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Système Economique  
Latinoaméricain et Caribéen

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## Latin American and Caribbean cooperation in the area of food security

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# Latin American and Caribbean cooperation in the area of food security

## Economic and Technical Cooperation

*XXIII Meeting of International Cooperation Directors for Latin America and the Caribbean. Regional Cooperation in the area of food security*

*Belize City, Belize*

*1 and 2 October 2012*

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## **F O R E W O R D**

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*This document has been prepared in compliance with the Work Programme of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA) for 2012, as set forth in Thematic Area "Economic and Technical Cooperation", Activity II.1.1, "XXIII Meeting of International Cooperation Directors for Latin America and the Caribbean".*

*The study is presented as a contribution by the Permanent Secretariat to the intergovernmental deliberations scheduled to take place within the "XXIII Meeting of International Cooperation Directors for Latin America and the Caribbean: Regional Cooperation in the area of food security" (Belize, 1 and 2 October 2012). It should be noted that within this highly important subject-area, this new study by the SELA Permanent Secretariat gives continuity to previous analysis and exchange of views undertaken in the context of meetings held by SELA in previous years on this subject, namely: the High-Level Regional Meeting on Food Security in Latin America and the Caribbean (Caracas, 30 May 2008); the Regional Meeting on the challenges of the adverse international economic situation for Latin America and the Caribbean (Caracas, 30 October 2008) and the Consultation and Coordination Meeting on Food Prices and Food Security in Latin America and the Caribbean (Caracas, 17 and 18 September 2009).*

*The document gives an up-dated review of the evolution of food prices both at the international and national levels, including their interrelationships, and presents a overview of the many and varied experiences and initiatives as regards cooperation in the area of food security in Latin America and the Caribbean. By so doing, it identifies areas of consensus at the regional level and presents recommendations to strengthen cooperation in this field, deemed to be highly relevant as well as a priority in the current regional economic and human development context.*

*In addition to the introduction and conclusions, the study is structured around three sections, namely: i) Evolution and impact of food prices on food security and agriculture in Latin America and the Caribbean: Medium and long-term prospects; ii) Status of regional cooperation initiatives on food security: Ongoing programmes, projects and actions; and iii) Possible financial sources for cooperation in the area of food security in Latin America and the Caribbean.*



## EXECUTIVE SUMMARY

Over the last 12 months, food prices have reversed the marked rising trend they have followed between late 2010 and early 2011. Notwithstanding, food prices are still at levels above the average recorded in both the years prior to the 2008 crisis and the last 20 years. Furthermore, forecasts developed by the Food and Agriculture Organization of the United Nations (FAO) and the Organisation for Economic Cooperation and Development (OECD) indicate that food prices will remain high over the next decade. Concerns at the international level about the growing volatility in food prices have intensified, due to its negative effects on the overall economic environment and on the possibilities to increase investment, both public and private, in the agricultural and livestock sector, which hampers an adequate increase in productivity. In the final analysis, price volatility in agricultural and livestock products significantly undermines the possibilities of long-term development of countries specialized in these products.

Most Latin American and Caribbean countries have not suffered a serious adverse impact from the increase in prices and volatility of food prices over recent years. This is largely due to the economic growth experienced by these countries driven by high raw material prices. However, this economic growth, which has made it possible to counteract the effects of the increase in volatility of food prices over recent years, is currently seriously threatened by the financial and debt crisis in Europe, the collapse in global demand as a consequence of low growth rates and high unemployment rates in other OECD countries, and the deceleration in growth rates in China and other emerging economies. This new situation demands renewed consideration of regional cooperation measures in order to avoid a food emergency situation in upcoming years in several countries in Latin America and the Caribbean.

Since the food crisis of 2008, experience has shown that two aspects concerning food security analysis should be addressed. First, it is more and more evident that international prices do not properly reflect the situation at the domestic level. This is especially true in developing countries, which present different difficulties in terms of the operation of their domestic markets. Second, estimates about the number of people suffering from hunger in Latin America and the Caribbean and, especially, the effect of food price increase and volatility since 2008 have proven to be insufficient. Today, information at the regional level, required to design and adopt timely and appropriate measures to counteract future food emergencies, is not available.

There exist several initiatives within the region, as well as a large number of high-level statements promoting cooperation in the area of food and nutritional security throughout Latin America and the Caribbean. However, these initiatives and statements have not translated into concrete actions of effective regional cooperation. These initiatives include, for instance, Latin America without Hunger and achievements recently made by Central American and Andean countries to define joint action frameworks in this area, which could be valuable to extend to the rest of the region.

Commitments of Official Development Assistance have had substantial impulse over the past four years due to 2008's food crisis. The international community, led by G-8 and G-20, has prioritized once again in its agenda topics such as poverty and hunger, with a view to meeting the Millennium Development Goals (2015). International assistance commitments have doubled over the past five years and there are good opportunities for Latin America and the Caribbean to be able to attain international financial support for joint cooperation initiatives in the area of regional food security. Notwithstanding, the economic crisis of the developed world and, in particular, the European debt crisis

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triggered in 2011, seriously jeopardize continuity of assistance initiatives. Therefore, it is necessary to take immediate actions in this respect so as to consolidate the support received and foster its permanence.

With the aim of strengthening regional cooperation in food security in Latin America and the Caribbean, this report puts forward the following recommendations:

- i) Launch a process of prospective analysis at the regional level on food security with the involvement of all governments in Latin America and the Caribbean, as well as civil society and international organizations involved in this area;
- ii) Set up a Technical Workgroup on food security to determine indicators to properly assess the food situation in every country within the region;
- iii) In particular, properly define which situation represents a “food crisis” so that it can be anticipated, thus allowing regional cooperation mechanisms to adopt cooperation measures required to face said crisis as soon as possible;
- iv) Lift food trade barriers by way of existing integration agreements or by a specific agreement in this area that comprises the entire Latin American and the Caribbean region;
- v) Promote innovation in agriculture through public-private partnership agreements for the implementation of agricultural innovations by small rural producers throughout the region;
- vi) Increase public and public-private investment to improve infrastructure and market conditions in the agricultural and livestock sector in Latin America and the Caribbean. The creation of an office for the promotion of investments with regional scope could be considered within this proposal; and
- vii) Improve coordination among legal frameworks concerning the right to food in each country, including regulation of food markets. This would help to prevent market power abuses which unnecessarily increase food distribution and logistics costs, thereby damaging both producers and consumers.

## I. INTRODUCTION

Since the food price crisis in late 2008, the Permanent Secretariat of SELA has been contributing with the search for solutions to global food security issues through recommendations intended to strengthen regional coordination and cooperation policies. Already in November 2008, SELA presented its proposal for a "Regional Cooperation Programme for Food Security." Similarly, subsequent meetings of Member States on this subject have positively valued proposals put forward within the framework of SELA.

Food prices continue to be a reason for concern in the international community. Over the past four years, food prices have been substantially higher than pre-2008 levels. In particular, these prices have remained at high levels over the first six months in 2012. Furthermore, FAO and OECD have recently forecast that real food prices will be higher for the next decade with respect to 2001-2010 average; therefore, difficulties to guarantee food security are expected to persist in the long term.

While methodological discrepancies exist on the global food situation, it is estimated that about one billion people worldwide are still suffering from hunger every day. Of these, 53 million correspond to Latin America and the Caribbean, i.e. 9% of the region's population.

The economic crisis that currently affects developed countries, growth deceleration in the region and high food prices signal to a complex panorama for the upcoming years in terms of food security. The challenge to overcome this situation in Latin America and the Caribbean requires immediate actions in the area of regional cooperation.

This study gathers the multiple cooperation initiatives in the area of food security in Latin America and the Caribbean. They allow us to infer that there is overall consensus on the importance of adopting joint measures to favour food and nutritional security, as well as entering into international agreements in this area. However, it is worth underscoring that many of the decisions made have not had the political commitment required to implement them. Some of the initiatives analyzed in this report have made significant progress that could be used as models to be extended to the rest of the region.

Lastly, the document puts forward for the consideration of International Cooperation Directors of Latin America and the Caribbean a series of possible political actions aimed at strengthening regional cooperation in the area of food security, which are considered highly relevant and priorities in the current context.

After the abrupt increase in food prices in the first half of 2008, Latin American and Caribbean countries had a swift institutional response with a view to fighting the possible negative effects on food and nutritional security in the region. This response was underpinned mainly by the Declaration of Salvador de Bahía of December 2008, within the framework of the First Latin America and Caribbean Summit on Integration and development (CALC). The new political reality, the sustained economic growth in Latin America and the Caribbean over the past 10 years, the global crisis international context and high food prices resulted in governments rapidly assuming a stance toward adopting cooperation and coordination actions required. In this regard, the Declaration of Salvador de Bahía tried to establish joint measures to face the emerging challenges for the region both in terms of its energy, food and financial situation, and of the effects of climate change. Furthermore, in December 2011, the Community of Latin American and Caribbean States (CELAC) was created. This new regional instrument (which excludes Canada and the U.S.) is aimed at supplementing the existing cooperation mechanism

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and take them to a higher commitment level for all countries in the region, with food security playing a predominant role.

