.

Central American regulations and procedures will be drafted to facilitate accreditation, authorization and officialization processes; moreover, these programs will be implemented without loss of responsibility on the part of the official bodies.

Finally, the authorization, accreditation and officialization programs will be subject to rigorous audits, in order to maintain the confidence of trading partners.

Implementation instruments: i) training of personnel involved in the accreditation systems; ii) regional guidelines to facilitate accreditation, authorization and officialization processes; iii) quality monitoring and evaluation of third parties accredited, authorized and formalized by the official sector; iv) verification that the methodologies used are validated by international reference organizations; and v) program to audit permits and accreditations.

15. Active participation in the different organizations concerned with sanitary and phytosanitary issues

The Central American countries have joined various international forums concerned with sanitary and phytosanitary issues, including the SPS Committee of the

World Trade Organization (WTO), the World Organization for Animal Health (OIE), the International Plant Protection Convention (IPPC) and the Codex Alimentarius Commission.

A coordinated participation by the Central American countries in those organizations will give them a greater presence and influence, based on the identification and adoption of joint positions on issues of common interest. It will also facilitate the exchange of opinions on matters to be discussed at the respective meetings and the promotion of issues of regional interest and alliances with other countries or regions.

Implementation instruments: i) a regional system to follow up on topics and issues discussed at international forums on agricultural health; ii) fund to facilitate countries' participation at the meetings of international and regional organizations; and iii) continuous training program for representatives (public and private sectors).

16. Promote dialogue, research and regional and international cooperation to promote the development of new technologies, better practices and regional business opportunities for the production of agro-energy

One of the new tasks assumed by the Central American agricultural sector is the production of agro-energy. However, there are concerns that agro-energy production could further expand the agricultural frontier or - depending on the type of product selected - that it could have a negative effect on biodiversity. It will therefore be essential to maintain a proper balance between energy and food production.

Nevertheless, the development of this activity has the potential to generate not only economic benefits, but also environmental

and social ones; for example, it could contribute to reduce environmental pollution and improve health and the quality of life. The production of agro-energy is another activity in which small and medium-scale producers can participate.

Implementation instruments: i) forums for regional dialogue; ii) research and technology transfer programs, including the systematization and dissemination of good practices and market intelligence; and iii) horizontal technical cooperation at the hemispheric level.

17. Promote national technology innovation systems and their articulation with SICTA to strengthen the competitiveness of the agricultural production-trade chains

The incorporation of technologies generated within the region and the transfer of others produced abroad have enabled different sectors to increase their competitiveness. The region has numerous institutions and organizations that conduct research for the agricultural sector, but their actions are not coordinated.

To improve the levels of competitiveness it is important to support the creation of national systems that promote joint work in the areas of research and technology transfer in primary production, post-harvest management and industrialization. The participation and commitment of different technology sectors is reflected in improved levels of productivity among businesses and in the generation of value added in the production processes.

At the same time, the articulation of the national systems with SICTA improves their capacity to respond more effectively to the demand for technology. The implementation of

joint projects and the creation of regional consortia are two alternatives that should be promoted in the coming years, in order to improve the production and trade processes of the region's agribusiness chains.

Implementation instruments: i) national technological innovation systems; ii) regional forum of SNITA; iii) SICTA.

18. Promote a regional platform for the development, management and safe use of agro-biotechnologies and their products in Central America

Growing demand for food and export products is a challenge that the region must address in the short term. To meet this challenge, the region must implement a strategy to guarantee a safe and good-quality food supply for its future generations. The use of new technologies in agriculture can be promoted through the development of a scientific, business and commercial platform.

The regional strategy for the development of agro-biotechnologies contemplates the establishment of an intersectoral group to promote awareness about their use and facilitate spaces for discussion and technological and business development.

The strategy also seeks to encourage partnerships with the production sectors and with actors of the regional agribusiness chains, in order to implement productive modernization

projects that safely incorporate these technologies. The strategy contemplates four strategic areas: i) political and legal framework; ii) public image and information; iii) institutional development; and iv) research, innovation and marketing of agro-biotechnology.

Implementation instrument: Regional Strategy on Agro-biotechnology and Biosafety for Central America.

19. Promote strategic alliances between the public, private and academic sectors to meet the demand for technology and innovation required to improve the competitiveness of agricultural production-trade chains

Businesses must respond to market signals with innovations that increase their levels of productivity and competitiveness.

To do so, the agribusiness sector and scientific research centers (including the academic centers) need to establish mechanisms for joint work in order to identify demands for technology and formulate proposals to develop technological solutions. Efforts should be made to adopt the model of a technology innovation consortium that promotes technological development for the benefits of all the stakeholders of the agricultural production-trade chains.

