

“Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda”



Report of a Workshop held in Belize City November 6th – 8th 2008

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<http://www.ecdpm.org/cta1108>

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Table of Contents

1	Introduction.....	4
2	The Underlying Reality and Nature of Supply Side Constraints.....	6
2.1	Breaking down the problem.....	6
2.2	Balancing national and regional policy levels.....	7
3	The New Trade Challenges Arising from Agricultural Trade	
	Liberalisation	8
3.1	New challenges facing the state.....	8
3.2	New challenges on export markets.....	9
3.3	The food price crisis.....	12
4	Emerging responses	13
4.1	Current national and regional policy frameworks and instruments	13
4.2	Market driven, private sector led.....	16
4.3	Redefining the product mix and differentiating products.....	17
4.4	Redefining public/private sector partnerships.....	20
4.5	The importance of addressing the financing constraint	21
4.6	What about poverty eradication priorities?.....	24
5	Moving forward the policy response agenda.....	25
5.1	General actions	25
5.2	Specific actions.....	26

1 Introduction

While 75% of the world's poor continue to depend on agriculture, most governments do too little to stimulate agricultural growth and aid to agriculture has been reduced to a fraction of what it was in the 1980s. Recently however, in particular in the context of the 'rising food prices' issue, awareness is growing that in developing countries agriculture has too often been overlooked as a catalyst for economic development and hence food security¹ and poverty reduction. Globalising trade and investment are creating new opportunities, such as the development of international agricultural chains, as well as challenges.

In the context of Caribbean-EU trade relations, agricultural commodities have traditionally played a key role, which is a pattern found also in many African and Pacific countries' trade with Europe. While agriculture remains essential to many ACP economies - including in the Caribbean - in terms of its contribution to GDP and employment, changing market conditions and preference erosion call for new strategies. Furthermore, new bilateral trade agreements such as the Economic Partnership Agreements (EPAs) with the EU require economies to adjust to trade liberalisation.

Depending on the country and product specific circumstances, responses to these challenges may include moving up the value chain, diversification within or outside the agricultural sector as well as developing new export markets. For all of this, well targeted government policies as well as donor support will be crucial. It is in this context that 'Aid for Trade' (AfT) initiatives have emerged to assist Developing Countries in addressing supply-side constraints and adjusting their economies to the new market challenges. While AfT has been extensively discussed in recent years in multilateral fora, there has been very limited opportunities to look at how best it can support ACP countries in facing agricultural market challenges especially challenges arising from the changing context of ACP-EU agricultural trade relations.

It is against this background that CTA and ECDPM organised in April 2008 in Brussels a dialogue with ACP and EU stakeholders with a view to identify an AfT agenda for the agricultural sector. The meeting reviewed the implications for ACP-EU trade of the process of CAP reform, the evolution of EU markets for food and agricultural products and the EU's bilateral and multilateral trade policies. The discussions raised the question as to how best AfT support could be extended to ACP countries in responding to the challenges arising from changing market conditions. A number of lessons emerged from the debate, namely:

- the difficulties faced in working through ACP governments in extending support to be private-sector-based production and trade-adjustment processes;
- the importance of ensuring that production and trade adjustments are 'market-led';
- the importance of getting to grips with the role to be played by the private sector, more specifically the question of under what circumstances and in what form public aid can be deployed in support of private-sector-led restructuring initiatives

¹ Food security in this context is seen in terms of cash in people's pockets, and not simply domestic food production. This point was forcefully made by a number of presenters.

- designed to achieve public-policy objectives with regard to economic diversification, structural economic transformation and employment creation;
- the particular problems faced in extending production and trade-adjustment support to smallholder farmers;
 - the need for rapid and flexible support to production and trade adjustments in ACP food and agricultural sectors;
 - the need for dedicated financial instruments of support to production and trade adjustments in ACP countries.

While this meeting has initiated the discussion on how to operationalise AfT in the agricultural sector in ACP countries, participants recognised the need to get closer to the ground and come up with concrete recommendations at national and regional levels. It is in this context that representatives from the Caribbean proposed to hold a follow-up meeting in the region to be more specific and result-oriented.

The following report is the outcome of a regional meeting organised by CTA and ECDPM in Belize City on November 6th – 8th 2008 on “Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda”. The key objective of this workshop was to kick start a regional dialogue to exchange experiences on the role of trade in agricultural development focusing on strategic policy directions that can support integrated agricultural transformation measures for improved rural incomes, food security and job creation. The workshop provided an opportunity to exchange views and experiences between private sector representatives, farmers associations, and policy makers from across the ACP. The meeting also aimed to provide inputs and ideas that would assist the Caribbean region to develop its own AfT strategy in the agricultural sector.

The structure of the report follows what was agreed with the participants during the last day of the workshop. The content tries to reflect the main issues raised and the very rich and intense debate between the various stakeholders. However, it does not pretend to be an exhaustive account of the meeting's discussions².

² For further information and the presentations given please consult: www.ecdpm.org/cta1108

2 The Underlying Reality and Nature of Supply Side Constraints

2.1 Breaking down the problem

In an era of global trade liberalisation, agricultural competitiveness challenges vary across the Caribbean member states. A distinction can be made between the constraints on competitiveness linked to different resource endowments and size of the different Caribbean economies and the constraints related to management and investment issues.

Thus in getting to grips with competitiveness issues not all Caribbean countries are in the same position. These national differences need to be taken into account in defining policy responses, establishing policy instruments and elaborating targeted interventions. The scope for regional level interventions needs to be very carefully defined, in relations to the different adjustment and development challenges faced at the national level. Indeed, the primary level of intervention in addressing the new challenges faced lies at the national or sectoral level. While this may be taken as a general rule of thumb on the production side, considerable scope for effective regional cooperation would appear to exist on the trade side, as illustrated by the successful regional rum sector adjustment support programme. Scope may also exist for the adoption of a regional approach to resource mobilisation, although here again a careful and clear definition of regional and national responsibilities would appear to be essential. This was forcefully highlighted by a number of participants. This reality needs to be taken into account in the definition of policy responses, the establishment of policy instruments and the elaboration of targeted interventions.

Studies undertaken by the Commonwealth Secretariat³ have shown that for small island economies the underlying geographical realities place real constraints on the attainment of competitive forms of production of bulk commodities in an increasingly liberalised agricultural trade environment. As mentioned above, these inherent constraints need to be clearly differentiated from those constraints where management and investment related interventions can realistically contribute to reducing costs and enhancing the competitive position of Caribbean producers in specific sectors targeting specific markets.

Addressing management and investment issues to try and ease the commercial implications of these inherent constraints has long been a priority for the deployment of public funds and international development assistance. This includes the financing of major transport infrastructure programmes, from road programmes to port development. The importance of these development assistance interventions cannot be underestimated for it is quite common in the Caribbean for the costs of getting products to market to far exceed the underlying production costs. Getting to grips with these logistical challenges is thus a critical element of any efforts to enhance competitiveness of food and agricultural production in the Caribbean.

³ For access to the Commonwealth Secretariat's extensive work programme on competitiveness challenges facing small island states see following weblink: <http://www.thecommonwealth.org/sgr05/smallstates.htm>

2.2 Balancing national and regional policy levels

The diverse realities facing individual Caribbean economies and the inherent constraints on competitiveness faced by certain countries have greatly complicated the process of regional agricultural policy formulation. Financial resource constraints have further compounded the problem of managing these differences, as part of the elaboration of a common regional approach to agricultural policy. As a consequence the implications of these national differences and inherent constraints have on occasion been lost sight of in the elaboration of region wide policy responses and programmes.

