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A Regional Experience in Institution Building for Agricultural Trade Policy Management

In June 2001, the joint CORECA (1) -CAC (2) Secretariat presented to its Council of Ministers and relevant agencies the final report of the project "Upgrading Institutional Capabilities at the National and Regional Levels for Agricultural Trade Policy Management." This project was executed from June 15, 1998 to April 8, 2001 with a grant from the World Bank's Institutional Development Fund (IDF). The Secretariat received the support of the Regional Unit for Technical Assistance (RUTA) in applying for and negotiating the grant.

This project is an important experience that can be shared with other regions of the hemisphere because, through a joint effort between governments, international and regional organizations for technical and financial cooperation (3), the CORECA-CAC Secretariat and its Council of Ministers, strategic changes were promoted in the institutional framework of the agricultural sector of the Central American region, and a regional vision of international agricultural trade initiatives was fostered among the Central American countries.

To explain the process, what follows is an analysis of the project's antecedents and the context in which it was developed, emphasizing: i) the situation of the Central American region, as a whole, and the agricultural sector, in particular; ii) the situation of the CORECA-CAC Secretariat; and iii) the results of the first stage (1995-1997), which aimed to strengthen the capabilities of the ministries of agriculture to negotiate and administer trade agreements.

Antecedents

Economic setting of the Central American region

The 1990s were a period of great change in the region. Having overcome the foreign debt crisis and still in the grips of structural adjustment, Central America was also affected by the prevailing economic, trade and informatics revolutions of the era. Under the new development model, the State was given a lesser role in economic activities, there was a downsizing of the State apparatus, and a process was under way to open borders and develop new export sectors.

Parallel to and almost simultaneous with this structural adjustment, Costa Rica, El Salvador and Guatemala (and later Honduras and Panama) began the process to join what was then the General Agreement on Tariffs and Trade as part of their foreign economic policy. At that time, Nicaragua, a founding member of GATT, was dealing with a not less complex national agenda of economic transition.

The countries of the Central American region were faced with different and complex processes involving international trade: membership in GATT, the implications thereof for trade policy regimes, and participation in the Uruguay Round of negotiations. Once this was concluded, efforts began to modernize institutions and trade instruments in support of Central American economic integration, through a process called "open regionalism." It is worth noting that during this same period, the first initiatives were undertaken to negotiate free trade agreements with third countries.

The interplay of these factors had important repercussions on the agricultural sector in the Central American countries: i) less involvement of State agencies in commodity marketing; ii) gradual elimination of import licenses and overall tariff reductions; iii) adoption of a

multilateral framework of disciplines for the formulation of agricultural policies; iv) development of non-traditional products and the search for new markets; v) limited financial capacity to address this new agenda; and vi) the need for the ministries of agriculture and other institutions of the public agricultural sector to develop an institutional structure suitable for the new circumstances.

The CORECA-CAC Secretariat

In this setting, the CORECA-CAC Secretariat faced a new demand: the new economic and trade environment represented new responsibilities for the ministries of agriculture, but there was limited capacity to respond effectively to these challenges. The institutional structures were not appropriate for the design and management of agricultural trade policy and, in most cases, the human resources of the ministries of agriculture and the CORECA-CAC Secretariat were insufficiently prepared in this field.

In view of the above, the CAC ministers agreed to request support from international organizations to establish: *"a cooperation program to support the CAC member countries in upgrading their technical capacities to negotiate and administer international trade agreements and, especially, to fulfill the commitments assumed under said agreements, to enable them to take the greatest advantage possible of the new trade instruments and to address negative effects that may stem from the new international scenario for foreign agricultural trade in Central America. ..."* (4)

In follow up to this Agreement, the CORECA-CAC Secretariat formulated a project with RUTA support that was approved by the World Bank/IDF. The IDF provides grants to finance technical assistance and the execution of institutional development programs in areas considered of strategic importance to the Bank, and include programs to ensure the sustainability of reforms to strengthen beneficiaries' capacities to design and execute new policies and programs in both the public and private sectors.

Results of stage one

In January 1995, with RUTA support and through the IDF, the World Bank approved a US\$471,000 grant for the program *"Institution Building in the Agricultural Sector for the Negotiation and Administration of International Trade Agreements,"* which was launched in June of that same year.

It is worth noting that under the training component, activities were undertaken in coordination with various RUTA partner agencies (5), especially the Area of Policies and Trade of the Inter-American Institute for Cooperation on Agriculture (IICA). Within this framework of interagency cooperation, agricultural sector officials of the Central American region attended extra-regional workshops and seminars, sponsored by FAO, the World Bank and the International Food Policy Research Institute (IFPRI). Thus, these inter-institutional alliances made it possible to create a high-level group of trainers at no cost to the project.