Implementation instrument: Technological innovation consortia for each agricultural production-trade chain.

2. AREA OF FINANCING AND RISK MANAGEMENT

The Area of Financing and Risk Management consists of two basic components to increase the competitiveness of the agricultural sector and ensure that it develops in a sustained manner. The first is financing, an essential element to enable rural producers to make the necessary investments and increase their productivity and competitiveness. The second is risk management, in recognition of the importance of reducing the risks of investing and producing in the agricultural sector, expanding access to financing for production and increasing competitiveness.

The financial system that serves agriculture includes a wide variety of institutions, such as private banks, development banks, cooperatives, NGOs, special projects and insurance firms, among others. Moreover, a substantial part of the financing is provided by actors within the agribusiness chains themselves, particularly agro-industrial companies, distributors of imported goods (especially machinery and inputs) and exporters. All these actors of the financial sector (or those that provide financial services without being an explicit part of the financial sector) serve the different stakeholders of the agricultural sector according to their interests and requirements, bearing in mind their capacity.

Financial services should not be limited solely to the provision of credit, but should also offer other services such as savings, letters of credit, transfers, certificates of deposit, insurance, etc., which are increasingly necessary to improve competitiveness and market share.

However, many of the measures that impact the development of the financial system, including those that serve agriculture,

are regulated by national financial institutions, for example central banks and financial oversight bodies, and by regional entities such as the Central American Monetary Council.

This means that the ministries of agriculture must improve their capacity to promote and influence decisions that support the development and regulation of financial services directed at the agricultural sector.

With respect to the component of risk management, this should be understood in a broader sense, as encompassing not only financial risks, but also market, labor, economic and production risks. In Central America, the risks associated with natural hazards such as droughts, desertification, floods, earthquakes, frosts, hurricanes, forest fires, etc., are especially important. Many of these hazards are closely associated with climate variability and change and, therefore, with environmental management.

In this regard, it should be noted that, given their specificity and thematic affinity, some important measures to address the issue of risk reduction have already been included in the Area of Competitiveness and Agribusiness, for example, information systems to reduce market risks and health risks.

During the consultation and formulation phase of the Central American Agricultural Policy, several elements were identified that limit the development of rural financial services and risk management instruments, including:

- The perception held by the private sector, financial and non-financial, that the agricultural sector is high-risk.
- Limited information on the options and terms of existing financial services.

- Lack of financial instruments adapted to the specific needs of agriculture.
- The absence of real guarantees, especially for small farmers.
- The weakness of public-sector agricultural institutions with respect to the provision of financial services and solutions.
- Lack of insurance mechanisms to protect against risks.

REGIONAL MEASURES

20. Promote and develop new financial services and instruments for agribusiness

The financial sector, especially private banks, insurance firms and the CABEL, has developed numerous services and instruments that are little known to the majority of rural stakeholders. Disseminating information about these services would give the different actors of the agribusiness chains greater access to credit systems that are better suited to their needs.

However, many services are not adapted to the needs of small agribusinesses, especially micro-credits. This measure will encourage the development of new financial services that are better suited to the conditions of agriculture, especially long-term financing, bearing in mind the seasonality of the harvests and the trade cycles.

Implementation instruments: i) information and training program on financial services for agriculture; ii) public-private

cooperation program to develop new financial technologies for agriculture; and iii) information platform on new financial technologies for agriculture.

21. Promote the expansion of rural financial services

Despite the great diversity of financial institutions (private banks, development banks, insurers, cooperatives, NGOs, rural savings cooperatives, among others), rural areas face a shortage of financial services due to a limited presence of financial intermediaries. Moreover, many of the financial organizations operating in rural areas are weak and offer only credit or a limited range of poor quality services (unsuited to the needs of their clients) and at a high overall cost, including transaction costs and interest rates.

At the same time, a substantial amount of credit is offered by non-financial firms within the chains, such as agro-industries, importers of machinery and equipment and supermarkets.

In this context, it is essential to strengthen the capacities of the ministries of agriculture to promote and adopt decisions and mechanisms that provide the agricultural sector with better access to financing, so that producers can make the necessary investments to increase their competitiveness and productivity. Some of the key actions required are: i) promote the increased presence of financial institutions in rural areas, ii) regulate the operations of non-banking financial intermediaries in rural areas, and iii) develop rules for the intermediation of non-financial companies in the rural milieu.

Implementation instruments: i) capacity-building program on rural financing in the ministries of agriculture; ii) sectoral plans to promote the development and expansion of rural financial services.