Starting from May 2008, the Permanent Secretariat of SELA has been contributing with the search for alternatives for a better and broader cooperation in the area of food security through mechanisms already existing in Latin America and the Caribbean, as well as the possible creation of new regional entities for these purposes. In particular, the Permanent Secretariat of SELA has been one of the entities of the Latin American and Caribbean institutional framework, which has centred its efforts on cooperation and coordination aspects of regional policies in the area of food security, since the crisis onset four years ago. As a result of this approach, the Permanent Secretariat of SELA presented in November 2008 its "Proposal for a Regional Cooperation Programme in the Area of Food Security in Latin America and the Caribbean," which was followed by three specialized meetings as well as reports and studies on the subject.

The proposals of SELA's regional programme included: i) considering a regional agreement for the priority supply of food given the emergency situation; ii) creating a special joint fund to face food contingencies; and iii) setting up a network of regional research institutes in food security assuring the transfer of technologies with a view to increasing output and productivity in the agricultural area.

Other proposals by SELA have included the creation of a Bank of Food and a Regional Committee on Early Warning to Food Emergency Situation. Likewise, the need to reach agreements has been underscored, to prevent trade restrictions in critical situations and the need to increase investment in agriculture through regional projects, which take advantage of the capacities and resources of each country or subregion.

Notwithstanding, the cooperation initiatives mentioned above, as well as other proposals and high-level declarations put forward in Latin America and the Caribbean, have not always had the required correspondence with actions effectively promoted by government in the region. In particular, it has been demonstrated that concrete regional cooperation efforts were scarce after the inrush of high and volatile food prices since 2008.

Nevertheless, the sustained economic growth and an (oscillating) reversion of food price increases have helped to prevent the much feared food crisis over recent years.

Nowadays, an economic deceleration trend has been observed in countries in Latin America and the Caribbean. This, along with the persistence of Europe crisis, the warnings by the International Monetary Fund (IMF) about the possible external negative impacts that Latin America and the Caribbean may suffer in 2012, and the high food prices represent a renewed challenge for the region. Therefore, the convenience of adopting, in an urgent manner, the regional cooperation and coordination measures required to effectively prevent the food crisis that could break out when the international context and/or the internal macroeconomic conditions are no longer appropriate, emerges again. It is worth highlighting that food prices throughout 2011 have been, in real terms, at similar levels to those observed during 2008 crisis, which reinforces the need to adopt immediate measures to assure the increase in output and guarantee access to food by the population.

Starting from 2011, basically due to the increase in food prices and the imminence of the deadline to comply with the Millennium Development Goals (MDG), the international community adopted once more food security as a priority. In this regard, a number of

international entities and, concomitantly, the G-20 countries have assumed a clear stance toward the negative consequences of volatility in food prices and the measures that the international community should take to guarantee food and nutritional security within the framework of the Millennium Goal 1.C (halve, between 1990 and 2015, the proportion of people who suffer from hunger).

This renewed prioritization of food security in the international sphere has been echoed also at the regional level. The most recent example can be found in the General Assembly of the Organization of American States (OAS) held in June, which set as a priority adopting measures to increase food security in Latin America and the Caribbean. One of its most outstanding results was the adoption of the "Declaration of Cochabamba on Food Security with Sovereignty in the America," which emphasizes the commitment by all Member States to eradicate hunger and poverty in the region in a sustainable fashion, by supporting national, regional and international initiatives on this area. One of the main tools highlighted by the Declaration of Cochabamba for this purpose is the promotion of the increase in output and productivity through innovation and the incorporation of technology.

Even though critical situations in terms of food have not occurred in the region since 2008, the high probability of the international context worsening over the upcoming months renders cooperation actions essential to strengthen agricultural productivity and promote access to food for the entire population. From the supply side, it is necessary to coordinate actions to increase productivity of the most important crops in Latin America and the Caribbean. Technological innovations duly applied to the reality of small family producers so as to increase productivity in a sustainable manner have been recognized as one of the main components of a successful food and nutritional security long-term strategy. Therefore, one of the main aspects in the cooperation strategy to be implemented in the medium term in the region will be the development of the agricultural technology required as well as the use of that available within the context of the local development specific features of each sub-region. To this end, a regional vision based on joint actions and developed by governments in Latin America and the Caribbean will be crucial, since solutions will hardly come from external players which maintain diverse or short-term interests in regional agriculture.

The main challenge faced by Latin America and the Caribbean in the medium and long term will be guaranteeing the access possibilities of its population to food, bearing in mind that their prices are expected to remain high and that production in the region will increase, but in a context of increasing shortages and global crisis of natural resources (and, therefore, of food) due to factors such as the perspectives of a substantial growth of world population over the upcoming decades. Latin America and the Caribbean are given now a unique opportunity to undertake the required cooperation actions with enough anticipation so as to be able to confront the food crisis that could break out over the upcoming years.

Thus far, the region's countries have missed the opportunity to intensify effective cooperation in the area of food security, so as to counteract the possible effects of a deceleration in economic growth and the possible decrease in international prices of commodities over the next years. The debt crisis that started in 2011 in Europe is a strong warning sign that should be taken into account especially to launch an effective integration process in Latin America and the Caribbean, which calls for jointly fighting hunger in the region, in particular. As we will see later on, while the different regional cooperation initiatives have issued a large number of statements and have reached formal joint work agreements, the sphere of national actions effectively adopted is still

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very marginal and decisively insufficient vis-à-vis the magnitude of the problem of hunger and its consequences for the development of Latin America and the Caribbean, especially for the more vulnerable countries.

## II. EVOLUTION AND IMPACT OF FOOD PRICES ON FOOD SECURITY AND AGRICULTURE IN LATIN AMERICA AND THE CARIBBEAN. MEDIUM AND LONG-TERM PROSPECTS

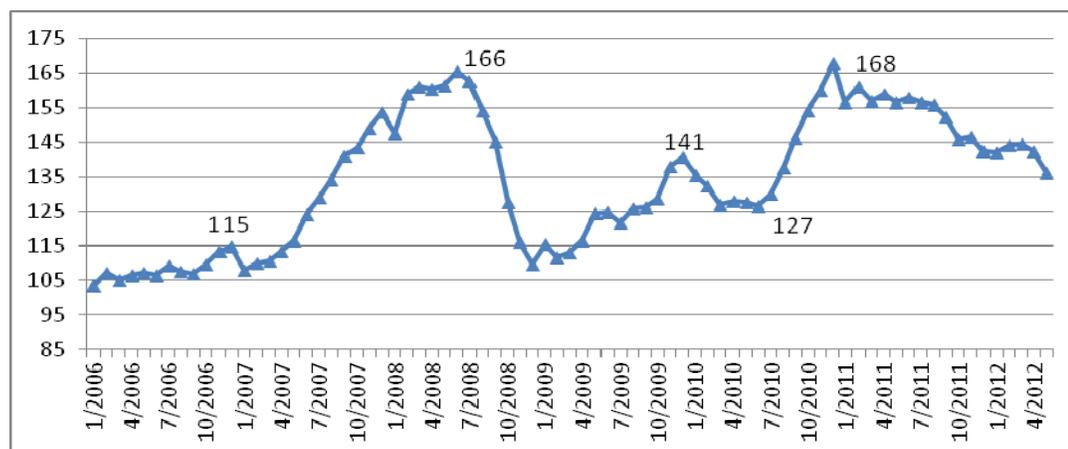
### 1. Recent and long-term evolution of food prices in real terms

#### a) Recent evolution

From late 2010 through the most part of 2011, food prices in real terms reached values close to 2008 maximum levels (see Chart 1). The general trend to persistently high food prices has remained throughout 2012, although it has dropped 10% from September 2011 to May 2012. Even though high levels close to 2008 heights have remained, current food price level has not had the political and social repercussions they had in the first half of 2008, when the international community faced the then existing “food crisis.” This is probably due to the emergence of new priority topics on the political agenda, with the persistent financial and economic crisis in developed countries as main element. Similarly, the fact that a determining social impact on the population in Latin America and the Caribbean has not occurred due to the macroeconomic soundness of the region diminished the priority role of the hunger issue at the political level after 2008.

As shown in Chart 1, FAO’s food Price index has followed a growing trend since December 2008. Despite the decrease over recent months, food prices have remained over baseline values (2002-2004 average).