The results of the first stage laid the bases for strengthening the region's public agricultural institutions vis-à-vis the management of sectoral trade policy and their effective participation in processes to negotiate and administer international trade agreements.

The new stage

The project *"Strengthening Institutional Capabilities at the National and Regional Levels for the Management of Agricultural Trade Policy"* was launched in June 1998, with a new World Bank/IDF grant of US\$381,880. Its purposes were to complement the efforts carried out in the first stage to strengthen national and institutional capabilities, support the countries in preparing for current negotiations, establish an appropriate trade

policy, and consolidate the technical self-sufficiency of the Trade Policy Units (TPUs) set up in the ministries of agriculture of the Central American region.

The project consisted of five components: i) training, ii) studies, iii) internships, iv) equipment for the TPUs, and v) administration, and was funded as follows:

Component	Budget assigned (%)
i) Training	49.36
ii) Studies	19.51
iii) Internships	4.58
iv) Equipment for TPUs	5.50
v) Administration	21.05
Total	100.00

Training

Training activities carried out through this project were either national or regional in scope.

All national training activities were organized in coordination with the sectoral authorities of each country and responded to an agenda of topics and national interests related to international trade. In the first stage, training focused on providing basic know-how on international trade instruments. In the new stage, national seminars were an essential tool supporting the ministries of agriculture's efforts to disseminate, among both the public and private sectors, information on negotiations processes (bilateral, hemispheric and multilateral) involving the Central American countries, and for analyzing and discussing priority and new aspects of international agricultural trade.

All training activities involved the significant participation of private sector representatives (associations, trade unions and agri-food producers), the academic sector and other public institutions associated with international agricultural trade. A total of 481 persons benefited.

Regional training activities followed a different approach. With just one exception, they were organized under the sponsorship, or in coordination with, IICA and other international, regional or governmental organizations, including the Central American Institute for Business Administration (INCAE), the World Trade Organization (WTO), FAO, FLACSO/LATN, the United Nations Conference on Trade and Development (UNCTAD), the University of Costa Rica's Economic Sciences Research Institute (IICE), and Mexico's Secretariat of Agriculture, Livestock and Rural Development (SAGAR)⁶. Following are some of the different ways these organizations were involved: i) participating in the design and organization of activities and covering a portion of the costs, ii) covering the cost of participation of Central American agricultural authorities' in extra-regional activities of interest to the region, iii) providing technical cooperation (reference documents or participation of specialists), and iv) responding to invitations to the CORECA-CAC Secretariat by countries or international organizations working in the region.

Through these alliances with international and regional organizations, and the sponsoring of regional authorities' participation in extraregional events, the project was able to better tap international cooperation, share a working agenda with specialized trade organizations, and establish a presence for the CORECA-CAC Secretariat in important international forums.

Studies

A total of 18 documents were produced, including studies, technical notes and working documents.

Two processes occupied the greater part of the countries' attention during the course of the project: i) preparation for and monitoring of multilateral agricultural negotiations under the WTO, and ii) the agricultural negotiations carried out as part of the process to build the Free Trade Area of the Americas (FTAA).

Other studies analyzed the production and international trade of agricultural products considered to be sensitive or of strategic importance to the Central American countries. Multilateral and bilateral negotiations motivated other studies to analyze the situation of possible trade partners for the region and the possible implications for the agri-food sector of the Central American countries.

Internships

The project considered internships and in-service training a way for beneficiaries to develop skills and capabilities and to learn from the management procedures of other institutions and governments in their fields. In this connection, two officials from the Ministry of Agriculture, Livestock and Food (MAGA) of Guatemala participated in internships in the CORECA-CAC Secretariat..

The second activity was called for in project's work plan and involved a regional internship in Mexico entitled "Compilation of Instruments and Methodologies for the Modernization of Agricultural Management." During the entire process (design, programming, development and conclusion of the internship), SAGAR/Mexico provided considerable political and technical support, and the support of the IICA Cooperation Agency in Mexico to this activity was also of great value.

Lessons learned in the area of institutional development

In reviewing the project's proposed objectives and the results obtained, mention should be made of the principal factors that facilitated (or constrained) achievement thereof. They are:

Changes in the vision of regional integration: Recent developments reveal a change in the dynamics of economic and trade integration in Central America, which, in practice, are oriented toward a process of open regionalism. With regard to trade, the countries have worked together in processes of joint negotiation, focusing on opening up new markets through the negotiation of free trade agreements with third countries. In addition, they participate, either individually or in ad hoc associations, in multilateral processes under the WTO and the FTAA. These changes in the regional agenda facilitated execution of the project, the objective of which was, precisely, to provide technical cooperation to the countries in these subject areas.

