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The social management of water

The Peruvian experience



Agri-environmental policies: taking advantage of opportunities for sustainable development

These policies should facilitate the successful insertion of rural producers into national and international markets, rewarding their efforts to adopt environmentally-friendly practices and technologies

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policies may also provide a platform for explicitly recognizing the environmental services produced by different activities carried out in the rural milieu, and to develop mechanisms to guarantee compensation for these.

In addition to pursuing the objectives of environmental sustainability, Agri-Environmental policies also seek to help achieve compliance with trade standards related to quality, safety and environment-friendly production methods, particularly when these are requisites for participation or offer advantages in terms of market access. The competitiveness of economic activities is strongly linked with the natural environment and Agri-Environmental policies are tools that simultaneously promote greater competitiveness and improve environmental management.

Agri-Environmental policies may also facilitate the insertion of rural producers into market niches that reward producers—generally through a price premium—for environmentally-friendly production processes. In recent years, demand in those market segments has grown, while the requirements to participate in them have also increased (e.g. Eurecap standards). This means that Agri-Environmental policies have the potential to increase producers' incomes and improve their competitiveness.

This paper summarizes the results of a recent study carried out by the Inter-American Institute for Cooperation on Agriculture (IICA) in the context of a joint project with *Agriculture and Agrifood Canada* (AAFC) (Saborío, Sepúlveda and Rodríguez, 2006). The study contains an invento-

Concerns over the sustainability of development in rural territories should be based on a comprehensive vision of the relationship between the natural environment and the economic activities that make up the rural economy, such as agriculture, livestock production, forestry and agroindustry. Agri-Environmental policies are primarily aimed at minimizing the negative environmental impacts and maximizing the positive impacts of those activities; they may also be used to facilitate the successful insertion of rural producers into national and international markets, rewarding their efforts to adopt environmentally-friendly practices and technologies. Agri-Environmental

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ry of existing Agri-Environmental policies in Colombia, Costa Rica, Guatemala, El Salvador, Nicaragua, Peru and Uruguay, which includes laws, programs, projects, strategies, plans and other public sector initiatives.

Agri-Environmental policy instruments

The categories of Agri-Environmental policy instruments used in the study are based on a classification proposed by the OECD in a similar study¹ carried out in several of its member countries (OECD, 2003). This classification establishes three large groups of instruments:

- economic instruments,
- command-and-control measures and
- institutional measures.

Economic instruments. Economic instruments are designed to create economic incentives (or disincentives) directly linked to actions or behaviors that benefit (or harm) the environment. This category includes payments, taxes or charges, and quotas or transferable rights.

Payments may take the form of direct transfers, tax concessions, special tariffs for user rights, preferential interest rates for certain types of credits or any other benefit directly related to a particular type of land use, technological modification or the adoption of certain agricultural or forestry practices. *Taxes or charges* are costs or disincentives aimed at discouraging behavior that is harmful to the environment. *Quotas or transferable rights* seek to create markets for the use of natural resources or environmental services.

Command-and-control measures. Command-and-control measures consist of *regulatory requirements*

of a mandatory nature (i.e. command), complemented with *inspection and monitoring actions* (i.e. control) that are applied to ensure compliance. Finally, *crossed-control mechanisms* seek to ensure observance of certain environmental standards, which must be complied with in order to obtain benefits linked to production. This instrument has not been applied in the countries covered by the study.

Institutional measures. A first group of institutional measures includes *research and development, education, extension and technical assistance*, which increase the knowledge and know-how of producers, promoting changes in their perceptions of the links between their activities and the environment and in their production practices. Another category is *voluntary certification*, a system that rewards products obtained as a result of environment-friendly production processes. Finally, institutional measures also include public support to *local initiatives* implemented by private organizations, producers or civil society organizations.

Advances in Agri-Environmental policy

In the process to gather information for the study it was evident that none of the countries included has an “Agri-Environmental policy”, understood as a coherent structure of provisions aimed at reducing Agri-Environmental problems and promoting or enhancing Agri-Environmental services. In addition, the institutions involved still maintain a sectoral approach (e.g. agricultural, forestry or environmental) to natural resource management.

The study found a proliferation of *command-and-control* instruments, though with weak enforce-

¹ The OECD inventory of Agri-Environmental policies may be consulted at: <http://www2.oecd.org/agr-envdbo/index.asp>

ment mechanisms. There were also numerous institutional measures focusing on research, training and technical assistance. In general, the study found that national-level policymaking does not convey the intention of ensuring the complementarity of policy measures. However, many local-level programs, particularly those executed in Guatemala, Nicaragua and Peru, were designed to promote a greater complementarity between the mechanisms, and even include efforts to encourage participation by civil society or to strengthen the organizations involved.

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All the countries in the study, except Uruguay, have established *payments* related to reforestation, forest management and forest conservation practices. Forest management concessions are also being granted in protected areas or on communal lands. Some countries have begun to implement programs that include training activities, community organization efforts and the participatory design of sustainable resource management plans in areas close to forests.

Payments for environmental services —where these exist— show little correlation between production and demand for those services. Furthermore, environmental service payments generally relate to services provided by forests, as in the case of Costa Rica. Therefore, in the future it will be important to adopt an “ecosystemic” vision —rather than a forest vision—, which gives priority to maintaining a “network” for the survival of species and the interchange of genes.



So far, no systematic payments are available for the environmental services provided by farmlands, something that ignores their links with ecosystems, water resources, landscape and carbon sequestration. This exemplifies the prevailing partial and sectoral view of environmental services, which for the moment are regarded as intangibles.