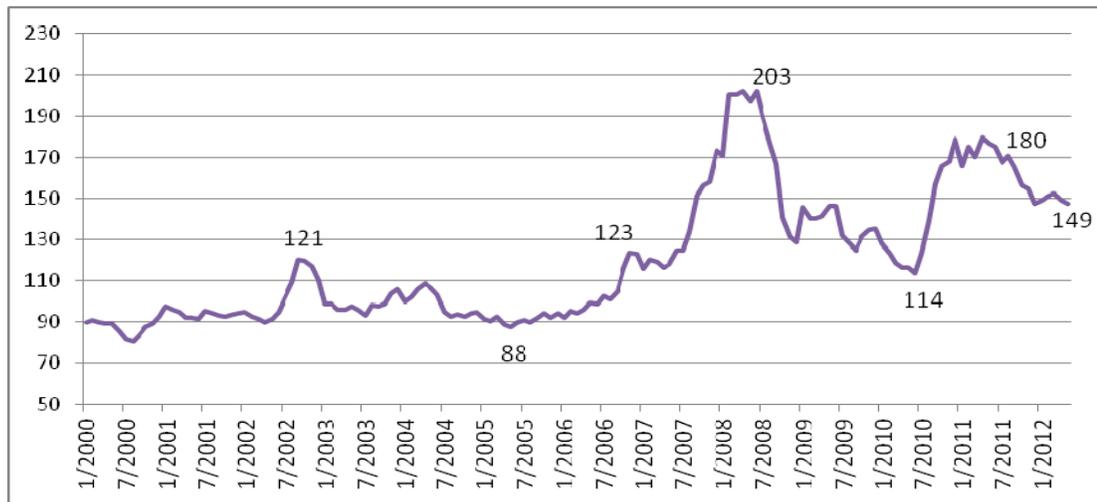
**CHART 1**  
FAO’s real food price index (2002-2004=100)



Source: FAO (2012).

Furthermore, depending on the type of products being considered, this evolution has been somehow different. In particular, as shown in Chart 2, cereal prices in real terms have shown much more pronounced changes than the overall food price level, both upward and downward.

**CHART 2**  
**Evolution of FAO's real price index of cereals**



Source: FAO (2012).

b) Long-term evolution of food prices

From a longer-term perspective, Chart 3 shows the high food price index that has persisted over the past four years, especially as compared with the levels in the early 1990s.

**CHART 3**  
**Evolution of FAO's real food price index between 1990 and 2012 (2002-2004=100)**

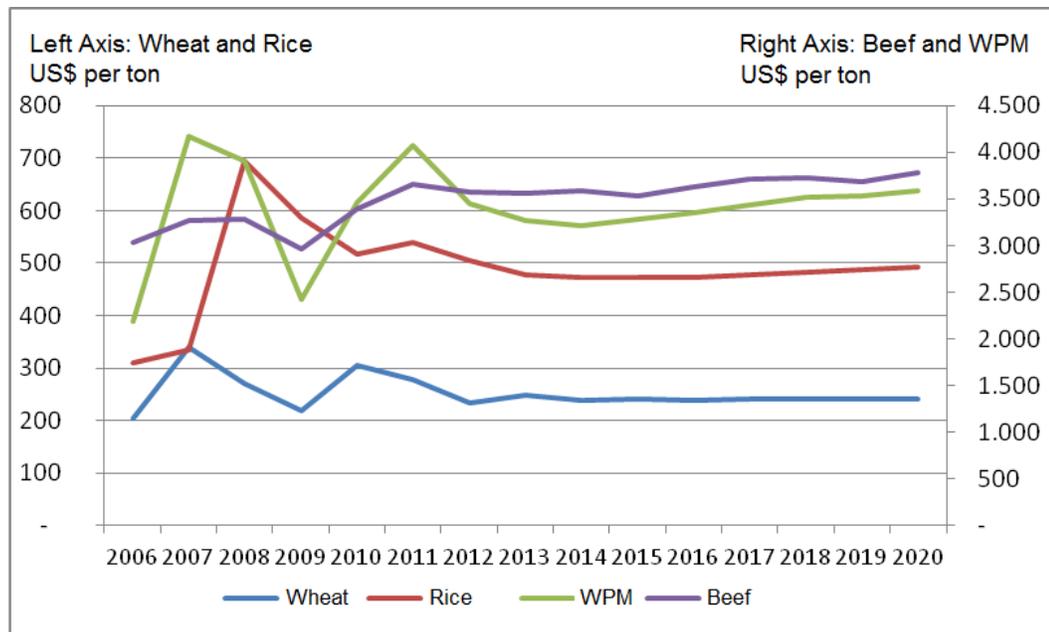


Source: FAO (2012).

In turn, FAO and OECD release every year their prospects concerning prices, consumption and production of foodstuffs for the following 10 years. In their 2011 publication, both institutions indicate a higher level of real food prices for the next decade than the average for the period 2001-2010: the real price increase will be about 20% in cereals and 30% in beef. In particular, the report describes as "moderately optimistic" the possibilities

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of reducing price increases in the long term, through a higher investment derived from price increases in recent years. This increase in investment could reverse the negative signals sent by the secular drop in food prices, according to OECD and FAO. Furthermore, a growing and consistent food demand worldwide, led by developing countries, in particular in Latin America and the Caribbean and Asia is being forecast.

**CHART 4****FAO & OECD food price projections (2006-2020, US\$ per ton) wheat, rice, beef and whole powdered milk (WPM)**

Source: FAO and OECD, *Agricultural Outlook 2011*.

The most relevant factors, which, according to the OECD-FAO report, will influence food price volatility over the 10 next years include:

- i) Climate variability derived from climate change conditions prevailing worldwide.
- ii) Deceleration of the increase in yields of the main food products worldwide. If agricultural productivity does not increase enough over the upcoming years, demand will exceed supply; thereby further weakening food price stability.
- iii) A low relation between food stocks and demand.
- iv) High oil prices, which affect both input costs and biofuel demand.
- v) Foreign exchange rate volatility at the international level, which impacts domestic prices of food products.
- vi) Import restrictions in food producing countries with the aim of protecting domestic markets from international price increases. Likewise, local production protection through trade restrictions also favours price volatility.
- vii) The presence of a higher number of financial instruments that favour speculation in basic foodstuffs, which impacts their prices.

These factors globally affect food price levels and volatility in the short and medium term and render FAO-OECD forecasts uncertain, as recognized in their 2011 report. This uncertainty is an essential element that has to be considered for designing policies to fight hunger in LAC. Joint cooperation measures and actions by governments in the region will help to reduce uncertainty, thus favouring a much more stable investment and

innovation environment, which will be more favourable for agricultural productivity growth.

## **2. Impact of food prices on food security. Costs and benefits for Latin America and the Caribbean. The issue of information on food security**

Hunger not only represents a violation to basic human rights of people suffering from it, but also impacts the very possibilities of development of each country, reproducing underdevelopment patterns by damaging long-term economic growth. Therefore, fighting hunger is not only urgent from the humanitarian perspective, but an essential part of the interests of each country and government in the region, even from the perspective of their economic development and a strictly political point of view. High and volatile food prices damage macroeconomic conditions in Latin American and Caribbean countries by contributing to the inflationary process, discouraging investment in agriculture and infrastructure and increasing uncertainty and risks at the macroeconomic level.

The information provided by FAO indicates that approximately 95% of the population in Latin America and the Caribbean (53 million of people) today is suffering from hunger. However, in 2011, based on studies developed by the Committee for Food Security (CFS) and the High Level Panel of Experts (HLPE), it was determined that serious methodological and practical difficulties existed to estimate the number of people that are living in hunger in the world; this information is usually obtained from projections of global overall balance models. Based on these verifications, figures regarding people with hunger in the world after 2008 are under severe scrutiny and are no longer published in recent FAO's documents. This includes, in particular, the billion people with hunger in the world that according to FAO existed in 2009. The current situation hints that a number accurate enough of people with hunger at the regional or world level does not exist. Due to this, there is not either a measurement of the true impact of the 2008 financial crisis or the increase and volatility of food prices on the population.

At the same time, in February 2012, the World Bank has announced that the Millennium Goal 1.A (halve between 1990 and 2013 the proportion of people living on less than US\$ 1 per day) has already been attained in 2010 including, in particular, Latin America and the Caribbean. The official information published by the World Bank until 2008 points out that extreme poverty (US\$ 1.25 a day) in the region has dropped from 12.24% of the population in 1990 to 6.4% in 2008 and it has not been demonstrated that global crisis has reverse the trend over the past three years.

The World Bank has confirmed this opinion in its report "Warning on Food Price" released in April. According to the report, there exists a serious difficulty to evaluate, at least systematically, the effects of food price increase on the population. In particular, the concept of "food crisis" has been questioned and international consensus on an accurate definition of the situation has not been reached. In this connection, the World Bank has declared that it is working on a proper definition that may be used in cases of food emergency. The accurate definition of food crisis has an essential effect on measures to be adopted by the international community. Actions to be taken in the case of a predictable and cyclical process will be very different in the case of emerging situations that evolve rapidly and without identifiable early warnings.

The final impact of the food price increase and volatility in the region has been moderated by two fundamental aspects in the case of Latin America and the Caribbean. First, the already historical GDP growth in a large number of countries in the

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region over the past ten years has made it possible to counteract the negative impact of the international crisis and the increase in food prices.