Serious climatic events in Central America affected institutional and national priorities and diverted attention --justifiably so-- toward the emergencies and the reconstruction efforts undertaken thereafter. The climatic situation had a particularly grave impact in some countries of the Central American region, and had the result of curtailing some project initiatives in those countries.

The political cycle of agricultural sector institutions in the region slowed down efforts to consolidate and institutionalize some of the TPUs in the ministries of agriculture (the TPUs are considered the main target of the project's institutional strengthening efforts). Changes in staff who had received specialized training in trade policy, internal reorganization, and changes in institutional priorities are some of the factors that limited efforts to strengthen the capabilities of the ministries of agriculture to address the trade agenda in timely fashion.

On the other hand, countries whose TPUs in the ministries of agriculture were strengthened were better able to take advantage of project resources, address specific requests for cooperation, and engage more effectively in inter-institutional coordination of agricultural trade policy with other government units. In some cases, although a TPU was not consolidated, the National Technical Units (UTN/RUTA) set up in the ministries of agriculture were able to fulfill this role and take better advantage of the project.

One difference between the setting as it was prior to implementation of the two World Bank grants and the present situation is the participation of agricultural sector institutions of the region, and their sectoral trade specialists, in the international trade environment.

The technical meetings, the training processes, and the negotiation and administration of commitments stemming from trade agreements created formal and informal links among the TPUs, and working networks that benefit the countries and the region as a whole. This is a result of the region's economic opening process as well as progress made in the areas of telecommunications and information systems. The projects implemented with the two World Bank grants contributed to equipping professionals to better manage trade instruments and promoted an exchange of experiences, the updating of know how, the creation of these networks, and the strengthening of working relations.

Lessons learned in the area of project implementation

Concerning project operations, its management by the CORECA-CAC Secretariat facilitated many administrative tasks and implementation, and also made it possible to address, in a timely manner, unscheduled demands from the ministries of agriculture of the region.

In addition, the position of the CORECA-CAC Secretariat within IICA's infrastructure made it possible to share the project's working agenda, especially with the Area of Policies and Trade, and to develop cooperative ways of developing national, regional and extra-regional activities. IICA's Directorate of Finance facilitated the management of the World Bank's grant monies, and efforts were coordinated with other areas of IICA's Technical Consortium. Finally, the project was able to maintain a work program with IICA's Central Regional Center and its Cooperation Agencies (ACs) in the Central American countries.

RUTA worked in close coordination through the national and regional work program, and its leadership provided constant and ongoing support.

The working ties with international and regional organizations, principally in regard to regional initiatives, helped achieve one of the project's proposed objectives, which was to share an international and regional agenda for cooperation and technical assistance in order to maximize benefits and share costs.

1 The Regional Council for Agricultural Cooperation (CORECA), comprises the ministers and secretaries of agriculture of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Dominican Republic

2 The Central American Agricultural Council (CAC), is a body of the Central American Integration System (SICA), and is made up of the ministers of agriculture of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The CAC and CORECA share a single Secretariat, which receives IICA support, and which is referred to in this document as the CORECA-CAC Secretariat.

3 These organizations include, especially, the World Bank and IICA, as well as other agencies and governments with which cooperation efforts were developed through different activities, such as the Central American Institute for Business Administration (INCAE), the World Trade

Administration (WTO), the United Nations Food and Agriculture Organization (FAO); FLACSO/LATN; the United Nations Conference on Trade and Development (UNCTAD); the Economic Sciences Research Institute (IICE) of the University of Costa Rica (UCR); the Secretariat of Agriculture, Livestock and Rural development (SAGAR) of Mexico; and the central American Dairy Sector Frderation (FECALAC).

4 Agreement No. 1 of the CAC, Special meeting. Turrialba, Costa Rica, January 13, 1994

5 The regional Unit for echnical Cooperation (RUTA) comprises the following partner agencies: World Bank, International Fund for Agricultural Development (IFAD), United Nations Development Program (UNDP), United Nations Food and Agriculture Organization (FAO), Inter-American Institute for Cooperation on Agriculture (IICA), Inter-American Development Bank (IDB), the governments of the United Kingdom, Japan and Sweden, and the Central American Agricultural Council (CAC).