22. Support the modernization of public sector services that provide financing to the agricultural sector

Given the agricultural sector's particular characteristics, the State has traditionally provided access to financing through various mechanisms, such as development banks and guarantee funds. In the past, countries have experimented with different models of these mechanisms, achieving very different results depending on the model used. These experiences offer valuable lessons that can be shared among the countries of the region.

Implementation instruments: i) regional program for the systematization and exchange of development bank experiences; ii) regional program to modernize guarantee funds.

23. Develop the agro-climatic information subsystem within the framework of SICAgro

Central American producers have often been severely affected by extreme climatic events, such as floods and droughts. The generation and dissemination of reliable agro-climatic information, including early warnings, weather forecasts and reports on climate patterns, that are of practical use and easily understood by farmers, is a key factor in reducing the agricultural sector's vulnerability to natural hazards.

This measure aims to increase the availability of and facilitate access to information, as a public good, on climate

variables (reports and assessments of weather patterns, prospects and operational forecasts of direct interest to the agribusiness chains).

Implementation instrument: a specialized Central American Climate Forum for the agricultural sector.

24. Strengthen risk management capabilities in agribusiness

Agriculture is exposed to a wide variety of risks, including financial and economic risks, market risks, price risks and production risks (climate, sanitary, phytosanitary and technological risks, among others). However, the actors of the agricultural production-trade chains are not always aware of the existence of these risks and importance of managing them effectively.

The purpose of this measure is to inform the actors involved in the agribusiness chains of the benefits of risk management, make them more aware of the dangers and risk factors to which they are exposed, and provide them with timely information and operational instruments for risk prevention and mitigation.

Implementation instrument: comprehensive training program on risk management in agribusiness.

25. Strengthen the regional agricultural insurance market and other risk transfer mechanisms

The actors of the agricultural production-trade chains have little or no access to risk transfer mechanisms (including insurance) due to their high cost, lack of availability or, in

some cases, to the lack of products adapted to their needs. The proposed mechanisms would: i) give greater certainty to agro-entrepreneurs and to their financial sources; ii) prevent decapitalization and improve guarantees for obtaining credit; and iii) create more attractive conditions for investment in agricultural activities.

The development of a regional market requires, among other elements: i) an appropriate legal and institutional framework; ii) increased provision of specialized information services; and iii) the development of a reinsurance market to allow insurers to cede or transfer a portion of the risk that exceeds their financial capacity, so that producers have greater certainty of receiving the agreed indemnities.

Implementation instruments: i) ad hoc information system on insurance and reinsurance markets (specialized information to reduce operating costs, moral risk and adverse selection) within the framework of SICAgro; ii) a specialized agricultural insurance observatory (information for users, modalities, successful experiences); iii) legal and institutional framework to facilitate the development of insurance markets and other risk transfer mechanisms; and iv) incentives program for the private sector to encourage the design and implementation of innovative risk transfer mechanisms.

3. CROSS-CUTTING ISSUES

3.1. Small-scale agribusiness

The measures contained in the Central American Agricultural Policy recognize the specific needs of small farmers and, where appropriate, provide instruments to address the limited capacity, technological backwardness, limited access to credit, high exposure to risk and weak provision of resources affecting a large portion of this sector.

The Policy places special emphasis on supporting small-scale agribusinesses, comprising agricultural production units (farms) and their small-scale market-oriented organizations. These farms mainly use a family-based workforce, diversified production systems, and have varied sources of income and limited access to services and assets. They are characterized by their heterogeneity and territorial concentration.

Efforts are needed to promote the market insertion of small-scale agriculture, as well as its regional integration and organizational strengthening, to turn it into an attractive, profitable and sustainable sector, thereby contributing to a greater level of human development with equity in the Central American rural milieu.

This process requires differentiated instruments and measures that respond to the particular conditions and specific requirements of small agribusinesses and the rural territories where they are mostly concentrated.

Effective mechanisms must be established to provide small agribusiness with access to public and private services, in

order to develop their capacity, facilitate their competitive insertion in the markets and use natural resources in a sustainable way.

Specific instruments for small-scale agribusiness have already been included in different measures of the core areas of Competitiveness and Agribusiness and of Financing and Risk Management. Therefore, the measures and instruments proposed in this section should be considered complementary to these. Further actions to support small agro-enterprises are also contemplated in the areas of agro-environmental management and institutional development.

REGIONAL MEASURES

26. Strengthen national and regional capacity in the design, follow-up, evaluation and harmonization of differentiated territorial strategies aimed at small-scale agribusiness

This measure aims to promote a regional framework for developing differentiated strategies to address the particular conditions and specific needs of small-scale agribusinesses, paying special attention to the territories with the greatest concentrations of small producers.