Second, high food prices have a long-term positive effect, because more private investments are made in the agricultural sector, thus making it possible to increase output and productivity in the sector. This results in an improvement in prices received by producers in relation to their costs (due to the higher productivity) and an increased availability and better access conditions to food for consumers, which can also reduce the sale price of foodstuffs on local markets. In this regard, while the urgent need exists to jointly fight food price volatility and the short-term effects of an unexpected increase in domestic prices, the rise in food prices can be considered a positive factor within the context of a region that is a net food exporter.

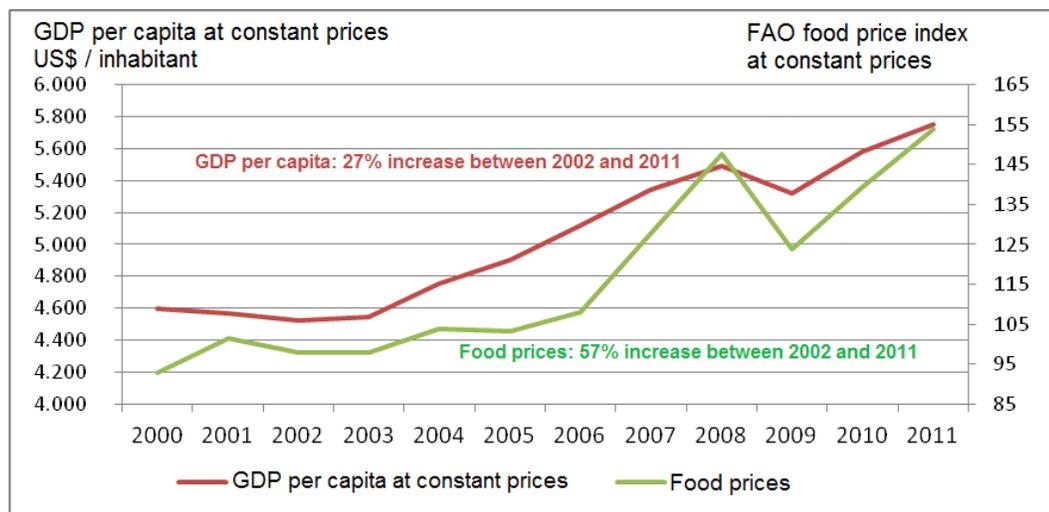
However, the positive effects of price increase can be counteracted by the high volatility observed over recent years, which prevents the stability required for a proper evaluation of investment in innovation and infrastructure.

One of the critical voices regarding estimates that FAO has usually developed about the number of people with hunger in the world comes from the International Food Policy Research Institute (IFPRI). The very existence of 2008 food crisis is questioned. As an alternative to FAO estimates, prepared according to overall balance models, the IFPRI provide information on hunger evolution based on subjective assessment surveys conducted at the international level. Their results (as well as their methodology) are compared with those provided by FAO, with diverging results being obtained. This would be indicative of the necessity to move forward toward another type of methodology to measure hunger. As mentioned before, FAO is currently developing an in-depth review of the methodology to estimate hunger prevalence in the world and the results are expected in the upcoming months.

Given the lack of accurate information provided by FAO about the number of people suffering from hunger in the world, it is feasible to use a lateral approximation of the food situation from the poverty situation in the region. Recently (March 2012), the World Bank has presented the preliminary results of poverty estimates in the world, which show that the Millennium Goal 1.A (halve poverty between 1990 and 2015) has already been attained. Given the lack of reliable estimates about hunger at the international level over the past three years (the last official data released by FAO correspond to "2006-2008"), the World Bank's poverty estimates allow us to infer that the Millennium Goal 1.C (reducing hunger) could have taken a similar road. In this regard, it is worth highlighting that GDP per capita at constant prices of Latin America and the Caribbean as a whole has come from US\$ 4,525 in 2002 up to US\$ 5,756 in 2011, which represents an increase of 27% over nine years. In the meantime, FAO's food price index grew 57% over the same period in real terms. While international food prices have grown more than twice the GDP per capita in the region, it is worth pointing out that the population in Latin America and the Caribbean could absorb a large part of these increases thanks to the improvement in their income (at least on average).

### CHART 5

Comparison between the evolution of increases in GDP per capita and food prices in real terms (2000-2011)



Source: World Bank and FAO.

In conclusion, even though it is not a direct measurement of food situation, at least it can be inferred that the population in Latin America and the Caribbean increased their average income level enough to be able to counteract almost 50% of food price increases.

This quick analysis, far from making up for the lack of information on food and nutritional security at the international level, allows us to show why the impact of food price increase and volatility on Latin American and Caribbean population could not possibly have existed. Likewise, this would make it possible to justify the apparent contradiction between high food prices in Latin America and the Caribbean and advances in food security which, anyway, have been processed in the region according to statistics on the Millennium Development Goals. This could largely indicate that the continued growth situation, rather than policies applied by countries in the region, is what has allowed poverty and hunger be reduced. Furthermore, the results obtained through economic growth could be seriously jeopardized if the accelerated growth trend is stopped (a situation that might possibly occur in 2012). The fragility of the fight against hunger and poverty in the region, which is always dependent on the international situation and the depletion of growth cycles, renders coordination of policies among countries in the region more necessary.

Finally, it is worth underscoring that there exists a significant disparity in terms of the food security situation of each country in Latin America and the Caribbean. This implies that efforts deployed at the regional level should be especially considered by countries that present a compromised situation. The IFPRI presents its "Global Hunger Index" (GHI) every year, which combines three FAO's indicators on hunger for each world country: child mortality, proportion of people malnourished in the total and prevalence of child malnutrition. The value of GHI is developed by defining hunger situation in each country as "low," "moderate," "serious," "alarming," and "extremely alarming." For 2011, under this indicator, the IFPRI pointed out that Haiti is the only country in the region with an "alarming" index and that only three countries (Bolivia, Guatemala and the Dominican Republic) are in a "serious" situation in terms of hunger. Hunger situation in the remaining countries ranges from "low" (including Brazil, Mexico and Argentina) to "moderate" (Peru,

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Ecuador, Paraguay, Colombia, Panama, El Salvador and Nicaragua). The GHI analysis over the past 20 years shows a very positive evolution for Brazil, Mexico, Peru and Nicaragua with a decrease of 50% between 1990 and 2011. Countries such as Argentina, Uruguay, Chile and Costa Rica, in turn, have had a very low GHI (below 5) both in 1990 and 2011, which places them in a stable food security situation in the long term.

GHI information clearly shows the extreme disparity of situations among the countries in the region, which deserves a punctual approach for each one of them with a differentiated treatment toward those with higher vulnerability in the long term. Event taking into account each country's difficulties, cooperation policies for food and nutritional security in the region should consider the need of balancing the results among countries with very different situations.

### **3. Transfer of international prices to domestic prices. The domestic dimension of the food crisis**

Following the food price increase in 2006 and 2008, it became increasingly evident that it is not possible to evaluate the food situation in Latin American and Caribbean countries based on the international price level. Similarly, despite the temporary concomitance of social protests in several countries in the region and price increases of several staple commodities during the first half of 2008, the same did not happened with price increases from 2011. In addition to considerations about changes in variables such as purchasing power of the people, several factors of the economic and institutional environment allow international prices to be transmitted, in a higher or lesser degree, into each country, thus mitigating or intensifying the impact on food security of the population in Latin America and the Caribbean.

In this regard, one of the main aspects highlighted by FAO, ECLAC and IICA (2010) with respect to the food price crisis in Latin America and the Caribbean is that domestic consumer and producer prices evolve differently from international product prices. The international market conditions, where only a small proportion of the total food produced worldwide is marketed, affect each country in a different manner, depending on the domestic market conditions. These factors notably include the presence of monopolies and other market distortions, the condition as net exporter or importer of each country, the existing trade restrictions, among other internal policies related to food security.

In 2011, the High-Level Panel of Experts (HLPE), upon request by the Committee for Food Security (CFS) presented a report on food price volatility, which put special emphasis on the essentially domestic nature of the food crisis resulting from this volatility. Likewise, options of policies to be adopted especially depend on the volatility source. The report of the High-Level Panel of Experts (HLPE) underscores the domestic sources of volatility, which would have a stronger impact than international factors ("imported volatility"). In this regard, it is worth quoting, among others, the work developed by Hazel et al. (2005), which demonstrated that in Mexico, Brazil and Bolivia, between 1971 and 2003, volatility in corn and wheat domestic prices (measured as their variation coefficient) was more than 65%, whereas at the international level, it only reached between 23% and 29%. Similar results are found for a large part of the developing regions in the world. The report concludes that, even though international food prices are relevant food security indicators, the factor that determines the final impact of global markets on poverty and hunger at each country is domestic volatility and inflation. The report also stresses the methodological difficulties presented by hunger estimates worldwide by FAO, stating that the true impact of food price volatility on food security has not been fully understood and that a significant lack of academic studies on this subject is verified (evaluation of the *ex post* impact). According to the High-Level Panel of Experts (HLPE), no institutional

mechanism to provide systematic and updated information on the impact of international prices on the vulnerable population has been developed.

