

STATEMENT BY ALICIA BÁRCENA, EXECUTIVE SECRETARY OF THE ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC) AT THE OPENING SESSION OF THE MINISTERIAL MEETING ON AGRICULTURE AND RURAL LIFE IN THE AMERICAS

CAPACITY-BUILDING FOR IMPROVING FOOD SECURITY AND RURAL LIFE IN THE AMERICAS

**Montego Bay (Jamaica)
28 October 2009**

Honourable Christopher Tuffton, Minister of Agriculture and Fisheries of Jamaica,

Chelston Brathwaite, Director General of the Inter-American Institute for Cooperation on Agriculture (IICA),

José Miguel Insulza, Secretary-General of the Organization of American States (OAS),

José Graziano da Silva, Director of the FAO Regional Office for Latin America and the Caribbean,
Ministers and ministerial delegates,

Friends,

What a delight it is for me to return to Jamaica, or *Xaymaca*, *Land of Wood and Water*, to use the name given by the Arawaks, the first inhabitants of this beautiful island.

Actually, it is a privilege for the Economic Commission for Latin America and the Caribbean (ECLAC) to participate in this, the Fifth Ministerial Meeting on Agriculture and Rural Life in the Americas. This event comes at an extremely important time for our region, a time to rethink the old and new challenges to agriculture and the rural world in the Americas. For this opportunity I should like to thank my great friend, Chelston Brathwaite, Director-General of IICA.

ECLAC and IICA have shared more than six decades working for the development of our Americas. Our histories have been interwoven with the harsh realities of rural conditions in Latin America and the Caribbean.

Over the past ten years our organizations have strengthened these ties, sharing visions of development models, policies and institutional arrangements. Tangible proof of this cooperation is the document that we will be presenting at the end of this session and which was prepared jointly by IICA, ECLAC and the Food and Agriculture Organization of the United Nations (FAO), the other flagship institution responsible for agricultural development, safeguarding food security and improving living conditions in rural areas of the Americas.

Let us not forget the remarkable agricultural heritage of our region —the Americas. The great civilizations of this continent domesticated food crops, such as maize, potatoes, tomatoes, chili peppers and cocoa, which have proved to be invaluable for mankind, and developed advanced irrigation systems, all of which have proved to be invaluable contributions for the betterment of humankind.

I would like to stress here today, once again, the important role that the agricultural sector continues to play in most of the countries of the region, in terms of its contribution to production, especially bearing in mind its linkages with the other productive sectors, as a source of jobs and income generation, and as a foreign-exchange earner.

The “food crisis” —which surfaced in 2007 and reached its height in the first half of 2008— underscored, in no uncertain terms, the importance of public policy for agriculture, and its central role in ensuring the food and nutrition security of the population.

What are we referring to when we speak of the impact of those crises in rural areas?

We are referring to problems such as the fragility of global food security and the growing links between agricultural commodity markets, energy markets and financial markets, as well as to two new sources of volatility in those markets, namely the irruption of climate change and rising speculation in agricultural commodity markets.

We are referring to the fact that the region lacks the rural institutions that are essential to the proper functioning of production and to life in country areas.

We are referring to the exacerbation of rural poverty, on the one hand, and to rapid urbanization, which has occurred without proper land-use planning, on the other.

I will touch on all of these problems here.

The food crisis was the prelude to the financial crisis that broke out in the second half of 2008 and from which we are just barely starting to recover. This crisis found Latin America and the Caribbean at the height of a historic period of boom and progress, the likes of which had not been seen in the region for over 40 years.

This period was characterized by three fundamental macroeconomic achievements at the aggregate regional level: sound fiscal policies and lower public indebtedness; more flexible exchange rates, underpinned by an unprecedented build-up of international reserves; and economic growth, accompanied by balance-of-payment current account surpluses. These results left the region better prepared to confront the economic and financial crisis. We note, however, that for most countries of the Caribbean the situation was very different, in fact, exhibiting high levels of fiscal and current account imbalances, significant debt servicing obligations and relatively low levels of international reserves compounding the onset of the crisis.