Thus one finds the repeated identification of the constraints and underlying challenges faced in enhancing agricultural sector competitiveness in the Caribbean (the most recent being the “Jagdeo Initiative” – see box 1), but with this analysis not being easily translated into concrete policy responses and effective programmes. In addition there has been on occasion a disconnect between regional and national policy initiatives and tools. This is despite on-going efforts at both levels to get to grips with the underlying constraints on competitiveness faced.

Box 1: Constraints identified in the Caribbean region – Jagdeo Initiative

Historical background

In 2003, President Jagdeo of Guyana in his capacity as Caribbean Head of State led on agriculture, asked IICA and FAO to assist in the development of a framework for a regional agricultural repositioning strategy. In May 2003 a report reviewing the situation and outlook was prepared. An agriculture ministers’ forum reviewed this report in June 2003, with proposals for an initiative being forwarded for discussion at the Caribbean heads of Government meeting in July 2004.

The Vision

- to make substantial contributions to economic development and economic, social and environmental sustainability;
- to have a transparent regulatory framework at national and regional levels, that promotes, attracts and facilitates capital and investments;
- to have significantly transformed its processes and products and stimulates innovation and entrepreneurship;
- to enable the region to achieve an acceptable and stable level of food security.

10 Key Binding Constraints

1. Limited financing and Inadequate New Investments
2. Outdated/Inefficient Agricultural Health & Food Safety
3. Inadequate Research and Development
4. Fragmented and Disorganized Private Sector
5. Inefficient land & water distribution & management systems
6. Deficient and uncoordinated risk management measures
7. Inadequate transportation (especially for perishables)
8. Weak and Non Non-integrated Information/Intelligence systems
9. Weak Linkages/Participation in Markets
10. Lack of Skilled Human Resources

The Aim

- address constraints in a manner which embodies the entire CARICOM agri-foods system;
- contribute to the creation of an enabling economic and business environment for competitive and sustainable agriculture and rural development.

Experience To Date

There was seen to have been a low level of implementation of activities related to the Jagdeo Initiative since its launch in 2005. This was attributed to:

- inadequate planning and programming at both the level of member states and the region;
- a lack of a systematic, well coordinated, integrated institutional mechanism for follow up;
- a low level of mobilization and allocation of resources.

Measures designed to address these problems are under design and implementation.

Source: Vincent Little, CARICOM/IICA, Guyana, Presentation to the CTA/ECDPM workshop in Belize on "Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda"

3 The New Trade Challenges Arising from Agricultural Trade Liberalisation

3.1 New challenges facing the state

The process of trade liberalisation underway, alongside wider policy changes taking place in major overseas markets, is throwing up new challenges for the state in Caribbean countries.

The first of these relates to the fiscal adjustment challenge. Given the trade liberalisation underway, governments will need to move away from the use of trade based taxes towards revenue systems based on non trade based taxes. This tax reform process will need to accommodate poverty reduction objectives and avoid increasing the tax burden on the poor. In addition, if successful food and agricultural sector adjustments are to be undertaken, it will probably need to reduce the tax burden on the food and agricultural sector in order to generate funds for investment in new products for new markets. Governments may even need to go so far as to create targeted assistance programmes to facilitate private sector led adjustment processes.

What is certain is that governments in the Caribbean will need to greatly enhance the capacity of government bodies to fulfil the multiplicity of commitments being entered into through the bilateral (EPA) and multilateral (WTO) trade agreements currently being concluded. In addition, it seems likely that if access to major overseas markets (notably the EU) is to be maintained for food and agricultural sector exports, then a significant strengthening of national and regional food safety and SPS compliance capacity will be required. Finally, governments are likely to face increased demands for the establishment of social safety nets to assist those population groups adversely affected by both the process of liberalisation and the wider changes in trade relations underway (e.g. in the banana and sugar trade with the EU).

Overall this could come to represent a significant additional financial burden for Caribbean governments, particularly for the smaller economies of the region, where the fixed costs of these new institutional challenges on a per capita basis are likely to be very high. It should be noted that these new demands on Caribbean governments will come on top of the existing role which governments are expected to play in addressing the underlying constraints on competitiveness faced in the regions (notably transport and

energy infrastructure constraints, land and water management constraints and disaster preparedness). Indeed, the demands to make substantial progress in addressing these underlying constraints is likely to significantly increase as the effects of trade liberalisation and wider processes of change in the regions trade relationships take effect.

3.2 *New challenges on export markets*

As far as the market is concerned, the new trade challenges facing Caribbean food and agricultural sectors arise not only from domestic trade policy liberalisation undertaken, unilaterally, multilaterally or under bilateral trade agreements, but also as a result of restructuring processes undertaken by major OECD economies. Trade liberalisation processes thus affect both domestic and regional market conditions in the Caribbean and the situation in major export markets (notably the EU markets for sugar, rice and bananas).

In a Caribbean context the internal EU process of reforming its common agricultural policy (CAP reform) has proved particularly important given the importance of exports of sugar, bananas and rice in the overall agricultural trade relationship with the EU (see table 1). This process of reform has involved a shift from price support (which required heavy regulation of agricultural trade flows) to direct aid payments to farmers (which is dependent on substantial direct public aid to farmers). This has created a process of erosion of the value of traditional trade preferences, most noticeable in the sugar sector, but also in the rice sector and increasingly apparent in the banana sector⁴.

Table 1: *Evolving Role of Caribbean Sugar, Banana and Rice Exports to the EU*

	2001(€ million)	%	2007 (€ million)	%
Total Value Caribbean Exports to EU	3,122 .0		4,065.9	
Total Value Caribbean food and agricultural exports to the EU	1,044.0	33.4%	971.5	23.9%
Total Value Caribbean sugar, banana and rice exports to the EU	495.1	5.9%	494.4	12.2%
- Sugar	262.0	8.4%	237.9	5.9%
- Bananas	192.0	6.1%	216.0	5.3%
- Rice	41.1	1.3%	40.5	1.0%

Source: http://trade.ec.europa.eu/doclib/docs/2008/april/tradoc_138665.pdf
http://trade.ec.europa.eu/doclib/docs/2008/april/tradoc_138669.pdf
http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_112013.pdf
http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_112011.pdf

To date however, as emerged from discussions at the workshop, Caribbean exports have been substantially insulated from this process of erosion of the value of traditional trade preferences on the EU market by the strength of the Euro against the US \$. This has meant, for example, that despite reductions in the Euro price paid for Caribbean sugar exports (and a decline in banana prices on the EU market), local earnings in currencies tied to the US \$ have actually been rising (see table 2). According to some participants however this insulation from strong competition has also meant that the private sector has not undertaken the necessary investments to increase its own competitiveness.

⁴ Although in the banana sector it has been other changes to the organisation of the EU banana market and the dispute over the MFN tariff to be applied to Latin American banana exports to the EU which has to date had the greatest price effects.