This regional framework will be established through information activities with the relevant stakeholders, and through the identification and characterization of the territories in which small producers are concentrated and their specific needs, in order to facilitate their integration into local, national and international markets.

Efforts will also be made to establish a network of public and private-sector experts, international organizations, NGOs and small producers' organizations, as a means to expand the discussion and exchange of successful experiences in the design, follow-up, evaluation and harmonization of differentiated territorial policies directed at small-scale agriculture.

An observatory will be created to monitor the implementation of differentiated policies for small-scale agribusiness in territories with the greatest concentration of small producers.

Implementation instrument: participatory program for the management of public territorial policies for small-scale agribusiness.

27. Promote service markets that address the specific conditions of small-scale agribusiness

The specific conditions in which small agribusinesses operate call for a range of specialized public and private financial and technological services, and support in obtaining access to markets.

This measure proposes a regional mechanism to promote and facilitate the provision of specialized services in the countries, identifying and systematizing successful experiences, encouraging the use of shared methodologies and promoting the transfer of knowledge at regional level.

Part of this measure involves strengthening the business skills of organizations that provide services to small farmers and developing the capacity of other private service operators in this sector.

Public sector institutions should also assume their important

role as regulators and promoters of small-scale agribusiness and its market insertion.

Implementation instruments: i) incentives program to promote good practices in the provision of services to small agricultural enterprises; ii) information and training program on the specific needs of small-scale farm businesses; iii) training program and technical assistance to small producers' organizations in the provision of services; iv) program on the use of information and communication technologies aimed at facilitating access to services for small agricultural enterprises; v) network of local and regional innovation systems for small-scale agribusiness.

28. Promote the integration of small-scale commercial producers and their associations in Fair Trade programs, so that they may benefit from the advantages offered by these initiatives

Fair Trade programs open up opportunities in the growing solidarity markets – especially in developed countries – for products generated by small farmers under specific conditions. Among other benefits, these programs guarantee small farmers a minimum price for their products and/or include a surcharge for social investments in farming communities. They also seek to create stable business relations between producers and importers. The idea is to facilitate the changes and adjustments that small producers must make to comply with the requirements of Fair Trade programs, and also to cover the initial costs of certification.

Implementation instruments: i) training program for producers to facilitate their access to Fair Trade programs; ii) regional fund to co-finance certification costs and make the necessary investments to fulfill the requirements of Fair Trade programs.

29. Create regional networks of organic producers and support the institutional strengthening of the competent authorities

This measure aims to coordinate producers at the regional level to facilitate horizontal cooperation and harmonize the development of organic farming, converging in regional actions. These networks will support the institutional development and strengthening of the organic produce sub-sector and promote its market integration.

Knowledge management will be a strategic factor in enabling the networks to achieve their goals. Accordingly, the networks will produce and distribute newsletters and will organize workshops, seminars, internships and courses, among other activities.

Implementation instruments: i) network of competent authorities for organic agriculture; ii) Central American network of small-scale organic producers; iii) institutional strengthening project for the development of organic agriculture.

30. Establish policies, incentives, laws and other instruments to promote the development of organic production, certification, and the export of organic products and their integration into local markets

Organic production requires the definition of policies, incentives and other instruments to promote its development. To this end, countries will receive support in developing and implementing strategies, policies and other instruments, through the organization of local, national and regional workshops, the use of participatory methodologies, technical assistance and horizontal cooperation.

Implementation instruments: i) proposals for national and regional strategies and policies to promote organic farming; ii) institutional strengthening project for the development of organic agriculture; iii) dissemination of successful experiences in organic agriculture.

31. Develop agro-industrial initiatives and rural tourism

Rural agroindustry, understood as a group of post-harvest activities, such as storage, processing and marketing, which add value to small-scale production, is an effective instrument that generates employment, increases incomes and helps to combat poverty, both directly and indirectly, through its multiplying effects in the economic and social linkages that it generates.

Another promising alternative for small businesses is rural tourism, in all its conceptions: agro-tourism, ecotourism, adventure tourism, gastronomic tourism, cultural tourism, etc. Actions that encourage the development of rural tourism

companies contribute to diversify the economic options and the use of natural, social, economic and cultural resources in rural territories.

Special emphasis will be placed on developing the abilities and skills of young people and women, as these groups have a natural affinity for working in this type of business.

Implementation instruments: i) regional rural agroindustry program; ii) regional program for the development of rural tourism.