The response to the corroboration of the domestic nature of food price volatility by top regional and international entities was the creation of an international specialized database promoted by the G-20 in 2011, which includes food prices per country. This database is known as AMIS (Agricultural Market Information System) and will supplement usual information sources on international food prices, with more specific information on local markets. It is worth highlighting that international food prices, in general, are estimated by using information on international transactions, since this data is easy to obtain and given the fact that this is considered (at least in principle) an enough representative signal of the market conditions of products at each time. However, these prices do not reflect the internal situation in developing countries.

There are various factors that influence food prices domestically. Table 1 presents some of them. In the case of some developing countries, some of the internal factors highlighted herein can be much more relevant than international prices. The poor transmission of international prices to domestic prices could be a sign that the local market is not operating properly, which may require the coordinated action by countries in the region in order to overcome this situation.

**TABLE 1**  
**Domestic factors influencing food prices and their volatility**

- Lack of transparency in markets and competition rules. Institutional capability of the affected country.
- Existence of barriers to entry.
- Climate volatility.
- Scarce negotiating power of small rural producers.
- Incorporation of local companies or multinational chains.
- Insufficient economies of scale.
- Imperfect and asymmetric transmission of international prices.
- Lack of access to financing to increase output.
- Integration of the country into international markets.
- Difficulties to adopt new production technologies.
- Lack of mechanisms to mitigate risk and uncertainty.

*Source: SELA 2011 and HLPE.*

#### **4. Medium and long-term prospects. Food security challenges in the region**

One of the most recent methodological trends in the analysis of the international agriculture situation is the prospective (or foresight) analysis, which is carried out by different countries and high-level organizations (OECD, FAO, UNIDO, IFRPI, GFAR, and EU-SCAR, among others). Conducting prospective analyses for Latin America and the Caribbean goes beyond the scope of this work; however, it is possible to make a brief reference to the process itself, as well as considering some initial elements that could be taken into account to deepen the analysis with a view to identifying regional policies to be adopted by regional institutions in the future. Following Popper's (2008) definition, it is possible to define prospective analysis as a process that implies intense iterative periods of opinion, joint work, consultations and discussion, leading to the definition of future visions and the joint definition of strategies to face them. Lattre Gasquet (2008), referring to research in agricultural and livestock sector, uses a different definition when she states that it "is the process developed to systematically try to look toward the long-term future

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of science, technology, economy, environment and society with the aim of identifying strategic areas of research and emerging technologies with the highest probability of obtaining the most economic and social benefit.”

Developing a prospective analysis process, according to Lattre Gasquet (2006) entails at least four stages, as described below:

- 1) First, it is necessary to properly define the problem, chose the time horizon, determine the institutional context and select the experts that will advance the process along with all the parties involved.
- 2) Second, the system on which the work will be developed has to be constructed, identifying the main variables, gathering all the information required and preparing the starting hypotheses.
- 3) Third, possible future scenarios should be explored.
- 4) Finally, the available strategic options should be outlined, results should be determined and a strategy to be followed should be recommended.

It is worth underscoring that, while this is a process of essentially qualitative assessment, it unavoidably implies incorporating estimates and preparing qualitative scenarios. Similarly, one of the most relevant aspects of the prospective analysis process is the continuous interaction among all interested parties until reaching a common vision on the future. The final result of a prospective analysis process on the food situation in Latin America and the Caribbean (which would also imply agriculture and poverty) would make it possible to identify which is the current situation in terms of population needs and which are the essential priorities for the adoption of joint policies in the region.

As an initial contribution to what the process of prospective studies on agriculture and food security in Latin America and the Caribbean could imply, Table 2 identifies some aspects that have been considered by the literature on the increase and volatility of food prices over recent years and the possible scenarios for the region.

**TABLE 2**  
**Supply and demand factors to consider in the prospective analysis of conditions of Food and Nutritional Security (FNS) in Latin America and the Caribbean in the long term**

Factor		Scenarios for Latin America and the Caribbean
<b>Demand Factors</b>	<ul style="list-style-type: none"> <li>- Population growth</li> <li>- Subsidies for biofuels</li> <li>- Increase in per capita income in developing countries.</li> </ul>	<p><b>Food demand will continue to grow over the next 10 years, taking to higher food prices than those of the last 20 years.</b></p>
<b>Supply factors</b>	<ul style="list-style-type: none"> <li>- Reduced stocks</li> <li>- Low agricultural productivity growth</li> <li>- Little investment in agriculture</li> <li>- Scarce natural resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Offer will not grow at the same pace as demand, unless investment and research in agriculture is substantially increased.</li> <li>• A scenario of shortages and supply volatility with diminished stocks is foreseen.</li> </ul>
<b>External factors</b>	<ul style="list-style-type: none"> <li>- Climate change</li> <li>- Oil prices</li> <li>- International financial and foreign exchange instability</li> <li>- New speculation instruments with foodstuffs</li> <li>- Trade restrictions</li> <li>- Agricultural subsidy policies in developed countries.</li> </ul>	<p><b>External factors point at an international context with more risks and uncertainty that will affect food prices.</b></p>

In conclusion, under this preliminary analysis it can be stated that, while a high risk and uncertainty component will exist in food markets, very good opportunities are present to take advantage of the food market conditions over the next 10 years. This is due to the high productive potential in the region in terms of food (with few exceptions). Cooperation and coordination of policies in productive and food areas among the countries in the region will be one of the essential factors to take advantage of the international situation, preventing at the same time high prices from impacting food security in Latin America and the Caribbean.

### **III. STATUS OF REGIONAL COOPERATION INITIATIVES ON FOOD SECURITY: ONGOING PROGRAMMES, PROJECTS AND ACTIONS**

#### **1. Cooperation initiatives regarding food security in Latin America and the Caribbean**

In this section we present the various cooperation initiatives regarding food security that exist in the region, based on regional institutionality and joint contributions of governments with international entities. As shown in Table 3, there is a broad diversity of regional cooperation ambits that have given priority to the subject of food security in recent years. Some, such as the Andean Community (CAN) and the Central American Integration System (SICA), had already made advances prior to the crisis of 2008 and have an adequate frame of reference for achieving cooperation among their member

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countries. Nonetheless, the great majority of the cooperation ambits, including those that encompass the greatest area from a geographical point of view, have just barely placed the subject of hunger on their priority agenda in the last few months and do not yet present an adequate framework for the adoption of concrete measures in this regard.

**TABLE 3**  
**Cooperation Initiatives on agriculture and food and nutritional security in Latin America and the Caribbean**

<i>Integration/ cooperation scheme</i>	<i>Year in which initiatives began</i>	<i>Main actions and agreements regarding agriculture and food and nutritional security in Latin America and the Caribbean</i>
Latin America without Hunger Initiative 2025	2005	<ul style="list-style-type: none"> <li>- Creation of the Parliamentary Front Against Hunger to support the recognition of the right to food in the region.</li> <li>- Platform for the decrease of chronic infant malnutrition to below 2.5%, with broad institutional support and international recognition.</li> <li>- Development of specific projects for food security in the region with the support of the Spain-FAO Programme and the Programme for International Cooperation Brazil-FAO.</li> </ul>
Community of Latin American and Caribbean States (CELAC)	2011	<ul style="list-style-type: none"> <li>- The "Caracas Action Plan 2012" (approved at the first CELAC summit in 2011) includes the creation of a ministerial Forum for the generation and implementation of plans, policies and programmes to eradicate poverty and hunger. A decision was also made to develop concrete action plans by the year 2012, as well as a "Latin American and Caribbean Plan for the Eradication of Hunger."</li> </ul>
Summit of Latin America and the Caribbean on Integration and Development (CALC)	2011	<ul style="list-style-type: none"> <li>- The Ministerial Meeting on Social Development and Eradication of Hunger and Poverty of March 2012, reasserted the need to eradicate hunger and poverty and urged the adoption of the necessary measures and plans at the regional level for that purpose, as well as the preparation of a plan for the eradication of hunger and poverty.</li> </ul>
Bolivarian Alliance for the Peoples of Our America (ALBA) and PETROCARIBE	2007	<ul style="list-style-type: none"> <li>- The ALBA-Food Initiative includes two main mechanisms for its operations: the Fund ALBA-Foods and the Company Gran Nacional Alba Alimentos. Ten projects in seven countries are financed by a total of US\$ 13 million to improve agricultural production systems.</li> <li>- The ALBA-Food Agreement by means of which all its members are obliged to guarantee that people will be provided with food of adequate quality and in sufficient quantity.</li> </ul>