Table 2: Unit value of Caribbean sugar, banana and rice exports to the EU 2001 and 2007 in Euro and US \$

	Unit Value 2001 ⁵		Unit Value 2007 ⁶		% change 2001 to 2007	
	(Euro/tonne)	(US \$/tonne)	(Euro/tonne)	(US \$/tonne)	Euros	US \$
Raw sugar	514.91	421.99	497.25	681.68	- 3.4%	+ 1.5%
Bananas	653.25	535.37	551.01	755.38	- 15.7%	+ 1.1%
Rice	324.79	266.18	271.66	372.42	- 16.4%	+ 9.9%

Source: <http://www.economagic.com/em-cgi/data.exe/fedstl/exuseu+2>

But this situation is now reversing as the US \$ rapidly strengthens against the Euro⁷. Indeed, in the immediate future, local currency earnings on exports to the EU are likely to decline by around 1/6 as a result of movements in the Euro / US \$ exchange rate.

In the sugar sector this will coincide with the substantial reduction in the EU sugar price (from €496.8 to €448.8 and subsequently to as low as 90% of the reference price of €335 per tonne). These price trends will only partly be balanced by an expansion of duty free access to the EU market negotiated under the Caribbean-EU EPA, and for some countries, a redistribution of regional access to the EU market as certain national Caribbean sugar sectors down size or close. Thus in the coming period the impact of preference erosion is likely to be fully felt in the sugar sector. Similar trends are likely in the banana sector, while EU rice prices are likely to be increasingly aligned with world market price trends.

However, despite the common nature of the EU market trends faced by Caribbean exporters, the impact of these trends will differ greatly between countries. In the sugar sector, the Dominican Republic which was traditionally excluded from the EU market, will enjoy new export opportunities, the realisation of which will be enhanced by recent investment flows into the sugar sector. Belize and Guyana could also potentially benefit from expanded duty free access to the EU market. However, as was apparent from the presentation at the seminar, in the case of Belize this will require a substantial effort, to reduce costs and restore the competitiveness of sugar production at both field level and mill level. It will also require sustained investment and management improvements to reduce or contain the costs of delivering raw sugar to the EU market.

This will require both the mobilisation of finance for targeted investment within the sugar industry (both at farm and mill level, with the latter being largely ignored under the EU SPAM programme) and the mobilisation of finance for investment in the development of public infrastructure. It will furthermore require a substantial improvement in management within the sugar supply chain. Finally it will require a redefinition of the product mix (see later section) from the sugar cane industry. This redefinition of the product mix will require product development (in terms of quality), the opening up of new revenue streams or cost saving measures (electricity co-generation), and the exploitation of new regional market opportunities (the supply of alcohol to high quality regional rum producers).

⁵ Average Euro/US \$ exchange rate used €1 equals US \$ 0.81955

⁶ Average Euro/US \$ exchange rate used €1 equals US \$ 1.3709

⁷ In the course of the last six months the US \$ has risen from \$ 1.5 to 1 Euro to \$1.25 to 1 Euro. With EC projections for the future of EU Agricultural markets assuming the US\$ will continue to rise to a value of US \$ 1.15 to 1 Euro in the coming years.

Box 2: Essential lessons from the Belize Sugar Sector Experience

- Essential and urgent sugar industry reforms are bedeviled by sterile theories and “one size fits all” approach of donors and NGO’s.
- Agricultural production does not simply involve growers. Any support that exclusively concentrates on the farm sector ignores other key parts of value chain. There is a symbiotic relationship, which demands both sectors to be competitive and profitable
- The scale of the challenge facing the Belize sugar industry was recognized as early as the mid 1990s and the choice was made to continue as a competitive sugar exporter. A clear, trade based strategy for maintaining competitive and profitable sugar production exists, but this can only be realised if the necessary finance for its implementation can be mobilized and a coordinated industry wide approach can be adopted. Access to finance is seen as the critical constraint.
- A clear identification of market opportunities (in the EU and the region) and adjustments to the required product mix (co-generation, regional alcohol market, fair trade sugar) has been made.
- Equally there has been a clear identification of actions required at factory and field level to reduce costs. Both the EU SPAM programme and fair trade financing are skewed entirely towards the farm sector, although this has not always been focused on bringing about the necessary productivity improvements.
- The EU SPAM programme is viewed highly unfavorably with the sugar mill being excluded completely from receiving finance. There is a feeling that the EC has only a small grasp of the challenges and opportunities facing the Belize sugar sector, a situation compounded by the absence of an EC Delegation in Belize.

Way forward

- It is felt that the first phase action plan now needs to be urgently financed, with the full participation and cooperation of all parties – Government of Belize, Belize Sugar Industry, farmers, donors.
- It is felt that the present ad hoc arrangements are specifically donor system friendly rather than sugar industry friendly, this it is felt could undermine the entire programme.
- It is felt that success requires a return to reality with EU Fair Trade regulations being subordinated to and not driving industry /national activities.

Source: Barry Newton, Belize Sugar Industry, Belize, Presentation to the CTA/ECDPM workshop in Belize on “Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda

At one level the broad nature of the challenges faced is clearly understood. This is reflected in the establishment of dedicated programmes of support for restructuring of the banana, rice and sugar sectors, being financed either from EU annual budget resources or EDF funds. However the design of these programmes in support of coherent restructuring processes doesn’t seem to be adequate or adapted to the real needs and new challenges.

A mismatch appears to exist between patterns of aid utilisation and the new trade and production adjustment challenges faced. This was evident from the presentation on the Belize sugar sector experience and by default in the presentation made by WINFA on the banana sector experience, where discussion of the utilisation of EU banana sector special framework of assistance funding was singularly absent. This reflects the minimal level of engagement between the programme financed from the EU annual budget and the farm level restructuring activities in the Windward Islands. Addressing this mismatch would appear to be an urgent priority if much needed financial assistance for pro-active,

market driven production and trade adjustments are to be effectively supported in the Caribbean food and agricultural sector.

Box 3: Fundamental choices

Agriculture as Safety Net or a Base for a Competitive Value Added Food Product Industry?

A fundamental question relates to the role of agriculture and whether, given the underlying constraints on competitiveness faced in the agricultural sector, the policy focus should be on supporting agriculture per se and providing a social safety net for the poor or promoting a value added food processing industry? This issue was highlighted with reference to the situation of the United Arab Emirates (UAE), which has developed a globally competitive processed food products industry, entirely on the basis of importing raw materials. The policy quandary faced is very real, for depending on the long term vision favoured, the policies required will differ markedly.

However this may not be a simple either or question at the national level and may require a careful sequencing of policy change over time. Equally the options favoured may vary from country to country given their underlying possibilities for the development of competitive agricultural production and evolving intra-regional trade patterns. Nevertheless a clear conceptual understanding of the primary focus at national and regional level would serve to promote more consistent and coherent policy formulation over time.

3.3 The food price crisis

An additional trade challenge identified in the course of the discussions was the regional response to high global food prices. The high prices of commodities observed until July 2008 have led to a renewed emphasis on supporting domestic agricultural production, with a multiplicity of schemes being developed to promote greater local production for local markets for basic agricultural commodities. As was apparent from interventions this can require targeted investment in product development, to establish effective local demand for food products derived from locally produced staple crops.