3.2. Agro-environmental management

Agro-environmental management is a global responsibility to the present and future generations and an important factor of competitiveness. Producing and conserving, generating environmental services, mitigating and adapting to climate change, preventing risks to biodiversity and managing land in a sustainable way, are all key factors in the sustainable development of a competitive agriculture. The market's growing appreciation of "natural" and "clean" products translates into increased environmental demands which, if not met, may imply the risk of losing access to markets, opportunities, or even better prices, and producing with lower production costs.

In Central America, agro-environmental management has become a point of convergence for multisectoral interests, particularly those of agriculture, environment and health. At a joint meeting, the Councils of Ministers of those three areas decided to formulate a Regional Agro-Environmental Strategy. The agreements that underpin this process establish

that the strategy should: i) promote production processes that contribute to food security and to environmental, social and economic sustainability, thereby contributing to poverty reduction and improving the population's quality of life; ii) incorporate the management of the region's natural resources - which constitute a unique competitive advantage in the world - to help consolidate the Mesoamerican Biological Corridor as an image of the region's sustainable development, mitigate the impacts of climate change and reduce vulnerability.

Two important points should be borne in mind here. The first is that certain actions included in the regional agro-environmental strategy, in relation to technological development, agricultural health and risk management, are already contemplated in the core areas of Competitiveness and Agribusiness and Financing and Risk Management. The second point is that in the remaining actions, in which competencies are more clearly shared, the impact of the regional agro-environmental strategy on the agricultural sector will be assured by the provisions made. This underscores the importance of having an institutionalized platform for regional intersectoral cooperation, as represented by this strategy.

In practical terms, and in the current and future context, all businesses directly and indirectly linked to agriculture must incorporate the principles of environmental management. This will be the guiding purpose of the Regional Agro-environmental Strategy, in relation to the application of the Central American Agricultural Policy.

This approach will enable those engaged in agriculture and related agroindustries to save energy, reduce costs, prevent and mitigate disasters, adapt to climate change, contribute to the reduction of emissions, avoid sanctions, generate products of greater quality and, in some cases, obtain environmental

certification and offer environmental services, all of which may help to create a better image, obtain preferential access to markets and even differentiated prices. Thus, the principles of environmental management must be made explicit in the design of policy instruments in the fields of technology, health, safety, trade and most especially in efforts to promote investment, financing and risk management.

All this requires capacity-building in the ministries of agriculture, the INTA, the health authorities, the institutions in charge of managing water resources used in agriculture and private sector organizations, in order to establish harmonious and productive relations with the institutions responsible for environmental issues and with financial bodies that provide resources under special terms for the generation of environmental services.

REGIONAL MEASURES

32. Strengthen agro-environmental management

Environmental management is a cross-cutting issue of the Central American Agricultural Policy, characterized by an intersectoral and multidisciplinary approach. The sense of “region” is particularly strong in this case, given the irrelevance of political boundaries in environmental matters, the common problems faced by the various countries and sectors, and the possibility of finding shared solutions.

Actions in this regard will be implemented through the Regional Agro-environmental Strategy, which is being formulated by an Inter-ministerial Technical Committee based on the links created between the region’s agriculture ministries, and also between these and the environment and health ministries of

the seven Central American countries. This process is being accompanied by a work team, constituted as an Interagency Consultative Committee, drawn from the secretariats of CAC, CCAD and COMISCA and from a group of organizations.

The Strategy will provide a regional platform for cooperation between the agricultural, environmental and health sectors, with a view to harmonizing policies, setting common agendas and prioritizing the implementation of coordinated development and conservation actions in four strategic areas: sustainable land management, climate change and variability, biodiversity and green markets or eco-business.

These areas have been selected with the aim of responding to the most pressing regional and global concerns on agro-environmental management issues and to international obligations (conventions and agreements, including global commitments stemming from the Earth Summit and regional ones in the context of ALIDES).

This instrument has a high probability of making an impact over time, given that this approach links environmental management to the development of the agricultural sector in its expanded conception. As regards the resources required for its implementation, these are expected to come from international cooperation, from corporate actions of social and environmental responsibility and from business initiatives aimed at obtaining a combination of economic benefits and environmental and health benefits through environmental management (environmentally sustainable, healthy and profitable production).

A central aspect of the strategy is the challenge to produce and conserve throughout the different links of the agricultural production chains.

Implementation instrument: Regional Agro-environmental Strategy.

3.3. Institutional development

The conceptualization of the institutional framework for the Central American Agricultural Policy has two dimensions: the regulatory framework (game rules) and the organizations. The latter include both public and private-sector institutions, as well as civil society organizations and associations. In order to execute the Policy it is essential to strengthen the institutional framework, both at national and at regional level.