From a regional perspective, the agricultural panorama of the past decade was also positive, albeit with significant differences between groups of countries. From 2000 to 2008, the annual average growth rate for agricultural value added for the region was 3.5%, very similar to GDP growth, which stood at 3.6%. In South America, agricultural growth actually exceeded GDP growth (4.3%, compared with 3.8%); a similar pattern was seen in Mexico, although the difference was not as pronounced (2.5%, compared with 2.3%). On the other hand, over the same period, average growth in agricultural output was lower than average GDP growth in Central America (3.3%, compared with 4.4%) and in the Andean Region (3.4%, compared with 4.8%). The Caribbean was at the other extreme, with agriculture sustaining a 0.7% year-on-year contraction, compared with 4.1% growth in GDP.

Between 1999 and 2007, poverty and indigence in Latin America and the Caribbean diminished by 10 percentage points and 6 percentage points, respectively. This was achieved in tandem with a

sustained reduction in poverty and indigence in rural areas. According to ECLAC estimates, during that same period rural poverty fell from 63.7% to 52.1% and rural indigence from 38.3% to 28.1%. Both rates remain very high, however; in fact, they are more than 20 percentage points higher than the corresponding urban figures. For urban areas, the region has practically fulfilled target 1 of the Millennium Development Goals, which is to halve, between 1990 and 2015, the proportion of people who suffer from hunger; in the case of the rural areas, this target remains remote.

The fall in migrants' remittances, which are particularly important for rural families, has been one of the major channels of transmission of the crisis to the region. Studies by the Inter-American Development Bank (IDB) and the International Fund for Agricultural Development (IFAD) have found that remittances to rural areas account for 30% of the total remittance flows and that most of these funds are used to meet basic daily needs, such as food, clothing and housing.

Moreover, the economic and financial crisis has placed a considerable strain on the finances of farmers, especially on small producers who had invested in higher production capacity in the expectation of better prices, but who ended up incurring rising debts.

The crisis has also diverted the attention of public policymakers towards stabilization measures, often with an urban bias, at the expense of agriculture and the rural milieu. Paradoxically, these crises increase the pressure on agriculture and rural areas, forcing them to become safety nets against rising urban unemployment.

In terms of food security, rising food prices and declining revenues impact negatively on access to food, and this is compounded by the greater supply instability generated by trade restrictions and higher volatility in agricultural commodity markets. The surge in food and energy prices up to mid-2008 badly hit net food and energy-importing countries in the region, in particular the Central American and Caribbean economies, but benefited the net exporters of these products, for the most part South American economies.

In Central America and Caribbean, the lower relative growth in agriculture, the countries' status as net food and energy importers and the extent of their dependence on remittances has made the rural –and especially poor rural– population particularly vulnerable to the food, financial and economic crises.

Friends, we should be aware that we are very likely to see setbacks in the improvements previously achieved in reducing rural poverty and moving towards food security, as forewarned by the data published by the FAO on 16 October, World Food Day. The FAO estimates that as many as 53 million people will suffer from chronic hunger in Latin America and the Caribbean in 2009 as a result of the crisis, which means a return to the levels of undernourishment that existed in the early 1990s.

The good news, however, is that in recent years there has been a significant increase or improvement in social spending in rural areas. Conditional transfer programmes that have been adopted or extended recently in several countries of the region, for example, have proved to be very important in the rural sector. The countries that have made the most headway in cutting the national average for extreme poverty —notably Brazil, Chile and Costa Rica — share the distinction of having prioritized advances in rural communities.

The food and financial/economic crises have brought to the fore other structural inequities on which the countries of Latin America and the Caribbean still need to work:

- (i) Persistent inequality;
- (ii) The precariousness or lack of social protection systems, particularly important for dealing with growing needs that arise during crises, such as the current one;
- (iii) The productivity gap with respect to the developed countries, which is continuing to widen even after almost six years of exceptionally favourable economic conditions;
- (iv) The insufficient recovery in the investment rate.

We can be encouraged by signs of an incipient recovery, but, increasingly, there is reason to believe that that recovery will be slow; furthermore, there will be a considerable lag before any evidence is seen of an upturn in the labour market. The growing perception is that the effects of the crisis will shift the growth dynamic and the linkages between economic, financial and trade relations, towards what has recently been called “a new normality” in the world economy. What does this new normality consist of? Very briefly, I shall highlight the five of its essential features.

