

## Executive Summary

# Public Policy Proposals for the Development of the Small Farm Economy in Colombia<sup>1</sup>

Small-scale producers face considerable threats, among which the entry into force of a free trade agreement with the United States stands out. A study by Garay *et al.* shows that, taken together, the small-scale producers of Colombia would experience losses of around 16% of their net income from agriculture as a consequence of the eventual entry into force of the United States-Colombia FTA.

Of yet more concern is the fact that the impact will not be distributed in a uniform manner, given that those who depend more on products that compete with agricultural imports (28%) will experience a fall of between 48% and 70% in their net agricultural income.<sup>2</sup>

The threat posed by the US-Colombia free trade agreement justifies the establishment of strategies that help small-scale agricultural producers to prepare for the eventual impacts. This implies the design of gender sensitive public policies that would help convert small farmers into dynamic and sustainable economic actors who contribute to the economic development of the country, and in particular to strengthening and preserving the food supply.

In order to fully take advantage of opportunities and deal with present challenges and national and global trends, Colombian small-scale agricultural producers must have adequate access to productive assets to enable them to engage in profitable and competitive economic activity. They must also build the necessary capacity to use these assets efficiently.

Recent government policy has not contributed significantly to these aims. It has promoted isolated efforts that do not adequately consider the nature of socio-economic development in rural communities, and are characterized by a short-term vision and horizon. Policy has been based on circumstantial and compartmentalized subsidies, and has not placed importance on the development of human and social capital.

The design of a strategy to overcome the limitations mentioned is vitally important. This strategy should become an effective support for small-scale producers in adapting to international competition, with special consideration for the entry into force of the US-Colombia FTA.

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<sup>2</sup> Although the impact on small-scale farmers of the European Union-Colombia FTA has not been quantified, judging by the schedules for tariff phase-out, it is expected that it will be less than the impact from the implementation of the US-Colombia FTA.

Such a support strategy should integrate the various economic, social, and environmental components of development processes in rural communities, and should support these communities over adequate periods of time to ensure their proper development and eventual success. It should emphasize the strengthening of association and capacity building in the communities' development processes, and promote the active and decisory participation of all community members, giving special attention to the particular needs and interests of women and young people. The strategy should be built from the bottom up and be based on successful rural development experiences that have relied on government financial support and accompaniment from experienced and established civil society entities.

In order to set the strategy in motion, an open, decentralized, **multi-stakeholder and multi-institutional national rural development system** should be formed. The principal actors in this *system* would be: a) *organized rural communities*, as the main protagonists and beneficiaries; b) *civil society entities accompanying* the rural community development processes in the field, with experience in these activities and strong connections in the regions; c) *regional and local public entities*, and *regional and local branches of national public entities*, which should coordinate with the previously mentioned actors and respond to their requirements; and d) the *national public sector*, whose function should be to design policies and assign resources that promote equity among the regions, benefiting primarily those rural regions with the greatest concentrations of poverty and extreme poverty.

The three actors mentioned first above, *organized rural communities*, *accompanying entities*, and *regional and local public entities*, should form part of a *regional coordinating body*. This entity would play a fundamental role in the *system*, coordinate the various actors, define regional priorities, promote the exchange of experiences, knowledge, and methodologies, and foster the integration of local processes to provide regional impact and vision.

A *national coordinating body* should also be formed by and include all the actors concerned, with the representation from the principal regions of the country. It would be responsible for the following: drafting strategy for the development of the *system*; the reduction of disparity among regions; the exchange of experiences and knowledge among regions; the promotion of best practices; and the orientation of a financial fund, which would be created with resources from the government and from international cooperation.

This fund would finance the following two fundamental components of the *system*:

- *Socio-economic development and income generation projects in rural communities*. These projects must have adequate time periods, envisage the integrated and comprehensive nature of processes involved, promote the inclusion of different age, gender and ethnic groups, and emphasize the creation and consolidation of organizations and capacity building in rural communities.

In the *productive component* of the projects, emphasis should be given to access to suitable agricultural land, efficient and economic irrigation systems, participatory development of technologies, and the promotion of diversified productive systems.

In the *business and commercial* component, emphasis should be given to the promotion of business practice, participatory drafting and execution of business plans, and the linking of projects with value chains.

In the *social component*, emphasis should be given to the strengthening of self-esteem, teamwork, and the creation and consolidation of associations and networks of small producers' organizations.

- *Knowledge management*. With the objective of improving the knowledge, capacity and methodologies of the actors in the *system*, this component should include: the systematization and exchange of experiences, knowledge and methodologies; dissemination of best practices; capacity building within the producers' organizations and the entities that accompany them in the process; and promotion of the use of information and communication technologies among and between the actors in the *system*.

A proposal such as the one outlined here would correct the errors and shortcomings in the policies applied. It would support the development of rural communities, prepare them to lead and manage it themselves, and facilitate their adaptation to changes in national and international scenarios. These communities would thus be able to deal with their greatest challenges and take advantage of available opportunities. The *system* would have access to financial resources through both grants and loans.

Grants for financing the *knowledge management component* would come from a proposed endowment fund, to be set up using national resources and resources from international cooperation agencies.

The financing of the *investment component for socio-economic development and income generation projects* would come from international cooperation agencies and ordinary resources from the investment budget of the Ministry of Agriculture and Rural Development.

Loans would primarily be in the form of credit for financing the working capital needed by the projects and would be obtained from the *FINAGRO* agricultural sector financial fund.

In summary, putting into practice both a strategy and a rural development system such as the ones proposed here, would be an essential step towards enabling hundreds of thousands of small-scale rural producers and their families in Colombia to improve their livelihoods, take their development processes into their own hands, and contribute to the food security of the nation. Without basic and fundamental changes in agricultural and rural development policy, such as those set out here, the reduction of rural poverty in Colombia will be difficult to achieve.