<i>Integration/ cooperation scheme</i>	<i>Year in which initiatives began</i>	<i>Main actions and agreements regarding agriculture and food and nutritional security in Latin America and the Caribbean</i>
Central American Integration System (SICA)		<ul style="list-style-type: none"> <li>- SICA maintains several cooperation programmes and initiatives with regard to food security, such as the Regional Programme for Food and Nutritional Security for Central America (PRESANCA I and II) for the financing of projects with the aim of reducing food insecurity and improve public policies of the countries in the region.</li> <li>- The PRESISAN programme to improve information on food security, which has resulted in "The Regional Observatory of Food and Nutritional Security (OBSAN-R)" and the "Regional System of Food and Nutritional Security Indicators" (SIRSAN).</li> </ul>
Common Market of the South (MERCOSUR)	2008	<ul style="list-style-type: none"> <li>- Agreement to promote the establishment of regional policies aimed at food security in MERCOSUR countries.</li> <li>- Explicit support to the initiative Latin America Without Hunger.</li> <li>- No concrete regional actions or endeavours were observed regarding food security.</li> </ul>
Andean Community (CAN)	2004	<ul style="list-style-type: none"> <li>- In 2010 the Andean Programme to Guarantee Food and Nutritional Security and Sovereignty was approved.</li> <li>- Under this framework (as of 2012), 26 investment projects have been developed in connection with food security and rural development of small producers, indigenous communities, women's associations, dedicated to the production, transformation and commercialization of food in the region.</li> <li>- The Fund for Rural Development and Agricultural Productivity was created, implemented by the Andean Community.</li> <li>- Work is underway for the creation of an observatory on food security and sovereignty for the CAN and each of its members.</li> </ul>
Caribbean Community (CARICOM)	2009	<ul style="list-style-type: none"> <li>- The Liliendaal Declaration (2009) on agriculture and food security: commitment to increase coordination of national policies and to provide financial resources.</li> <li>- "Promoting CARICOM/CARIFORUM Food Security" Project (finalized in 2011). Financed by FAO Trust Fund, which included improvement of regional information systems regarding food security, creation of strategic associations and alliances within the region, development of skills and improvements in outlining public policies.</li> <li>- "Promoting Agribusiness" Project, financed by the EU, aimed, on a regional level, at improving integration and competitiveness of regional chains, cooperation among small producers, development of regional institutions and services so as to achieve food security, the support of public and private associations and the improvement of access to strategic information on the sector.</li> </ul>

<i>Integration/ cooperation scheme</i>	<i>Year in which initiatives began</i>	<i>Main actions and agreements regarding agriculture and food and nutritional security in Latin America and the Caribbean</i>
Inter-American Institute for Cooperation on Agriculture (IICA)	2009	<ul style="list-style-type: none"> <li>- "Contribution of agriculture to Food Security" Project 2011-2014. Focused on institutional upgrading, improvements in assessment and design of public policies, capacity building and knowledge management.</li> <li>- As part of the Medium-term Plan 2010-2014, the following programmes are underway: "Programme for Agricultural Health and Food Safety" and "Programme of Innovation for Productivity and Competitiveness." Several projects have already been completed.</li> <li>- Adoption of the "Institutional Strategy of Technical Cooperation for Food Security."</li> </ul>
Agricultural Council of the South (CAS)	2008	<ul style="list-style-type: none"> <li>- The common strategy of CAS members includes an increase in food supply by supporting small producers and family farming.</li> <li>- Decision to increase investment in technology aimed at agricultural production and to improve information systems in order to promote a connection between producers and the market.</li> <li>- No concrete initiatives or projects related to these topics were identified.</li> </ul>
Central American Bank for Economic Integration (CABEI)	2008	<ul style="list-style-type: none"> <li>- Among its "focus areas" CABEI includes Human Development and Social Infrastructure as well as Agriculture and Rural Development. Thus, it is able to carry out cooperation activities with small producers or at the region's governmental level.</li> <li>- A recent and outstanding project is the "Plan for Family Farming and Rural Entrepreneurship for Food and Nutritional Security" of El Salvador, which consists of a loan of US\$ 60 million to reduce poverty by improving agricultural production systems.</li> <li>- CABEI finances (in some cases, without reimbursement) several local initiatives with a high social impact (directly or indirectly connected to food security) at the request of member countries.</li> </ul>
Central American Agricultural Council (CAC)	2007	<ul style="list-style-type: none"> <li>- The Central American Agricultural Policy (PACA) 2008-2017, was defined in 2007 as the framework for coordinated action.</li> <li>- Specific projects are being developed based on international cooperation, such as the "Plan to support regional strategies for agriculture, rural development and food security," financed by Spanish Cooperation, and "Support for the increase of productivity and quality of food production to contribute to food security in Central America and the Dominican Republic," financed by Taiwan.</li> </ul>
Mesoamerica Project	2010	<ul style="list-style-type: none"> <li>- The axis of "Social Development" of the Mesoamerica Project does not contain a specific work area on food security. From the viewpoint of "competitiveness," the "Mesoamerica Project for Fruit Growing" is underway, with co-financing by the IDB for the amount of US\$ 1,234,000. A</li> </ul>

<i>Integration/ cooperation scheme</i>	<i>Year in which initiatives began</i>	<i>Main actions and agreements regarding agriculture and food and nutritional security in Latin America and the Caribbean</i>
		Regional Policy for the Development of Fruit Growing 2011-2025 was defined and various actors were trained to participate in this sector. The Regional Policy represents a framework for this activity and was published in 2012.
Union of South American Nations (UNASUR)	-	<ul style="list-style-type: none"> <li>- In April 2012, approval was granted for the “bases and guidelines” for the Action Plan 2012-2014 of the South American Social Development Council, wherein one of the priority axes defined was the struggle against food insecurity and poverty. The group working on the theme of Food Security and the Struggle against Hunger will continue to work in the area in preparation for the Council of Heads of State of UNASUR to be held in November 2012, during which the Action Plan will be approved.</li> <li>- No concrete measures have been announced regarding food security or poverty, at a regional level.</li> </ul>

*Source: Prepared by the author.*

In conclusion, it can be stated that there is no lack of initiatives with regard to the mitigation of hunger in Latin America and the Caribbean. In particular, in the region there is a clear definition and general consensus as to the importance of adopting joint measures to promote food and nutritional security, evidenced in various statements in the different regional cooperation ambits, as well as in the adherence to international agreements on this subject. However, despite the will manifested by all the countries in the region to adopt the necessary measures in order to avoid food insecurity situations, concrete efforts to achieve this objective are scarce. As mentioned previously, the last example of this duality as regards cooperation and actions in effect taken at the regional level, can be found in the “Cochabamba Declaration,” resulting from the General Assembly of the Organization of American States (OAS), celebrated in June 2012 and in the Action Plan of Caracas 2012 of the recently created CELAC. These commitments to promote and support regional actions for food cooperation should advance progressively by preparing a concrete and precise agenda of actions and a schedule that will permit due monitoring of their implementation. It should be noted that the process of effectively coordinating social policies is still at an early stage in the region and, taking into consideration the profound social difficulties which exist, it is to be expected that a strong political commitment is indispensable and that a considerable amount of time is required for its completion. For this reason, it is even more urgent to adopt concrete measures in order to face the challenges that will appear in the coming years for the entire region.

## **2. Most relevant experiences in Latin America and the Caribbean**

Despite the gap that usually occurs between statements of intent and concrete fulfilment in most of Latin America and the Caribbean, there are certain initiatives that have achieved significant advances in defining frameworks for action and that could be used as models for the rest of the region.

- i) At the Central American level, SICA, CABEL and CAC have carried out various regional cooperation initiatives under a framework of common regional policies and programmes as regards agriculture and food security. The following stand out in particular: the Central American Agricultural Policy (PACA), defined within the framework of the CAC, the concrete actions adopted through the Regional

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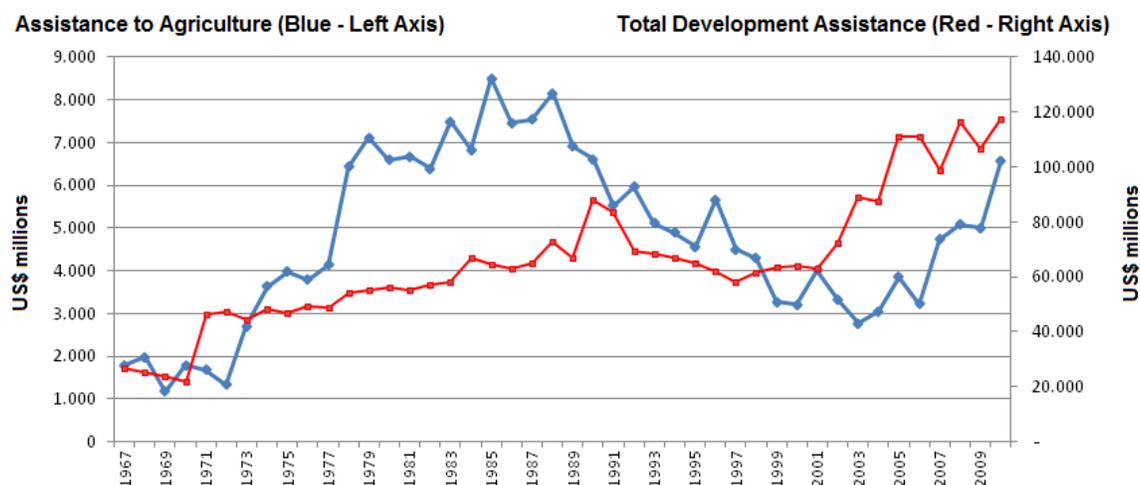
Programme of Food and Nutritional Security for Central America (PRESANCA I y II), and the Regional Programme of Information Systems on Food and Nutritional Security (PRESISAN), within the framework of the SICA. Of special interest is the fact that the PRESISAN has set up an observatory for food and nutritional security with indicators on the subject that could be used as a model for its implementation in the rest of Latin America and the Caribbean. The defining of common policies with concrete actions for food security is still something quite new in the Central American region; consequently, it is too early for a definitive evaluation. But the experience gained and the advances achieved in general could be taken into consideration for the rest of the region.