First, the post-crisis world will be marked by a lower growth pattern, with a fall in aggregate demand in the developed countries, partially offset by demand in the developing countries. **Second**, the trend will be towards a contraction in trade accompanied by protectionism —a protectionism that could slow the recovery and which reflects a disturbing lack of multilateral vision. We are all aware of the impacts that such measures have had on agriculture in our countries in the past. **Third**, the outlook for the short term is for a jobless recovery. **Fourth**, the emerging economies will assume a more prominent role, being well poised, this time, to broaden their policymaking sphere, boost their domestic aggregate demand and, crucially, act as catalysts for a sustainable economic recovery. The **fifth** and last factor is that the global financial crisis has revealed the need for an international financial architecture which, in order to guarantee greater global financial stability, must be inclusive, sustainable and efficient; moreover, it must be equipped with appropriate accountability bodies and incorporate reforms to regulatory systems and financial supervision. In this framework, it is important to recognize that global and regional agencies complement each other in the effort to define a legitimate development agenda, one that is inclusive, equitable and sustainable.

All this leads us to reflect upon the new character of rurality. The rural sector today is obviously much more than agriculture and agricultural production alone cannot provide the answers to rural poverty. The prevailing vision of the rural sector and the way it is measured, among other things, are out of synch with the sort of shifts in production patterns and in socio-cultural realities that have occurred in the countryside. Without a doubt, we are talking about a new rurality.

I would like to make particular mention of the pioneering work of IICA in the 1990s in developing the concept of the new rurality, which provided a fertile ground for discussion on how to improve the measure of what is rural and on new approaches to rural development that lay emphasis on the territorial perspective.

In this connection I am delighted to tell you that, with the collaboration of IICA in the framework of the Inter-Agency Group on Rural Development, and jointly with the PROTERRITORIOS programme (an intergovernmental initiative of several Ibero-american countries), ECLAC and FAO are preparing a document to review the underlying principles of territorial approaches in rural development strategies and to compile the main policy tools involved, with a view to identifying common elements and the lessons learned.

But although the problems of the rural sector have become more complex, there are still structural issues that have changed little. Poverty and, especially, indigence still have a heavily rural bias in the region and little progress has been made in reducing them, as I mentioned a few moments ago. In most of the countries, the rural sector is still measured by a process of elimination, as everything that is not accounted for by urban measurements, based on criteria inherited from the population census rounds of the 1960s. And now we are identified as a predominantly urban continent, because according to those official definitions only 23% of the population lives in rural areas.

However, the use of criteria which make more sense from a geographic and economic perspective, such as population density and distance, reveal a rather different picture. This was illustrated in the World Bank's 2004 research study on Latin America and the Caribbean *Beyond the City: the Rural Contribution to Development*, which describes how use of the OECD density criteria places the rural population at 42%, or almost double the figure obtained applying the usual non-urban criteria.

A number of factors may have negative consequences for agriculture in the medium term:

- The low priority afforded to agriculture in public policymaking in the last two decades and the weakening of agricultural and rural institutions;
- Low levels of investment in agricultural R&D and innovation;
- The increasing impact of natural disasters on agricultural production, which is expected to continue worsening in the future owing to climate change;
- Mounting demand for, and increasing imports of, food by large emerging economies, including Brazil, China, India and the Republic of Korea, which may boost agricultural revenues but could have implications for food security.

The recent global crises have shown that the solution to the problems of humanity is not written in the annals of economic science, but in wise collectively-made, forward-looking decisions, or in other words, in the sphere of Politics as the key arena for building a better future. Policy-making as an instrument for deciding from a rich menu of socially legitimate options, aiming to build a social contract that defines priorities and ensures the real provision of public goods conceived with a collective notion of society in mind.

It is necessary to redeem the idea of "long term". We must resolve the short-term problems created by the crisis, certainly, but with our sights set on the long term. We must be capable of proposing and implementing public policy measures that reconcile the urgent with the important. The future is built with ideas, with clear leadership, and with a long-term strategic vision administered by the will of the people through democratic institutions. Fundamentally, this calls for grand political and social accords that can clear the roads to development and bring democratic governance to our countries.