However, it should be borne in mind that while in the coming period average prices are projected to be higher than in the past, prices are likely to be subject to increased price volatility. Thus we find that in November 2008 the United States Department of Agriculture (USDA) reported an “unprecedented drop in grain prices⁸”, with corn and rice prices falling 40% and wheat prices falling by 50%, since their peaks in June, May and March respectively. Prices may also increase in the coming period because of the effects of the credit crisis which through its impact on access to inputs may well limit future production in some countries. This level of price volatility is likely to throw up new policy challenges for Caribbean governments in managing agricultural trade flows in ways supportive of the sustainable development of local food production, particularly in a context where the use of traditional trade based policy tools will be restricted by recently concluded trade agreements.

⁸ Source: USDA, *Circumar Series FOP 11-08*, November 2008
<http://www.fas.usda.gov/grain/circular/2008/11-08/grainfull11-08.pdf>

4 Emerging responses

4.1 *Current national and regional policy frameworks and instruments*

Closer to home, domestic agricultural trade liberalisation increases competition for domestic agricultural producers and food sector enterprises on both national and regional markets and places restrictions on the policy tools which can be deployed in support of domestic food and agricultural sector development.

The impact of this on domestic food and agricultural production in individual Caribbean countries depends heavily on the extent to which tariff protection and agricultural trade regulation forms a central component of the domestic agricultural trade policy framework. Indeed, the scale of the new production and trade adjustment challenges faced in different Caribbean countries will be strongly influenced by the policies pursued to date. Policies which in part will reflect the underlying constraints on agricultural production faced and in part reflect the 'politics' of agricultural trade policy.

Presentations to the workshop indicated that the use of such tools varied considerably between Caribbean countries. For example, OECS economies appear to make more extensive use of trade based policy tools, while the Dominican Republic appears to be pursuing a much more liberal trade regime, supported by targeted financial assistance programmes (see box 4).

Box 4: Policy framework in the OECS and the Dominican Republic

The OECS Policy Framework

Tariffs: generally applied rates are below WTO bound rates, although in the case of Dominica there are products where the tariffs are close to bound rates which themselves are in excess of 100%, while in St Lucia a 20% tariff protection is accorded the poultry sector

Duty free concessions and side bar agreements are often used to promote local access to the marketing chains and final consumer markets in the tourism sector.

Import licensing arrangements are also used to monitor and regulate agricultural trade flows.

The **tax system** is increasingly being structured in ways intended to support agricultural sector adjustments, by reducing the tax burden on the agro-food sector, so as to generate 'own resources' for the financing of necessary adjustments.

Efforts are also underway to develop effective food and agricultural sector restructuring tools, but operational problems faced.

Source: George Alcee, OECS, St Lucia, Presentation to the CTA/ECDPM workshop in Belize on "Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda"

The Dominican Republic Policy Framework

The Government of the Dominican Republic is committed to the elimination of trade restrictions and a transparent tariff system. Within the framework of this general policy thrust the Government has developed diverse support programmes to improve the food and agricultural sector productivity and competitiveness. Considerable progress is reported in the following areas:

- application of transparent instruments for market facilitation (including elimination of consular invoices, introduction of customs only declaration);
- application of information technologies (including online certification and electronic communication of customs documentation);
- establishment of facilities related to temporary imports.

The food and agricultural sector also receives support through:

- dedicated project for agro-food industry competitiveness (PATCA), which supports the adoption of new technologies, SPS and food safety compliance; design of marketing strategies and modernisation of public sector bodies engaged supporting in the agro-food sector;
- support is also extended to development of risk management programmes, through direct payments (warehouse programme for particular commodities), through marketing support, price support, and preferential credit;
- support programmes to guarantee product safety and SPS compliance are also in place.

A multiplicity of additional programmes targeting a wide cross section of areas is envisaged for the future. A critical issue is the specific policy tool mix, used at any given time in any given sector and the sequencing of the transition from trade based measures to investment support based measures.

Source: Pedro Pablo Peña, Ministry of Agriculture, Dominican Republic, Presentation to the CTA/ECDPM workshop in Belize on "Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda

These two experiences highlight the importance of the 'policy mix', at different stages of the restructuring process. However, as previously noted, the size of the economy determines or limits the types of policies that can be used to address the constraints and promote competitiveness of the agriculture.

The experience of the Dominican Republic would appear to suggest that a critical issue is the specific policy tool mix to be used at any given time in any given sector, and the sequencing of the transition from trade based measures to investment support based measures. The precise formula in this regard is likely to vary from country to country. This suggests a need for considerable decentralisation of design and implementation of restructuring measures to the national level, within a carefully defined regional framework, respecting the principles of subsidiarity, i.e. which seeks to do at regional level only those things which can most effectively be undertaken at regional level.

This lesson of the need for a common regional framework with a common set of possible policy tools, implemented in a decentralised, locally tailored manner, reflects in many respects both the experience of the EU in its efforts to invest in pro-active forward looking market led production and trade restructuring (via axis 1 of its rural development programme) and the Chilean experience of supporting agro-food sector development in an era of trade liberalisation (see box 5).

Box 5: Public Policy and Policy Instruments in Chile

Policy Context

Open economy with average food tariffs 3%, but this has led to problems of marginalisation of small farmers and disadvantaged regions. The government is seen as having a role in alleviating the adverse effects of an open economy. This provides a clear policy justification for the deployment of public funds in support of market driven, private sector led production and trade adjustment programmes.

Addressing problems of Small Holder farmers

A programme has been established to support the **integration of small scale producers into supply chains**, in ways which enhance farmers' access to improved technology, reduces input costs and enhances the quality of inputs provided to agro-processing companies. The centrality of improving product quality is recognised: standards are thus seen as an opportunity not a threat. **Cost of the program:** Grants of up to US \$100.000 for three years, provided agro-industry provides 50% of the costs.

Programme established to support **establishment and management of certification schemes** for small farmers. After initial resistance, certification schemes are increasingly being seen a valuable mean, of improving market opportunities and are increasingly in demand for the domestic market, not just for export products. **Cost of programme:** Finances 50% of the consultancy for the establishment of the certification scheme and provides a subsidy of up to US \$ 10,000 per farmer.

Addressing problems of marginalised Areas

The role of state is seen as being to provide equal opportunities to all areas to benefit from market opening and to prepare people to meet the economic challenges arising. The principal policy instrument deployed is the **Rural Infrastructure Programme**. This consists of a highly participatory community based programme that invests in infrastructure, which the people in the territory identify as the most important for strengthening their productive activities. The main problem is ensuring broad stakeholder participation in the locality. Despite the time consuming nature of this process-based approach, this is seen as being by far the most efficient way to allocate investment resources.

Source: Francisco Aguirre, Consultorías Profesionales Agraria, Chile, Presentation to the CTA/ECDPM workshop in Belize on "Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda"

An additional fundamental question relates to the appropriate level for policy interventions. Should this primarily be elaborated at the regional level or national level? What is more, what should be the interaction between national and regional policy making processes? In a number of countries the centrality of the national level for policy interventions was stressed, yet in terms of addressing trade and production adjustment challenges associated with the implementation of the Caribbean-EU EPA, resource deployment is primarily being orientated towards the regional level. There would thus appear to be a contradiction between the level at which production and trade adjustments need to take place (nationally) and the level at which aid resources in support of such adjustments are being deployed (regionally).