As the authority responsible for overseeing the Policy, the Central American Agricultural Council maintains relations with numerous regional bodies including the Presidential Summit, the Council of Ministers for Economic Integration, the Central American Commission on Environment and Development, the Central American Council of Health Ministers and other institutions whose decisions affect the competitiveness of agriculture.

These relations at the highest political level are transmitted to the technical level, to the Secretariat of CAC, which has close links with the General Secretariat of SICA, SIECA, the Executive Secretariat of CCAD, the Secretariat for Social Integration, CABEI, CEPREDENAC and CRRH, etc. The CAC also has close ties with other regional public-sector bodies, such as OIRSA, SICTA and OSPESCA.

At the national level, the competent authorities (the agriculture ministries) have links with bodies such as the Legislative Assembly and various ministries, especially those of economy, finance, trade, environment and health.

The Policy is expected to help create a platform for intersectoral consensus, led at regional level by the Central American Agricultural Council, which will support and complement the efforts undertaken by the MAG at the national level.

From the regulatory point of view, understood as the rules of the game, it is important to recognize that in some cases, institutions are created by laws and are responsible, in all cases, for applying these laws, in accordance with the relevant regulations. This being the case, it is not always feasible to modernize organizations without first being clear about the rules that govern them, which in some cases may need changing.

The challenge is to have laws, decrees and general rules that create a favorable environment for business and agricultural development with a regional vision. Some regulations will need to be formulated while other existing ones may need to be reviewed. The implementation of such measures is the responsibility of the organizations.

Another important aspect is to differentiate between public institutions and the private organizations of public corporations such as producers' associations and cooperatives, among others.

Public institutions have a greater responsibility in specific areas of the Central American Agricultural Policy, though not necessarily in the particular field of agricultural sub-sectors and/or agricultural production-trade chains. This last area is largely the province of private-sector trade organizations

which operate at the national level, those linked to specific agricultural production-trade chains and local organizations more closely associated with territorial issues, such as water management, environmental problems, pest control, and rural roads.

It is important to note that the limited coordination existing between the public and private agricultural sectors at regional level makes it difficult to define and implement sectoral policies of regional scope. The regulatory frameworks and the application of their regulations are often unnecessarily complicated, and do not create a favorable climate for investment, which is essential for developing the region's competitiveness in the external market.

Capacity-building initiatives with organizations should be accompanied by a plan for the gradual transfer of functions from public-sector institutions to private-sector organizations, including accreditation processes, where appropriate.

One of the most important elements of the regional institutional framework for implementing the Central American Agricultural Policy is the presence of effective regional organizations and their national counterparts, both with the necessary capacity. This is something that will require maximum attention, especially to ensure the gradual transfer of functions and responsibilities to the regional organizations.

From the national and regional point of view, this effort involves building organizations capable of complementing each other and acting in synergy to fulfill regional and national commitments and regulations. Developing the institutional capacities of these organizations, including those that represent small-scale farmers, or creating new ones where they do not exist, is the most important task. This should also be accompanied by a program to transfer responsibilities from

national bodies to regional ones, as the Policy expands its regional coverage.

Finally, it is important to emphasize the valuable contributions that could be made by establishing regional networks consisting of various technical training and higher education institutions in the agricultural sector, both to strengthen the training of human resources and improve the aspects related to technology and innovation.

REGIONAL MEASURES

33. Strengthen the capacities of the MAG to coordinate, execute and monitor the Central American Agricultural Policy and articulate it with national policies

In addition to establishing national counterparts to coordinate and follow-up on the Policy within the CAC's member countries, efforts will be made to institutionalize and strengthen the units specializing in trade and agribusiness within the agriculture ministries, and to establish regional networks linking these together. These specialized units will not only address trade issues, but will also undertake the following actions: i) support and coordinate actions to disseminate national, regional and international supply; ii) disseminate business opportunities, including those offered by the trade agreements; iii) promote compliance with agricultural agreements and provide services to the private sector to support trade and achieve competitiveness; and iv) coordinate actions with the units responsible for agricultural health and technology and innovation.

In the areas of technology and innovation, and of agricultural health, which are more consolidated in the public agricultural sector, it is important to carry out training and increase awareness regarding the execution of the Policy, in order to foster the competitiveness of agricultural production-trade chains with a regional vision.

This measure is also intended to facilitate a reciprocal understanding between the agriculture ministries and other national institutions directly involved in the actions of the Central American Agricultural Policy, such as the ministries of economy, trade, finance, foreign affairs, environment and health and financial institutions, among others.