Underlying this whole undertaking is the need to build a stronger State, based on a more solid fiscal covenant with tax structures suited to our countries and more progressive than those we have now, as well as sufficient and sustainable levels of spending. This is a necessary condition for the new social contract, that in other words is the need to frame explicit or implicit political accords concerning the level, composition and direction of public spending and how it is to be financed. There can be no development in our countries without those ingredients.

By defining a new role for politics and a stronger role for the State, we can, certainly, create the conditions for a better market.

Dear friends,

With regard specifically to agriculture, I would like to mention three public policy areas that are essential for building the capacity to improve food security and rural life today:

1. Creating the conditions to draw investment in agricultural production;
2. Promoting agricultural R&D and innovation; and
3. Strengthening the role of the State and developing agricultural institutions to deal with the new challenges facing agriculture today.

When it comes to building the capacities to improve food security and rural life in the Americas, **it is essential to improve the quantity and quality of investment in agriculture** and in other areas of rural life, in which non-agricultural activities play an increasingly important role in creating jobs and sources of income. Of course, this non-agricultural rural economy cannot exist without a vigorous agriculture industry.

First, the agricultural sector is still very important in many of the region's economies and it has proven less sensitive than others to the vagaries of the business cycle. Growth in agricultural value added tends to be less volatile than GDP growth and it often seems to act countercyclically. This general pattern holds across all the subregions except the Caribbean, where agricultural output growth has tended to lag GDP growth or has even turned negative in the last two decades.

Second, it is imperative to increase the yields of crops that are essential to human nourishment and to look at the possibility of diversifying nutritional options by recovering traditional food crops. We also have to reduce the structural disparities found in the agricultural sector in most of the region's countries.

Third, public policymaking must acknowledge and incorporate the major structural changes that have been occurring in this decade. These include some large emerging economies' rising demand for food and imports of food crops, and the shortage of agricultural land and –especially– of water in some world regions.

Fourth, and last, are incentives for producing biofuels, which offer the possibility of diversifying income sources for the rural population and, in general, of invigorating rural economies. Efforts to develop this potential must be compatible with the need to guarantee food security for the populations of the region, which implies undertaking strategic planning for the agricultural sector within the broader framework of national land-use planning.

In our region, especially South America, naturally good conditions for growing food enhance the potential for investment in agriculture. After Africa and excluding lands that are protected or forested, Latin America is the continent with the greatest availability of land for the expansion of agriculture. So the region has great potential for increasing agricultural output, both in the interests of national food security and as a contribution to global food security.

With respect to foreign direct investment in agriculture, the United Nations Conference on Trade and Development (UNCTAD) devoted the most recent edition of its *World Investment Report* –published in mid-September– to agricultural production. In the report, UNCTAD signalled that flows of foreign direct investment to agriculture are small in relation to total flows: US\$ 3.3 billion in 2007, which represents only 0.22% of all investment flows and 1.95% of investment in primary activities.

In Latin America and the Caribbean, in relative terms foreign direct investment in agriculture is fairly insignificant, at 0.47% of the total of inflows to the region in 2007; however, the region is the second largest recipient of agricultural FDI, with 20.5% of the total, after Asia and Oceania (51.3%). Brazil is the third largest recipient in the world after China and Malaysia. Peru, Chile, Honduras, Ecuador and Costa Rica figure among the top 20 of the countries covered in the UNCTAD report.

The *World Investment Report* notes that the region has been drawing in increasing amounts of investment in agriculture during this decade. That is a trend that we must take steps to strengthen, especially since the determinants of investment in the countries that attract most FDI into agriculture in the region include the structure of their national economies, the availability of land and the existence of relevant national policies, including explicit policies to promote investment in agriculture.

It is just as important to increase R&D and innovation in agriculture. Innovation is a necessary condition for generating new areas of competitiveness in agriculture as in any other sector.

This leap forward will take a significant effort of investment in R&D. But, as noted in a report on the subject issued in March this year by the International Food Policy Research Institute (IFPRI) and the Inter-American Development Bank (IDB), R&D investment in agriculture has been very slow to increase in Latin America and the Caribbean. In real terms, agricultural value added grew at an average annual rate of 3% between 1991 and 2006, while investment in agricultural science and technology increased by less than 0.7% (0.67%).