4.2 Market driven, private sector led

It emerged from the workshop that whether restructuring to meet the challenge of increased competition on domestic and regional markets, or responding to the process of preference erosion on major export markets, the trade and production restructuring process will need to be market driven and private sector led. This point emerged forcefully from the presentation on the experience of the Kenyan horticultural sector and was strongly reinforced in the discussions. Central to any market driven approach is the establishment of effective information collection and dissemination along the supply chain, including with regard to the dominant market trends (Market Information Systems and market intelligence). A pre-requisite for this is often better and more effective producer organisations. Commonly in small economies targeted support to improve marketing capacity (as opposed to simply trading capacity) is needed.

In terms of the scope of the private sector which needs to be engaged in leading the trade and production adjustment and development process, in the Kenyan case, smallholder farmers were seen to be an integral part of the private sector. The Christiana Potato Growers Association from Jamaica reinforced this point with members of his association strongly feeling that they are part of a dynamic agriculture based private sector.

Box 6: Lessons from the horticultural sector in Kenya

- Essentially market led approach: first identify the market, then go on to produce, but at all times remaining responsive to market changes and trends, with product innovation being important, particularly in moving up the value chain.
- Kenyan horticulture sector development has been essentially private sector based, with a critical role being played by an effective private sector association.
- Kenyan horticulture sector development has been based on the development of an important symbiotic relationship develop between small and large scale producers, with effective mutually beneficial relationships being developed along the value chain.
- The importance of avoiding the sector becoming a 'political crop', subject to government interference, was stressed, since this can lead to public policies becoming completely divorced from market realities (e.g. Kenyan sugar policy).
- Nevertheless it was stressed that the government does have an important facilitating role to play in promoting market led, private sector based industry development, particularly around trade issues and facilitating trade through ensuring SPS, food safety and standards compliance.
- It was recognised that there was a role for public aid but that this role needs to be very carefully defined (e.g. on meeting standards and facilitating exports, as well as supporting access to affordable finance).
- It is absolutely necessary for private sector associations to be entirely member driven. While donor funding can usefully finance programmes and activities, salaries and running costs should not be financed by donor money but from membership contributions, as that is the only guarantee to remain efficient, independent, responding to members needs and sustainable in the longer term

Source: Stephen Mbithi, Fresh Produce Exporters Association of Kenya, Presentation to the CTA/ECDPM workshop in Belize on "Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda"

The experience of the Kenyan horticulture sector highlighted the important symbiotic relationship which can be developed between small scale producers and large scale commercial enterprises. This point was reinforced by the presentation from Chile, where government programmes have focussed strongly on more effectively integrating small holder farmers into supply chains. This raises the issue of ensuring effective structures for dialogue between different private sector actors in any given sector, in order to ensure that the interests of all parties are reflected in the design of restructuring and development strategies, so that subsequently all parties remain committed to the effective implementation of the agreed strategy.

The importance of restructuring and development efforts being market led and private sector based was nuanced by interventions from workshop participants, which stressed that in a Caribbean context, the essential issue was to expand production in order to be able to have something to trade. While there was little dispute with the basic point that it is necessary to produce in order to be able to trade, discussions suggested that in the era of trade liberalisation, ensuring access to commercially viable markets should be a central component of any governments efforts to support agro-food sector development.

This was not to suggest that governments should play a central role in seeking out such markets, but rather that policy tools should be established to support private sector companies in better understanding market trends and restructuring the product mix and marketing strategies to more effectively exploit market opportunities, in the changed and evolving market conditions faced. Equally, it was felt that policy tools should be established to support product innovation and development by private sector companies, to diversify the product range and markets served by Caribbean food and agricultural producers⁹.

4.3 Redefining the product mix and differentiating products

Redefining the product mix in the light of changed market realities represents one of the critical response strategies emerging in the Caribbean region. In the case of production for domestic and regional markets this was well illustrated by the Caribbean Poultry Association. The industry focus is on re-defining the product range to shift regional production to those chicken products where the threat from imported poultry meat is less acute. This requires investment in the development and marketing of value added chicken products where import penetration is limited, and the reduction and possible eventual termination of production of frozen chicken parts, the product area where the threat from imports is most acute. This will also require investment in product development, in ways which clearly differentiate Caribbean value added poultry products from imported poultry products. This in turn will need to be complemented by increased investment in marketing and local 'quality' branding of Caribbean poultry meat products. The effective implementation of such a strategy would serve to position the Caribbean poultry sector to accommodate and even build on more liberalised trade in poultry meat.

Such a strategic response of re-defining the product range gives rise to a significant agenda for targeted interventions. Depending on the sector this can require:

⁹ It should be noted that this need not involve the establishment of a centralised product innovation and development unit, although some level of technical service provision in support of private sector based product innovation and development would appear to be necessary.

- the compilation of data to improve the understanding of national/regional production and market structures and trends, so that investments can be targeted at growing markets where the threat from imported products in an era of trade liberalisation is less acute;
- investment in innovation and product development to respond to market trends and even in some instances in order to lead market trends;
- improving local linkages within the value chain, with a view to reducing costs and vulnerability to global price trend fluctuations;
- improved management within the supply chain to reduce costs;
- investment in basic infrastructure to eliminate costs in the supply chain;
- investment in field level productivity improvement and processing capacity;
- support to investment in improved marketing, 'quality' labelling and brand development.

This investment in product differentiation and 'quality' labelling so as to attract price premiums is particularly important in export sectors. Indeed, this approach already has already been piloted in the region in the rum, sugar (through the development of premium brands e.g. Barbados Plantation Reserve) and banana sectors (the development of 'fair trade' production).

In the workshop, the specific issue of the use of geographical indicators (GIs) and quality standards in order to develop 'quality' product exports, which realise price premiums, was explored through the presentation on the case of Jamaican 'Blue Mountain' coffee. This presentation highlighted both the legal and institutional requirement for the promotion and protection of geographical indicators and quality standards and the difficulties faced in protecting product quality and realising the full commercial value of the quality standards attained.

Box 7: Fair trade opportunities and challenges

The presentation on behalf of WINFA, the Toledo Cocoa Growers Association and Belize Sugar Industries all touched on the potential which exists for improving standards of living in farming communities as a result of exploiting the opportunities created by the expansion of the 'fair trade' market. However given the dramatic changes to existing commercial relationships underway in a number of sectors, notably sugar and bananas, concern emerged in the discussions that there should be a sharper focus on the use of the 'fair trade' premium to strengthen the market position of farming communities. The view was expressed that without targeted investments to ensure the commercial viability of the marketing relationships established, continued production for export could be profoundly undermined. In this context the emergence of main stream commercial companies as players in the 'fair trade' relationship was highlighted, with this throwing up new challenges for the 'fair trade' movement, which need to be swiftly addressed, if fair trade is to play a role in sustaining agricultural production in the new market situation created by trade liberalisation.

This issue of how at the producer level to realise the full commercial value of the 'quality' standards attained is in many respects a critical issue across a multiplicity of areas where Caribbean producers are seeking to develop and market 'quality products'. This applies equally to the development of premium brand sugars or rums, 'fair trade' bananas or sugar, organic/fair trade cocoa or GI products such as Blue Mountain coffee.