With regard to the use of other economic instruments, only Costa Rica and Colombia have proposed levying *taxes* on waste discharges; moreover, Colombia is also applying this measure for water use. Both measures are innovative in Latin America, though neither country has yet begun to charge taxes as planned. This points out to a significant time lag between the approval and the implementation of regulations. Moreover, these taxes have been designed in such a way that they require effective coordination between several institutions, an aspect in which there are major weaknesses in most countries of the region.

Meanwhile, with the exception of Guatemala and Uruguay, the other countries have established incentives to promote the participation of farmers and forest producers in *voluntary certification programs*. Certification is a way of encouraging better agricultural and forestry practices, although the environmental requirements that must be met vary from country to country and depend on their respective legislation.

Voluntary certification may provide advantages to penetrate international markets, but Government support continues to be crucial in helping producers to overcome possible entry barriers. It is important to have in place a system to oversee the certification bodies, as well as appropriate environmental legal requirements for each product. This



should be coupled by an adequate marketing system, which enables producers to gain effective access to market benefits.

With regard to the adoption of *good agricultural practices*, countries are implementing research, technology validation, assistance and extension activities related to organic agriculture, integrated pest management, soil conservation techniques and other related aspects. However, there are major differences between countries in this regard.

In some local initiatives, especially in Guatemala, Nicaragua and Peru, outstanding work is being done in areas such as soil conservation, sustainable management of natural resources, recuperation of traditional knowledge, implementation of sustainable product systems in communities near protected areas and strengthening of community organizations.

Finally, the study also found initiatives —both at national and local level— aimed at *strengthening institutions and organizations*, promoting better inter-institutional coordination, training technicians, encouraging local participation, designing inter-institutional strategies and other similar activities. These efforts may have a positive impact on countries' capacity to address their Agri-Environmental problems, especially if the scope and geographic coverage of these initiatives are expanded.

Summary and recommendations

In general, Agri-Environmental policies have been based on restrictive measures and sanctions, rather than on incentives to promote real processes of change. This has limited their capacity to encourage a more proactive participation by the private sector. Furthermore, despite the numerous initiatives identified, none of the countries studied has

a body of policies that would make it feasible to tackle Agri-Environmental problems in a systematic and coherent manner.

A significant constraint to implementing an efficient Agri-Environmental policy is the lack of human, economic and technological resources in the institutions linked to this thematic area. Indeed, many institutions have been assigned additional responsibilities, without receiving the corresponding budget increases. This situation has been further aggravated by cuts in the budgets of public institutions.

A significant constraint to implementing an efficient Agri-Environmental policy is the lack of human, economic and technological resources in the institutions linked to this thematic area.

Agri-Environmental policies require a certain degree of specialization among public sector professionals in aspects related to policy design, implementation and supervision. They also require public institutions to revise or renew their procedures and working methods, since agri-environmental issues transcend the sectoral structure on which these institutions are traditionally based and organized. Furthermore, to assure the success of such policies, it is also essential to seek the active and committed participation of communities, producers and other interested groups.

Another challenge is the copious legislation, with its many overlaps and contradictions, which is seldom enforced and in many cases needs to be updated. The abundance of regulations implies high transaction costs when it comes to implementation. In many cases, there is no consolidated version of the regulations or execution strategies, and therefore the measures do not produce the desired effect.

One important aspect observed in all the countries, albeit to varying degrees, is the active participation of civil society. The impact of the Agri-Environmental

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policies adopted by governments undoubtedly depends on the Agri-Environmental measures promoted by other stakeholders. These synergies ought to be taken into consideration by the public sector in the design and implementation of any initiative.

Although these actors (e.g. non-governmental organizations, producers' organizations and community associations) show a willingness to participate in the design, implementation, monitoring and evaluation of Agri-Environmental policies, they are not systematically included in these processes in any of the countries studied. Including these stakeholders in public policymaking would undoubtedly generate greater efficiency, making it possible to take advantage of the synergies between public and private actions and facilitating a greater sense of ownership by the key actors.

Therefore, the future success of Agri-Environmental policies critically depends on the capacity and efforts of public institutions to improve their coordination with each other and with local and productive organizations, in order to generate and enhance synergies.

This coordination process should also include international cooperation agencies, given that external resources have been an important funding source for many of the initiatives implemented. This may offer an advantage, as long as such projects manage to transcend their local and temporal impact, by promoting their replication in other locations or generating knowledge that can be used in the future. However, at present most of these projects are aimed at specific communities or producers, and although their effects may be positive, national Agri-Environmental policy cannot rest upon these.

It should also be emphasized that the heterogeneity of the countries and of their advances in Agri-Environmental initiatives creates opportunities for mutual exchange. This exchange is urgent in the case of countries that share common resources and should be a first step in a supranational coordination process to boost the efficacy of national Agri-Environmental policies.

In conclusion, the greatest challenges facing Agri-Environmental policy in LAC are:

- a. coordinating inter-institutional work agendas;
- b. strengthening the capacities of public officials for interdisciplinary and inter-institutional work;
- c. enhancing the synergies created by alliances between the public and private sectors;
- d. enriching policymaking with innovative instruments adapted to institutional realities and Agri-Environmental problems;
- e. promoting innovative participatory mechanisms for the design and implementation of Agri-Environmental policies; and
- f. strengthening capacities of stakeholders, so that participation mechanisms have better chances of success.

In this way, Agri-Environmental policies may become tools to achieve the competitiveness and sustainable development of agricultural, forestry and agroindustrial activities in the rural milieu of the Americas.

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