Compared with the standards in developed countries, R&D investment in agriculture in the region remains extremely small: the study by IFPRI and IDB found that R&D represents on average only 1.1% of agricultural value added, compared with over 2.5% in countries of the Organisation for Economic Co-operation and Development (OECD). Even then, the figure for the region as a whole masked major disparities among countries, from figures of almost 2% in Uruguay and Brazil to between 1.5% and 1.5% in Argentina, Chile and Mexico and under 0.3% in El Salvador, Guatemala and Paraguay.

There is, therefore, much unfinished business on the agenda, especially if we want to achieve for agriculture what Fernando Fajnzylber referred to as “authentic competitiveness”. This, in other words, is a type of competitiveness that will enable us to reduce the structural disparities within the sector, bring more small producers into global value chains and increase yields, and thus contribute to global food security.

Last, but by no means least, I would like to stress the huge challenge that adaptation to climate change poses to agriculture and rural communities. Given the socio-economic importance of the agricultural sector and the uneven impact of climate change across the region, countries need, as of now, to include the adaptation issue in their agricultural policy agendas. Despite the growing awareness of climate change, public policy initiatives in agriculture that adapt to the new scenario are still few and far between. Farmers can adapt to climate change on their own, by producing other crop species or varieties, using irrigation, bringing forward or postponing planting, or simply relocating their activities to other areas. These autonomous adaptation efforts, however, can have unwanted environmental consequences unless they are framed in comprehensive adaptation policies, which, by nature, must be implemented in several sectors simultaneously.

I want to stress at this point that at ECLAC we are carrying-out studies on the economic cost of climate change, at the regional, national and sectoral levels. Our preliminary results show that the

cost sustained by agriculture will be enormous. Moreover, a recent evaluation on the economic cost of natural resources, based on data that we have at ECLAC from disaster evaluations going back to 1973, indicates that such cost has increased 5.9% each decade, with the higher increases in the Caribbean (4.2%).

Public investment to increase the capacity of agriculture to adapt to climate change, carried out as part of a broad public policy strategy, is then an absolute must for the agricultural and rural sectors of Latin America and the Caribbean. The genetic enhancement of traditional varieties and the development and diffusion of new, better-adapted ones; the provision of irrigation and drainage infrastructure; and the development of early warning systems and insurance schemes to cover small farmers against climate risks —these are fertile areas for action and innovation.

Public policy decisions on agriculture and food security are largely driven by public spending in the agricultural sector. And in order to improve the efficiency and effectiveness of that spending, commitment to a coherent long-term strategy for the sector is essential. Priority has to be awarded to financing public goods, such as infrastructure, training, and research and development, both to optimize expenditures and promote a favourable climate for foreign investment in agriculture.

In order to maximize the potential and the impact of foreign investment, both in production and in research and development and innovation, countries need to carry out a number of tasks:

First, they need to consider the possible social and environmental consequences of the production processes that the foreign investment will set in motion. Two matters are of particular importance. On the social (and political) side, there are the implications of large tracts of land being acquired by foreign investors. On the environmental side, there are, above all, the implications for the country's biodiversity and its water resources.

Second, countries need to promote investment not only in commercial export crops, but also in crops that are crucial to food security, especially in tropical areas. Private investment in research and development generally focuses on commercial crops because that is where the largest markets are for the outputs of innovation. Through partnerships with public institutions, however, private investment can complement public investment in research and development in small-scale farming and in non-traditional crops that are important for food security.

Third, private investment should be used to modernize agriculture and incorporate small-scale farmers into global value chains. Contract farming, for example, can be an effective mechanism, not only for promoting the transfer of technology and know-how to small farmers, but also for avoiding the problems associated with land appropriation by foreign investors.

The region thus faces a series of major policy challenges. These include the need to expand investment in rural infrastructure and complementary public goods; link up investment promotion policies, R&D and innovation policies, and competitiveness and trade facilitation policies; draw up consensus-based national food security strategies; mitigate the social and environmental impacts of farming activities; protect property rights; and establish rules that are both transparent and consistent from the investor's viewpoint and in the public interest.