In all of these areas a critical question is: how can Caribbean producers ensure that they realise the full commercial value of the 'quality' standards attained, within the commercial relationships established? While this is a critical issue it is by no means clear what the scope for public sector support in this area is. What would appear apparent however, from experiences elsewhere in the ACP (notably in the Namibian beef sector) is that a conscious effort, above and beyond the simple attainment of clearly defined standards or quality levels, is required to ensure that the full commercial value is realised by the producer and processor. Certainly it would appear as if strong producer organisations are a necessary pre-requisite. As forcefully indicated by Kenya, while donor money can be used to fund capacity building activities, it should not fund salaries and running costs of producers organisations.

Box 8: “Luxury Purchase” and “Necessity Purchase” Markets

According to the United States Department of Agriculture (USDA) there are now two distinct components to the EU market – “necessity purchases” and “luxury purchases”. “Necessity purchases” are those products where purchase decisions are made exclusively on the basis of price considerations. For “luxury purchases”, in contrast, purchase decisions are not primarily based on price, but on some perceived “quality” attributes of the product. It might be organic, or artisanal produced, or it might be a “fair trade” product or respect animal welfare standards, or have some particular geographical designation of origin to which a particular value is attributed. Whatever the non-price reasons which drive the purchase decision, this type of EU consumer is willing to pay more, often substantially more, for the “luxury purchase” product compared to the “necessity purchase” product. The significance of this development in the EU lies in the fact that while demand in the “necessity purchase” component of the market is stagnant as a result of the underlying demographic in the EU, the “luxury purchase” component of the market is expected to grow over the next 10 to 15 years (with the current financial crisis and associated recession only having a small impact on this overall long term growth). Against this background these two market components are facing divergent price trends (stagnation or price declines in the ‘necessity purchase’ component and rising prices in the ‘luxury purchase’ component).

This increased market differentiation is not an exclusively EU phenomena, although the price consequences are particularly acute in the EU, given the EU's previous price policies in the agricultural sector. This market differentiation takes place across all major OECD and advanced developing country markets. Indeed, it is even apparent within developing and least developed countries, although the overall size of this market component in developing and least developed countries is relatively small compared to the size of this market component in the OECD economies.

In discussions at the workshop the current EU green paper on agricultural product standards and associated stakeholder consultation was highlighted as potentially providing critical insights as to how to effectively ensure that the full commercial value of quality standards is realised by agricultural producers and processors and not simply appropriated elsewhere within the value chain. Close attention could usefully be paid to this consultation process, to see what lessons emerge of relevance to the challenges faced by the Caribbean food and agricultural sector and the nature of public assistance which can usefully be provided in this area.

4.4 Re-defining public/private sector partnerships

The workshop raised fundamental questions about the nature of the public-private sector partnerships (PPPs) required in the food and agricultural sector to facilitate an effective response to the new trade and production challenges faced and the kind of support Caribbean governments should make available.

Questions related to public funds for private sector based production and trade adjustment programmes included:

- within what policy framework should public funds (whether domestically raised or donor financed) be made available?
- what types of production and programmes?
- through what types of instruments?
- under what terms and conditions?
- at what level: sectorally; nationally; or regionally?

Table 4: Belize SPAM Annual Action Plan 2007

SUGAR BELT ROAD PROGRAMME	Cost	%
Road Construction	€ 4,000,000	66.7%
Design and supervision	€ 250,000	4.2%
Studies		
Strategic Environmental Assessment of the BCS and AMPSC for Belize	€ 80,000	1.3%
Ethanol production	€ 80,000	1.3%
Opportunities for Diversification and socio-economic interventions	€ 80,000	1.3%
Sugar cane transportation systems	€ 30,000	0.5%
Institutional Strengthening of sugar cane farmers organizations	€ 50,000	0.8%
Capacity Building		
TA to the NAO and Ministry of Agriculture	€ 330,000	5.5%
Capacity Building and training support to sugar cane farmers organizations	€ 350,000	5.8%
Contingencies	€ 350,000	5.8%
Audit	€ 40,000	0.7%
Evaluation	€ 40,000	0.7%
Visibility	€ 20,000	0.3%
Project Implementation Unit costs	€ 300,000	5.0%
TOTAL	€ 6,000,000	

While the discussion indicated a number of areas for PPPs, a consensus emerged on the need to focus on two priorities. Firstly it would appear to require a strengthening of private sector/stakeholder bodies to ensure the development of clear strategic responses and operationally relevant support programmes and the establishment of a coherent and effective voice in dialogue processes with government. A strengthening of such dialogue bodies would also appear to be necessary to ensure the effective 'buy in' of all stakeholders to the chosen trajectory for trade and production adjustment and development. The case of the sugar sector in Belize presented at the workshop highlighted the problems which can arise if all parties in the value chain do not share a common vision of the production and trade adjustments required and the immediate priorities for intervention. Table 4 demonstrates how resource deployment, nominally targeted at new production and trade adjustment requirements (i.e. under the sugar

protocol accompanying measures programme), can become submerged under general development cooperation priorities aimed at addressing underlying constraints on competitiveness, to the neglect of the immediate challenges arising from the changed market conditions, or to de facto exclude an important link of the entire chain and therefore stop short of having the aspired impact on competitiveness.

This directly relates to the second priority area, namely the **strengthening of public/private sector dialogue**, within the framework of a redefinition of the respective roles of public and private sector bodies. Such a redefinition of roles will require the establishment of a new approach in elaborating strategic objectives (what is to be produced, for which markets¹⁰), the establishment of new types of operational instruments to 'pump prime' adjustment processes (from grants to concessional loan facilities) and the development of new approaches to resource mobilisation and deployment (one which provides the private sector with more direct access to aid for trade support).

Box 9: Priorities from the perspective of Belize Citrus Growers

In the presentation on behalf of the Belize Citrus Growers Association a number of concrete proposals were made for actions which should be taken including in relation to financing and dialogue issues and which might be the basis of a renewed PPP. These included the following suggestions:

- the establishment of a mechanism for structured dialogue with all stakeholders including government;
- support to Cluster formation and national policy dialogue;
- the better collection of data on production, output forecast and market trends;
- the establishment of funding mechanisms in all forms and for all uses including grants (for revolving funds) and concessional loans; crop loans; rehabilitation and expansion loans; export credit etc.
- support for product research and development (including both financial and technical assistance support);
- support for agronomic, post harvest treatment and product development;
- the establishment of risk management schemes to mitigate natural disasters and support recovery;
- SPS monitoring and enforcement, including enhanced programmes of disease and pest prevention and management;
- transforming the domestic business environment to support agriculture, including through tax reform; labour (worker programme); streamlining export procedures;
- Reform of the IFI's and donor agencies procedures and priorities to accommodate more fully private sector needs.

Source: Jose Alpuche on behalf of BCG, Belize, Presentation to the CTA/ECDPM workshop in Belize on "Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda"

4.5 The importance of addressing the financing constraint

In many respects, from a private sector perspective, the mobilisation of financial resources is seen as the critical constraint on the initiation of pro-active production and trade adjustments. This view was expressed across all private sector bodies in

¹⁰ This is an issue which should largely be left to the private sector although government can play a facilitating role in the establishment of systems for the compilation and dissemination of market information

attendance at the workshop. Currently the agro-food sector is seen as a high risk sector, with interest rates charged often twice the level charged on car loans. Such high interest rates can seriously inhibit the implementation of pro-active, market driven production and trade adjustment programmes and can leave industries floundering in the wake of market changes. Getting to grips with mobilising low cost financial resources for the implementation of pro-active, market driven trade and production adjustment programmes is thus accorded a very high priority by the Caribbean private sector.