Implementation instruments: i) communications strategy to promote the Policy; ii) training program on regional integration and the agricultural sector in the context of SICA; iii) direct technical assistance; iv) regional networks of national coordinators responsible for Policy execution; v) creation of specialized technical units; vi) investment projects to promote the institutional modernization of the agricultural sector.

34. Follow-up and dialogue with international cooperation agencies to support the implementation of the Central American Agricultural Policy

The International Cooperation Committee will coordinate and organize a biannual meeting of CAC Donors, with a view to establishing a dialogue mechanism for the execution of the Policy.

This forum will receive progress reports and evaluations on the Policy, as a mechanism of accountability and transparency,

and will provide feedback and inputs from representatives of donor agencies. Proposals for regional actions, programs and projects may also be submitted at this meeting with a view to securing technical and/or financial support from international cooperation agencies.

This forum will have the additional task of promoting the alignment of international cooperation with the regional priorities established in the Central American Agricultural Policy.

As a complement, an inventory will be drawn up of regional actions carried out by international cooperation agencies in support of the Central American agricultural sector. This inventory will be updated periodically.

Implementation instruments: i) CAC Donors' Forum; ii) ongoing inventory of regional actions supported by international cooperation agencies in the Central American agricultural sector.

35. Strengthen regional private-sector organizations, including those representing small-scale agribusiness

In order to successfully implement the Central American Agricultural Policy, the CAC needs strong counterparts organized regionally with which it can discuss the progress made and analyze any future changes that may be necessary, together with other important regional integration issues related to agriculture.

This strengthening effort will include both technical and organizational aspects. In the technical aspect, networks of

public and private-sector representatives will be created to analyze specific issues of mutual interest. Joint studies will be carried out, an annual meeting will be held to review the progress made in the Policy's implementation and direct technical assistance and training will be provided to officials and members of regional integration organizations and of the Central American Agricultural Policy.

Implementation instruments: i) networks of public and private sector experts; ii) training program on regional integration and the agricultural sector in the context of SICA; iii) regional program to support investment in institutional modernization.

36. Create the Central American Agricultural Information System (SICAgro)

Competitiveness is based on the capacity to transform data into information, and information into knowledge. Information and technology are regarded as “soft assets” and factors that generate competitive advantages. In this context, SICAgro will consolidate the leadership role of information and technological advances that facilitate their generation, analysis and dissemination.

The SICAgro system will seek to optimize the use of information resources to enhance the competitiveness of the region's agricultural production-trade chains and to monitor the Central American Agricultural Policy. The idea is to turn SICAgro into a site or portal that facilitates access to information—regardless of where it is physically located—in order to support decision-making by producers, rural organizations, agro-industrialists, financial institutions, banks, insurance companies, policymakers and other major players of the Central American agricultural sector.

This system has the virtue of utilizing and integrating all the existing information systems. It does not replace, but rather complements and adds value to the national systems. It also coordinates and creates synergies between the different regional systems contemplated in the Central American Agricultural Policy (market intelligence, health, technology, risk management, and monitoring the Policy's implementation, among others), which will become components of SICAgro. The system will gradually standardize data and metadata, facilitate comparability, avoid duplication of efforts, facilitate access and improve the quality, timeliness and thematic coverage of agricultural information in the Central American countries.

Implementation instrument: Central American Agricultural Information System (SICAgro).

37. Training and developing the technical capabilities of public and private sector human resources to improve the competitiveness of the national and regional agricultural sectors

The technical training of public and private-sector human resources will be a key element to boost the region's competitiveness in an increasingly globalized and dynamic environment. The region has a number of intermediate and higher learning institutions with a solid reputation and recognized track record at the national, regional and international levels.

Based on an assessment of the training needs identified in the two strategic core areas, as well as in the cross-cutting issues, and bearing in mind the demands of the private sector and other agricultural actors, a comprehensive training program will be designed to develop, modernize and strengthen technical capacities, with the aim of increasing the sector's competitiveness in traditional and non-traditional activities that hold promise for the agricultural sector.

To support the training program, a regional network of mid-level and higher education centers will be created, taking advantage of each center's strengths and areas of specialization. In very exceptional cases, the regionalization of national training centers of excellence will be encouraged.

The use of ICT will be promoted to expand the program's coverage and, where appropriate, training activities and materials will be adapted to the characteristics of specific interest groups, such as indigenous people, for example.

All the programs will include a component to disseminate information about the importance of Central American regional integration and the actions of the Central American Agricultural Policy.

Implementation instruments: regional training program to strengthen the technical capacities of the human resources of Central America's public and private agricultural sector.



VI. ORGANIZATION FOR IMPLEMENTATION

In order to fulfill the commitments implicit in the Central American Agricultural Policy, the agricultural sector requires a strengthened and renewed institutional framework.