This calls for the strengthening of the role of State and the promotion of new institutional arrangements.

During the 1990s, in keeping with the Washington Consensus, many countries in Latin America and the Caribbean dismantled the institutional structures that had provided support and public goods for agriculture, a role which the private sector proved incapable of fulfilling.

Agricultural research and agricultural outreach programmes, for example, were privatized or significantly cut in several countries. Agricultural R&D institutes and similar agencies suffered budget cuts and drainage of skilled staff. Planning units within the Ministries of Agriculture disappeared or had their mandate weakened, and agricultural development banks were closed down without the void being filled by commercial banks. These actions eroded national capacity to develop agricultural production and rural development policies.

Fortunately, in this decade, interest has been growing in fostering novel inter-institutional, multisectoral and territorial schemes to handle the complexity of the new rurality. These include the passing of the Rural Sustainable Development Act in 2002 in Mexico and the establishment of a Subsecretariat for Territorial Development within the Ministry of Agricultural Development in Brazil. Both initiatives have mobilized significant volumes of human and material resources to develop rural areas: in Mexico, through contracts amongst the Central Government, the regions and municipalities; and in Brazil, through a flagship programme entitled “Territories of Identity”.

Nowadays, agricultural policies have to deal with increasingly cross-cutting and complex issues beyond the competence of traditional institutional frameworks, whether these be local, national or international. Moreover, the stakeholders have increased in number and become more diverse, especially when the value chains associated with agricultural production and all their links are taken into account.

This growing complexity is forcing Ministries of Agriculture to develop new mechanisms for coordinating activities and policies with institutions operating in other sectors, most notably the environment and natural resources, foreign trade, science and technology and human resources training.

It is essential for all the sources of innovation that are relevant to agriculture to be systemically interconnected within an institutional framework. These sources include not only public agencies, universities and private non-profit organizations, but also the organizations involved in industrial processing and industrial inputs, consultancy firms and, of course, producers and consumers. This framework must facilitate the shift from traditional R&D systems that have a purely agrarian outlook to innovation systems that have a global vision of the whole agri-food complex.

To complement these efforts, new financing schemes for public R&D and innovation need to be sought, and both producers and the private sector in general need to be encouraged to contribute. Coherence between public and private incentives in agricultural development is essential, and different forms of public-private alliances can play a key role in linking up the incentives and the financing for innovations that benefit agriculture. Schemes introduced in some countries, such as Colombia, Costa Rica and Uruguay, for example, include funding part of the R&D in the sector through taxes on agricultural exports.

Given the widely acknowledged part played today by the latest information and communications technologies (ICT) in development, their widespread application and diffusion in agriculture and rural sectors is another key factor for success. Through their capacity to interconnect and facilitate the flow of information between rural communities, regions, production sectors and producers, and

with regulatory agencies, service providers, banks, and domestic and international markets, ICT can fulfil a major role in developing the agricultural sector's operating mechanisms.

Ministers,
Secretaries-General
Friends,

Development, as we have known, understood and experienced it, has reached a breaking point. The financial crisis and its social impacts, together with climate change, call into question the viability of the production paradigm and the economic paradigm that have prevailed in the last few decades. People are now turning to their governments for guidance and support.

Let us speak plainly: unless countries develop a new State architecture that is up to handling the new situation, as well as the urgent equal rights issues that need addressing —particularly urban-rural unbalances within the framework of the new status of rural communities— and the challenges posed by climate change, our whole future will be in jeopardy.

We intergovernmental organizations, both in the Inter-American system and as the United Nations, therefore have a fundamental role to play in supporting our Member States. Now is the time for multilateralism, for a fairer international order that speaks with many voices, that facilitates genuine international cooperation and is capable of averting and solving future crises.

At ECLAC we are committed to this goal and to the full realization of the potential of the agricultural and rural sectors of Latin America and the Caribbean.

Before I finish I want to stress what Prime Minister Golding said in opening this event: “agriculture must be seen as an instrument of social and economic transformation in our societies, in this new social context”

For that, I want to underline, once more, the need of the three *Is* I referred to in my presentation: Investment, Innovation and Institutions.

Thank you very much