Box 10: Direct access to finance for private sector

Many interventions stressed the importance of securing direct access for the private sector to aid for trade support aimed at supporting trade and production adjustments and development. Some however felt this was unrealistic given that government guarantees are always needed. The presentation from the Belize Citrus Growers Association highlighted the success it had in taking over the management of an EIB provided loan, following the collapse of the intermediate financial institution, and the difficulties it was now facing in securing further EIB finance, despite the success achieved. The Toledo Cocoa Growers Association presentation highlighted the fact that it had received direct financing for its activities from DFID without any involvement on the part of the government of Belize. Interventions from the Kenyan horticulture exporters highlighted how the Danish government was providing funding directly to operational programmes of the association, but strongly warned against having salary costs of the organisation being financed from grant funding and pleaded that this should be purely membership fees. A multiplicity of examples was given of direct donor financing of private sector based trade and production development programmes.

There was a consensus in the workshop that a fundamental review of donor procedures was required to place private sector led adjustment and development programmes more at the centre of aid for trade. The current predominance of standard donor procedures and priorities was not seen as appropriate or adequate to PS needs. It was recognised that if such changes were to be brought about then Caribbean private sector associations themselves would need to give a coherent and sustained lead with regard to the types of procedural changes required to effectively meet private sector needs in the context of donor policies and priorities.

The scope for using credit unions as a vehicle for agro-food sector investment mobilisation was also explored during the workshop, although questions were raised as to how issues of risk would be managed in any expanded credit union engagement with the agro-food sector in the Caribbean region.

Aid for trade programmes are only one potential source of financing, although private sector voiced considerable scepticism as to the value of donor commitments in this area. In discussions it was pointed out that the majority of the funds mobilised for banana and sugar sector adjustments in the Caribbean had in a large number of countries been deployed outside of the affected sectors and indeed, outside of the agricultural sector as a whole. In addition it was acknowledged that scant attention has been paid to agriculture in the 10th EDF €165 million, regional indicative programme currently being designed in consultation with the EC. Indeed despite the rhetorical importance attached to agriculture and food sector development there is little integration of the food and agricultural sector trade and adjustment priorities into the ongoing processes of aid programming and aid deployment. It was felt that in the medium term this lacuna could usefully be addressed. In the short term however this was seen as the most difficult to address.

Against this background, a number of private sector representatives placed greater importance on domestic resource mobilisation (through improved credit facilities, the establishment of private sector managed revolving funds and direct government support instruments) and on ensuring coherent domestic tax policies which were supportive of agriculture and food sector adjustment and development (e.g. removing VAT on farming inputs and collecting it at the end of the production process).

It was recognised that if food and agricultural producers in the Caribbean are to be assisted in responding pro-actively to the new trade and production challenges, then this will require the elaboration of support programmes which seek to identify and assist innovation in the products produced and markets served. Critical to this is facilitating private sector access to affordable finance, building wherever possible on what works (credit unions, revolving funds, concessional financing), but with the emphasis on non-state based systems for the efficient and effective delivery of such financial assistance. Two examples of delivery mechanisms that were presented during the workshop are the Caribbean Regional Human Resources Development Programme for Economic Competitiveness (CPEC, see box 11) and credit unions (see box 12). The need to move beyond the state was felt to be important, since any financial assistance instruments delivered through state bodies tended to be seen as a 'grants' by recipients in the region, with important consequences for repayment rates and the sustainability of such schemes.

Box 11: Caribbean Regional Human Resources Development Programme for Economic Competitiveness (CPEC)

The CPEC, which is funded with CDN\$20 by the Canadian International Development Agency (CIDA), offers timely access to finance for public, private and civil society organisations to carry out projects in a number of specific focal areas related to quality standard and productivity.

Key elements of the CPEC are:

- Funding starts already at the stage of proposal development.
- A maximum of 6 weeks is needed for a decision on approval of a project, based on a set of performance indicators.
- The concept is based on co-funding from local funds; a strong capacity to mobilise such co-funding has been shown.
- Results-based management principles are applied.
- Local and regional expertise is mobilised through a Caribbean-led implementation team.

The CPEC has been successful in achieving speedy access to finance, high utilisation rates of available funds and a generally high quality of project design.

Source: Melvin Edwards, Development Co-operators Inc / World Council of Credit Unions, Presentation to the CTA/ECDPM workshop in Belize on "Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda

The need to implement new mechanisms to address risk management is another finance-related issue that emerged in the discussions. For instance, the Dominican Republic currently supports the development of risk management programmes for producers in the context of an open economy. Further, several participants highlighted the threats posed to farmers by natural disasters, e.g. in the Belizean cocoa and citrus sectors. At the same time it was recognised that commercial insurance was often

unaffordable to farmers. New solutions suggested include setting up a disaster fund based on contributions by farmers and by the government; with perhaps credit unions and producer associations playing a role in providing insurance to their members. Setting up a disaster fund at the regional level was suggested as a way to reduce the aggregate risk as compared to designing such funds at a national level.

Finally, the discussion raised the need to recognize that in terms of ‘aid for trade’ mobilisation, the situation is to a certain extent generating a ‘competition’ between governments and the private sector in terms of access to donor resources. This poses particular problems in dealing with the EU, where despite the policy emphasis on supporting the private sector, the entire aid deployment system is geared towards working through the state. This poses major problems in getting to grips with the production and trade adjustments required on the ground, if an effective national response to the competitive challenges faced in the new trading environment is to be developed. For example, it raises major issues as to the effectiveness of budgetary support as a tool for facilitating market driven, private sector led production and trade adjustments.

Box 12: Credit Unions as mechanisms to access finance in rural areas

Credit unions are non-profit financial cooperatives, which offer loans and other financial services are financed by savings of their members. Financing through credit unions has been shifting from consumer loans given to farmers towards loans for investment supporting the value chain. Value chain financing in the agricultural sector has been carried out by credit unions in several countries, including Peru, Kenya, Columbia, Mexico and St. Lucia. Further, credit unions provide insurance to their members.

The following table gives an indication of the number and size of credit unions in the Caribbean:

Credit unions in the Caribbean region, October 2008 (US\$)

	Members	Credit Unions	Savings	Loans	Assets
Caribbean Region	2,000,000	342	3.4B	3.2B	3.8B
Trinidad and Tobago	388,000	118	784M	473M	820B
Jamaica	911,000	47	471M	419M	606M
Belize	110,000	13	165M	155M	210M

Source: Melvin Edwards, Development Co-operators Inc / World Council of Credit Unions, Presentation to the CTA/ECDPM workshop in Belize on “Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda and World Council of Credit Unions, <http://www.woccu.org/about/creditunion>

4.6 What about poverty eradication priorities?

Redefining the role of the state and the nature of the public/private sector partnership will not be an easy task. Each Caribbean country will face particular difficulties arising from its own national experience of private sector development and its own patterns of

distribution of wealth and poverty. This history, will give rise to major political challenges in reconciling established priorities related to poverty eradication and new priorities related to supporting market driven and private sector led production and trade adjustments in the agricultural sector. Put crudely, choices will need to be made on how to balance investment in successful producers and processors, with established patterns of government financing designed to provide support and social safety nets for poor farmers, in the context of the new market conditions faced.