- ii) The Andean Community, in turn, has also developed a broad framework of action through the Andean Programme to Ensure Food and Nutritional Security and Sovereignty, a priority area with special emphasis on guaranteeing the right to food in the bloc countries. Through this mechanism, it has been possible to promote projects geared toward achieving food and nutritional security from a "sovereignty" perspective, where each country adopts the necessary measures according to its concrete conditions. The Andean Community is in the process of creating its observatory for the bloc's food and nutritional safety and sovereignty. As occurs in the case of the Central American region, the efforts of the Andean Community as regards the definition of common frameworks of action, the creation of observatories and the experience of carrying out regional projects in this area, could be of use to extend them to the rest of Latin America and the Caribbean, without the Andean Community losing the identity of its own integration process.
- iii) **Latin America Without Hunger.** Although it does not derive from a specific integration process, this initiative has had broad support and a positive impact at regional and international levels. One of the most important aspects has been the consolidation and advances within the framework of the Parliamentary Front Against Hunger. This initiative has brought to the fore the need for the legislation of each country to guarantee the right to food for all people. To achieve this, it is necessary to reach a political consensus, so that the fight against hunger becomes a priority in each country. Moreover, the support given by Brazil and Spain to the Latin America Without Hunger Initiative has made it possible to carry out concrete projects to improve food security in the region.

#### IV. POSSIBLE FINANCIAL SOURCES FOR COOPERATION IN THE AREA OF FOOD SECURITY IN LATIN AMERICA AND THE CARIBBEAN

Official international assistance for agriculture (including that intended for food security) showed a marked decline between 1988 and 2003, consonant with the total decrease in all development assistance during the same period. As of 2008, given the food crisis, official development assistance began to increase on a global scale.

**CHART 6**  
**Official Development Assistance (1967-2010). 2010 constant dollars**



Source: OECD.

Thus, aid for agriculture granted in 2010 doubled that of 2006, mainly as a result of consecutive agreements and commitments of developed countries, in order to offset the effects of the food crisis of 2006-2008. In this regard, it is worth highlighting the agreements reached by the G-8 at the Hokkaido Toyako Summit in 2008, to contribute an additional US\$ 10 billion in support of food security. Similarly, at the L'Aquila Summit in 2009, the G-8 pledged to increase funds for agriculture and food security by an additional US\$ 20 billion over a three-year term. These new commitments, still in the process of implementation, imply that there exists a significant margin for financing initiatives that support food security in developing countries and in Latin America and the Caribbean in particular. However, taking into account that the food crisis occurred at the same time as the international economic crisis and that the latter has worsened due to the European debt crisis of recent months, there also exists a severe threat as to the continuity of the aid in amounts sufficient to combat hunger in the region.

The G-20 has also maintained a firm stance with a view to improving the global food situation. At its meeting in Cannes in 2011, the G-20 made a strong call to increase investment in agriculture as well as in research and development so as to substantially increase productivity in the coming years. Despite the lack of commitments for concrete financial aid, the final declaration of the G-20 at Cannes called for the adoption of several specific measures to promote food security. Among them, the most outstanding are the creation of the Agricultural Markets Information System (AMIS), the commitment to increase investment in agricultural research, and the formation of the Forum for Fast Reply for the adoption of emergency measures in the face of food crises situations.

In conclusion, the new impetus and the extensive commitments to provide aid which the developed countries have adopted to combat food insecurity constitute an adequate general framework for the implementation of new regional initiatives to promote food security in Latin America and the Caribbean. This is especially relevant within a context of uncertainty that it could be transferred to the possibilities of the region's economic growth, an element that was not present during the last four years. The cooperation initiatives could be financed bilaterally by developed countries through their cooperation agencies, through multilateral aid organizations, or even starting with public-private initiatives at an international level. Obtaining the necessary funds in any of the ambits

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mentioned will depend on the strength and level of commitment that can be achieved in the region, so as to encourage a cooperation process that will, in effect, promote greater food security. The current situation is positive from the point of view of the international community's political will, although global economic instability can undermine available resources.

As a matter of fact, should it be possible to put together a set of regional programmes or initiatives, sufficiently organized and intended to effectively reduce hunger in the region on a long-term basis, there is a strong possibility that financing could be obtained. In this regard, it might be advisable for the Food Security Committee to request technical cooperation for the identification of projects and programmes of relevance for the region, assistance with the appropriate presentation of the request and, eventually, its institutional support to obtain the necessary funds.

In the bilateral ambit, and once a concrete set of proposals, duly agreed upon at a regional level, has been attained, a possible strategy is to appeal directly to national cooperation entities in developed countries (bilateral development agencies). An example of this could be the ad-hoc international cooperation of Canada, France and/or Germany, among others, in view of the commitments which these countries recently adopted within the framework of the G-8. This strategy could be implemented through governmental actions backed by the agreements entered into by regional institutions (SELA, CELAC, ALADI, etc.). The aforementioned, together with the presentation of programmes to be financed to the governmental authorities, a solid dissemination strategy, and the corresponding contacts with the private sector related to each project, could produce very positive results. Both the unified image of Latin America and the Caribbean as well as an integrated view of the public and private sectors could attract not only international assistance but also private investment in agriculture.

Following is a description of four mechanisms which exist for multilateral organizations to finance and support regional projects and programmes. These mechanisms could be applied by Latin American and Caribbean countries. Actually, some have already been used for subregional initiatives.

### **1. Global Agriculture and Food Security Programme (GAFSP)**

This international financing mechanism, created in April 2010 upon an initiative of the G-20 to confront the worldwide food situation, is managed by the World Bank and allows for funding high-impact projects for vulnerable populations in developing countries. Such initiatives may include improving the yield of basic crops, the incorporation of new technology by small producers and better ways of establishing contact with markets. According to the conditions of this fund, only four countries of Latin America and the Caribbean can receive this financing: Guyana, Honduras, Nicaragua and Haiti. One of its first contributions was the granting of US\$ 35 million loan to Haiti in 2010, to improve agricultural productivity in that country.

Although initially possible financing is limited to the aforementioned four countries, regional institutions of Latin America and the Caribbean could propose a financial scheme together with the GASFP for implementing public-private associations in order to generate value chains in the entire region, with particular focus on said countries. In this regard, it should be kept in mind that the GAFSP includes a "private window" for funding projects.

## **2. Food Mechanism of the European Union (EU)**

Within the context of the international food crisis, the European Union approved, in 2008, the creation of the Food Mechanism for a total of 1,000 million euros. A large portion of the funds used has been channelled through the United Nations Food and Agriculture Organization (FAO), the World Food Programme (WFP) and the International Fund for Agricultural Development (IFAD/FIDA), and the period for the application of the funds ended on 31 December 2011, as initially planned. Part of the funds was applied in Guatemala for the protection of children, pregnant women and nursing mothers, in view of the high cost of food.

The Food Mechanism of the European Union is no longer functioning and in view of the current crisis of the European debt, the creation of new funds to offer this type of assistance for development is at risk. Nonetheless, it is to be expected that a joint proposal of Latin America and the Caribbean at a regional level, aimed at coordinating policies for the elimination of hunger might trigger sufficient interest in the European Union or in its member countries, some of which already make regular contributions to food security in the region, Spain in particular. The success and speed in the execution of the Food Mechanism are positive elements for the creation of a forum, in the future, to establish a dialogue at a bi-regional level between Europe and Latin America and the Caribbean, that will allow for financing cooperation projects in all Latin American and Caribbean countries.

## **3. FAO Technical Cooperation Programme (TCP)**

The Technical Cooperation Programme (TCP) is a regular FAO programme intended to solve problems of a technical nature. Member countries request assistance from this programme either individually or jointly when they wish to implement their development plans, with special emphasis on advancing toward Millennium Development Goal 1. As such, this Programme has been used on several occasions by the countries of Latin America and the Caribbean at different levels. Loans granted have the characteristic that they are for relatively low amounts (up to US\$ 500,000) and relatively short periods (24 months). Taking into consideration the difficulty, described in this document, in defining the joint cooperation measures to improve the food security situation in the region, it is possible to present a request in order to fill this gap. The main problem in this case would be the difficulty in defining the concrete measures that could be implemented at a regional level.