In the regulatory sphere, the General Regulations of the CAC, approved in 1995, will be updated and adapted to the current situation and to the regional regulations in force on: i) regulatory functions of the SICA organs ii) the organization and operation of the Councils of Ministers of the Economic Integration Subsystem, iii) the framework agreement for the establishment of the Central American Customs Union, and iv) the gradual incorporation of associate members and observers into the CAC.

The new Regulations of the CAC will include guidelines for establishing the national and regional institutional framework, as well as a methodology for approving new proposals for the review and implementation of the Central American Agricultural Policy.

In terms of the CAC structure, a Regional Technical Committee will be formed, composed of Policy Directors from the agriculture ministries or high-ranking officials appointed by the respective ministers. As part of its functions, the Committee will coordinate and provide technical assistance for the implementation of the Policy, with the support of the Executive Secretariat of the CAC. Technical subcommittees will also be created for specific Policy areas, where required.

As an essential element for the coordination, execution and monitoring of the Policy, the Executive Secretariat's human and operational resources will be strengthened. Accordingly, one of the Policy's first actions will be to implement a financing mechanism for the Executive Secretariat of CAC, which will include contributions from member countries and from technical or financial cooperation organizations.

The ministries of agriculture will appoint national counterparts to coordinate and follow-up on the execution of the Central American Agricultural Policy within their own countries. These counterparts will be assigned personnel specifically dedicated to these tasks, who will undergo an induction and training process on regional integration issues in general, and on the Agricultural Policy in particular. These units will operate under the direct responsibility of, or in close contact with, the representative of each ministry of agriculture in the Regional Technical Committee.

With regard to the structure of the CAC, the plan is to institutionalize the International Cooperation Committee, comprising representatives of the ministries of agriculture and of technical and financial cooperation organizations that provide support to the regional agricultural sector. The Committee's actions will be based on the commitments of *ownership, alignment, harmonization, management for development results and mutual accountability*, established in the Paris Declaration on Aid Effectiveness, approved in March 2005, taking advantage of existing experiences in the region.

The Committee's co-secretariats will be the Technical Secretariat of the CAC and RUTA (benefiting from the latter's experience and its relations with various international cooperation agencies). Its purpose will be to promote the participation of international cooperation agencies in regional actions,

programs and projects aimed at implementing the Central American Agricultural Policy, complementing the region's own efforts and resources.

At the same time, a dialogue mechanism will be set up with regional private-sector agricultural organizations, including organizations that represent small producers. This dialogue and consultation mechanism will operate in accordance with the regional regulations established in the Guatemala Protocol to the Treaty on Central American Economic Integration.

From the institutional point of view, a monitoring and evaluation mechanism will be established that will include a Policy follow-up unit within the Executive Secretariat of the CAC, plus a Follow-up Committee composed of representatives of the Regional Technical Committee, member organizations of the International Cooperation Committee and regional organizations of the private agricultural sector, including those that represent small-scale producers. External evaluations coordinated by the Follow-up Committee are also planned.

The Information System for the follow-up of the AGRO Plan 2003-2015 will form the basis for the Follow-up System on the Execution of the Central American Agricultural Policy.

To effectively disseminate the Policy to all major stakeholders involved in the regional agricultural sector, a communications strategy will be implemented with the support of international organizations such as RUTA and IICA. This strategy will include the exchange of information through discussion mechanisms with regional private-sector organizations linked to the agricultural sector and the monitoring and evaluation of the Central American Agricultural Policy, in fulfillment of the principles of transparency and accountability in the execution of the Policy.

What is the CAC?

The Central American Agricultural Council (CAC) is an organ of the Central American Integration System (SICA). Since the Tenth Summit of Central American Presidents, held in El Salvador in July 1991, the CAC has been recognized as the institutional mechanism linking the agricultural sector with the other bodies of the Central American integration system.

This role was formally consolidated with the signing and entry into force of the Guatemala Protocol to the General Treaty on Central American Economic Integration, which defines the CAC as one of the organs of the Subsystem for Regional Economic Integration.

The CAC, comprising the Ministers of Agriculture of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, coordinates its actions with other regional ministerial forums, with which it shares a common agenda in areas of mutual interest such as agricultural trade, agro-environmental management and agricultural health and food safety.

The Council of Ministers of the CAC has established institutional mechanisms to facilitate dialogue with different regional private-sector organizations, and to co-ordinate actions with regional and international organizations that provide technical and financial cooperation to the Central American agricultural sector.

The Secretariat of the CAC is based in Costa Rica and provides technical and administrative support.



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