However, it should be recognised that efforts to invest in successful producers and processors need not involve neglecting efforts to strengthen the market position of poor small scale producers. As the presentation at the workshop from the Kenyan Fresh Products Exporters Association illustrated, strong commercially orientated companies can provide a platform for more effective engagement of smallholder farmers with national, regional and global markets. The main challenge is to situate efforts to strengthen the market position of poor producers in the wider context of efforts to promote market driven, private sector led production and trade adjustments in response to the new trade challenges faced.

5 Moving forward the policy response agenda

5.1 General actions

At a general level there is a need to recognise the lead role which the private sector needs to play in responding to the new challenges thrown up by trade liberalisation and wider processes of change underway in the Caribbean regions agricultural trade relations. There is a need to strengthen the capacity of the private sector to identify major market trends, clearly articulate appropriate response strategies and develop operational programmes to bring about the necessary trade and production adjustments. This was clearly apparent from the presentations made by representatives from the Caribbean Poultry Association and the Belize Sugar Industries, both of which had sought to identify relevant market trends, clearly articulate an appropriate response strategy and develop operational programmes to bring about the necessary trade and production adjustments.

However, in both instances the mobilisation of the necessary financial resources for the implementation of the adjustment measures required represented a critical constraint to the industries response. This highlights the need for measures which facilitate private sector access to the necessary financial resources for the implementation of production and trade adjustment programmes (whether from national sources or external aid through Aid for Trade). This is not about the state 'picking winners', but the state supporting the establishment of financing facilities which can be accessed by those private sector enterprises whose activities contribute to key production and trade adjustment and development objectives.

Linked to this is a need to facilitate better access to market information and develop a better understanding of the implications of market trends. This is essential if Caribbean producers are to ensure that the production and trade adjustment process is market driven. The need to strengthen product innovation and product development was also

highlighted. This can range from the development of new Cassava based food products in Trinidad and Tobago, to the development and marketing of 'quality' sugar products in the form of, for example, Barbados 'Plantation Reserve'.

Underlying these efforts however must be a strengthening of ongoing efforts to get to grips with the logistical constraints on cost competitive production. Some of these constraints are inherent in the geographical realities of the Caribbean, however many of these constraints can be eased by strengthening management capacities and carefully targeted investments. This will require the development of policy tools to properly evaluate the return on different types of food and agricultural sector support interventions. This is something which the European Commission with its €53 billion in funding for measures designed to 'enhance the competitiveness of food and agricultural sector enterprises' has already sought to develop in order to ensure a better return on public funds invested in private sector based restructuring processes.

Box 13: Elements of the Caribbean Response Strategy to New Agricultural Trade Challenges

Multi Dimensional

- Regional (CARICOM/CARIFORUM wide)
- National
- Sectoral
 - o Agriculture and Fisheries
 - o Traditional versus Emerging sectors
 - o Competitive Niches

Elements of strategy

- Strong Focus on Private Sector
 - o Development of regional agricultural organizations
 - o Development of framework for regional co cooperation in agricultural research, product development, production, marketing, distribution
 - o Building capacity of the private sector.
- Emphasis on Supply Side Constraints
 - o Translating Market Access opportunities into market entry
 - o Overcoming technical barriers to entry – considerations of quality, safety, market requirements, technical conformity, standards;
 - o Enhancing competitiveness – improved technologies, increasing productivity;
 - o Elimination of legislative and regulatory barriers
- Capitalising on distinction between Aid for Trade and Aid for Development
 - o Seek additionality of resources
 - o Seek revision to aid disbursement processes to facilitate ease of access
 - o Creation of institutional platform for monitoring use of Aid for Trade and evaluating impact and needs;
 - o Formulation of regional and national strategies and programmes for AfT in agriculture

Source: Vincent Atkins, CRNM, Barbados, Presentation to the CTA/ECDPM workshop in Belize on "Strengthening Agricultural Trade Strategies: Towards a Caribbean Agenda"

It should be recognised however that the state also needs to play a complementary role in meeting the new trade challenges – from the strengthening of SPS and food safety

compliance capacity, through the initiation of food and agricultural sector friendly tax reforms, to ensuring greater policy coherence across government departments in support of food and agricultural sector adjustments. This of course is in addition to the ongoing role the state needs to play in getting to grips with wider infrastructure constraints on competitive food and agricultural sector production.

Finally of critical importance would appear to be the need to establish effective structures for public/private sector dialogue, either at sector or industry wide level. A dual approach may well be needed in this area, with agricultural sector wide dialogue being needed on the policy issues, including trade policy, and a sector based approach to dialogue being required for the elaboration and implementation of operational programmes of support to specific industry adjustment and development processes. What is clear is that more effective mechanisms for public/private sector dialogue will be needed, if effective pro-active policy responses are to be set in place. Such dialogue process would hopefully contribute to a level of policy continuity commensurate with the timeframe for adjustment faced (12 – 25 years), thereby providing a sounder framework for both public and, given the exclusively ‘pump priming’ role of the public sector, more importantly, private sector investment.

It was recognised that such dialogue mechanisms would need to be locally specific, building on what was already in place, but within a framework aimed at replicating best practices in this area across the Caribbean region.

5.2 Specific actions

A number of specific actions were identified which could be taken in follow up to the meeting by both private sector and public sector participants.

Actions at the level of the private sector:

- **A regional meeting of private sector representatives** (possibly linked to another meeting of agricultural producers) to formulate AfT needs and strategies from a private sector perspective, organised by private sector participants of the workshop in Belize and possibly supported by CTA and ECDPM. This would bring into the process other food and agricultural sector operators in the region. Further, linkages between national level private sector organisations and regional private sector bodies should be strengthened.

Possible outputs of such a meeting could be:

- **a concept paper on the types of financing mechanism required** to overcome the common financing constraint on private sector based trade and production adjustment and development¹¹.
- **a background document on the needs of various agricultural and food product sectors** in the region, setting out the strategic

¹¹ The view was expressed that unless private sector associations took a lead in defining the types of financing instruments required, then such instruments were unlikely to meet the private sectors requirements. Such a concept note should thus seek to identify the various types of financing instruments which could be established, the most appropriate institutional arrangements for their management and types of terms and conditions under which such instruments would prove attractive in meeting the various production and trade adjustment challenges faced.

vision for the sector in the new and evolving market context, the types of investments envisaged and the associated funding requirements.

- In order to access finance quickly, it was suggested to develop concrete **project proposal outlines** based on advance field work and targeting one or two specific donors.
- **Education campaigns to prepare farmers and agribusinesses** for implementing changes needed to adapt to a new trading environment. Such campaigns could be organised at national and/or regional level and could emphasize the importance of farmers' and business associations to facilitate change.

Actions at the level of the public sector:

- Compiling a **concept paper** on the strategic challenges and possible policy responses facing the Caribbean food and agricultural sector, **to be tabled before the COTED and COTED Agriculture**. It was also felt that a similar concept paper should be compiled and tabled before the OECS Ministers.

Setting up a tool for continuing discussions:

- Creating an **electronic Discussion Group** to facilitate continued dialogue on the strategic issues and operational questions raised by the workshop. Such a Discussion Group has been set up after the meeting, including all workshop participants and some additional experts.