The way in which this technical gap could be filled with funds from the Programme would be to finance a prospective analysis process, which would allow for establishing the priorities for an effective regional cooperation on the subject of food security. Funds would be used to hire facilitators, to set up regional technical meetings, and to prepare the corresponding dissemination strategy.

## **4. FAO Investment Centre**

The increase in investment and research to enhance agricultural production and productivity has been constantly pointed out in recent years as a basic element to mitigate hunger on a long-term basis. The Latin American and Caribbean region must increase public investment in research and infrastructure for agriculture. However, attracting private investment and forming public-private partnerships is of the utmost importance to achieve the necessary increases in agricultural productivity. Cooperation for greater food security in Latin America and the Caribbean also requires attracting private investments to develop regional value chains according to local capacities and complementarities of the productive systems of Latin America and the Caribbean with regard to food. The higher production and greater efficiency resulting from economies of

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scale, and the improvements in logistics and operations of the markets will provide benefits for both the small producers as well as for consumers and governments of the region.

The FAO Investment Centre can be used to evaluate, design, apply and supervise specific investment projects, both public as well as public-private, in food security and agriculture. Funds for investment must be obtained independently (and beforehand) prior to presenting the request for assistance to the Investment Centre. Although it does not have its own financing funds, the Centre's help could be of prime importance in making the most of the investment planned. The Centre could also act as a facilitator for future cooperation initiatives that might require external financing.

### V. RECOMMENDED POLICY ACTIONS TO STRENGTHENING REGIONAL COOPERATION ON FOOD SECURITY IN LATIN AMERICA AND THE CARIBBEAN

- i) One of the main elements to consider when establishing priorities for the adoption of joint policies in the region to fight hunger and achieve sustainable agricultural development is to initiate a process of prospective studies regarding the challenges that the region will face in matters pertaining to agriculture and food security. The consolidation of a joint strategy for food security in Latin America and the Caribbean that will effectively adopt the necessary actions urgently requires reaching a consensus on a long-term view of the most relevant aspects that will affect the region in the coming years. The availability of information through joint initiatives in the region that are directly coordinated with international initiatives such as the Agricultural Markets Information System (AMIS) is an essential element for the success of this process.

In this regard, a recommendation is made for the region's Cooperation Directors to consider making a proposal to initiate a joint process of prospective analysis on food security in Latin America and the Caribbean, with the participation of all the countries in the region, as well as civil society, the private sector and the international and regional organizations involved in this matter.

- ii) Due to the scarcity of updated information at the regional level, cooperation as regards matters dealing with food security should focus its efforts on reliably identifying the number of people suffering from hunger in the region and the nutritional conditions of the population in general, so that these figures are comparable and consonant with the standards that the FAO will opportunely establish.

In this connection, a recommendation is made for the Latin American and Caribbean Cooperation Directors to encourage the improvement of nutritional information systems in the region. This could involve the **creation of a Technical Working Group on Food Security in Latin America and the Caribbean**, with a balanced representation of the countries and the various organizations of the region, to define and prepare accurate indicators, objectives that can be measured and updated, so that the nutritional situation can be evaluated as quickly and accurately as possible. A term of less than one year could be established to obtain practicable results. Once the most urgent tasks of this Technical Group have been completed, it could become a Technical Advisory Commission, either ad-hoc or permanent, at the disposal of the various cooperation mechanisms in Latin America and the Caribbean.

In view of its experience in working on this topic and its level of regional representativity, SELA could be the organization in charge of coordinating the Technical Commission, once it is implemented. This organization has ample experience, particularly, in the formation and coordination of similar structures under the format of "Action Committees," which could be activated for the case of the study on the food security situation from a technical point of view.

In addition, another recommendation is made to promote a change towards the concept of healthy and sustainable nutrition, beyond the availability of foodstuff. There exists a growing problem regarding the quality of food that is not reflected by the classical indicators of availability of foodstuff (supply and demand). With this objective in mind, **the Cooperation Directors could promote coordination among Latin American and Caribbean countries and international organizations (FAO, ECLAC, IICA, WB, IDB), so as to identify the problems concerning food quality in the region and generate adequate statistics in this regard.**

- iii) Together with an appropriate definition of the necessary indicators, **the Cooperation Directors could decide that the Technical Work Group (or a SELA Action Committee) should proceed, in coordination with the international evolution of the concept, as to an accurate definition of what a food crisis in the region is, focusing particularly on the situation of each country at a domestic level.** Such definition will allow for activating the regional coordination mechanisms needed to minimize the impact of abrupt price changes in the region or supply shocks due to climatic reasons or the ups and downs of the international market.
- iv) With a view to ensuring food security in the region for the coming years, and given the uncertain perspectives of economic development, there exists an urgent need to reverse the trend toward protectionism which has manifested itself in various ambits. The certainty that there will be an adequate flow of food trade among the countries of Latin America and the Caribbean is of prime importance for the formulation of policies that will make it possible to guarantee the food security of its population. Furthermore, it should be pointed out that this has been the main cooperation measure identified by FAO for the struggle against food insecurity in the region. In this regard, a proposal is made for **the Cooperation Directors to promote, among the regional cooperation institutions, measures to guarantee the flow of food trade without customs or non-tariff barriers through specific agreements at a regional level, within the institutional framework already in existence, or new ones that might arise for this purpose.** The provisions of these agreements could contain "trigger clauses" in the event that food crisis situations should arise, in which case, the countries of the region would reduce tariffs to a minimum and avoid restrictions of any kind for importing or exporting foodstuff. Since its inception, SELA has insisted on the need to arrive at commitments with their corresponding mechanisms, so that the regional supply of food will be guaranteed in times of crisis.
- v) Agricultural research aimed at incorporating new technologies to increase agricultural productivity in developing countries has been one of the aspects which the international community (mostly the G-20 and the FAO) has highlighted as a tool for reducing poverty and hunger. Taking into account the need to increase agricultural productivity at the regional level, **the Cooperation Directors could consider promoting public-private partnership agreements so as to ensure the widespread application of the agricultural innovations obtained at a regional and**

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**international level.** This constitutes a basic area of cooperation for achieving food and nutritional security in the region.

- vi) Another important aspect that has been promoted by the international community in recent years to improve food security is to increase investments in agriculture. Consequently, **at the regional level, a recommendation is made for the Cooperation Directors to encourage investments with a supranational scope so as to allow for improving infrastructure, institutional quality, research and education in rural areas through public and public-private ventures. The establishment of an office for promoting regional investments in agriculture could be considered within the context of this proposal.** Attracting investments to make a sustainable use of the region's natural resources, while increasing agricultural productivity, is a necessary platform for the development of Latin America and the Caribbean, as well as for the elimination of hunger. In particular, the increase of public-private investment in agriculture could have a substantial effect on the creation of regional value chains for food production. Such chains could use countries' capacities for production of food in a more efficient manner and at reduced costs. This would improve population's access to food due to a greater availability resulting from the increase in production and lower costs, since economies of scale would be used to their best advantage.
- vii) Despite the fact that emphasis has been placed predominantly on the price of food as well as on the factors pertaining to international supply and demand, market operations in the countries of Latin America and the Caribbean require a more in-depth, specific and interdisciplinary analysis. Numerous studies on the volatility of food prices have pointed out that domestic prices for producers and consumers evolve in ways that differ from those of international prices. Consequently, specific studies should be conducted on the policies that could diminish volatility of prices in the region. There are various factors, until now documented as anecdotes, that prevent producers from absorbing high prices and do not allow the average consumer to benefit from lower international prices. The definition of appropriate provisions for promotion and defence of competence so as to avoid abuses of power over markets along the agrifood chain is a fundamental aspect in this regard. In order to correct this problem, **a recommendation is made for the Cooperation Directors of the countries of the region – within the framework of cooperation in matters related to food security and already existing initiatives, such as the Parliamentary Front Against Poverty – to promote greater coordination on the part of the legal frameworks in order to avoid market failures related with the lack of adequate competence conditions.** One of the most important drawbacks in Latin American and the Caribbean has not been the availability of food for the population but access to it. For this reason, **it is also recommended for the Cooperation Directors of the region to consider promoting joint actions to improve distribution methods and logistics in the food marketing process in the region, so as to reduce costs stemming from the inefficiency of such processes, as well as from trade and sanitary barriers of various kinds.** Taking into consideration the lack of information regarding this matter, one of the first steps would be to consult each of the governments so as to identify the main problems of this type that could be solved through cooperation activities among the countries of Latin America and the Caribbean. These actions could reduce, to a large extent, superfluous costs in final consumer prices, as well as the additional costs which the producer must incur to sell his products. It is worth noting, in particular, that a recent report of the World Bank indicates that between 29% and 48% of the prices paid by consumers for the grains imported by Central America are costs attributed to logistics. Keeping in mind the

importance of this factor (usually not taken into consideration in international studies), **a recommendation is made for a regional commission or agency to be established with the purpose of identifying possible measures to improve conditions for food distribution and logistics through cooperation.**



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