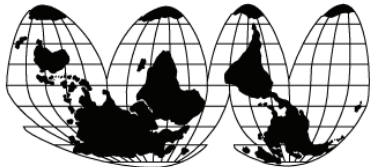


17 Ways to Generate Multiple Streams of Income in Colombia's Vulnerable *Municipios*

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Mr. Murphy, President and CEO of J.E. Austin Associates, Inc., has been working with rural Colombian communities since 1977 when he was Director of Planning for a federation of 85 *campesino* education centers. He traveled to many rural areas and was involved in local community action teams in various provinces. He has advised Colombian firms and NGOs. He holds an MBA from Harvard University, studied economics as an undergraduate at Georgetown and holds a degree in Theology from Louvain, Belgium.

Summary Enabling communities to make the difficult transition away from illicit crops in Colombia's vulnerable areas is not so much about finding *the* magic bullet in the form of the most profitable substitute product. Rather, it is about enabling a definitive, irreversible and transformational change to another economic system involving *multiple streams of income* with dense linkages to commercial value chains, many of which would be wrecked by decisions to return to growing coca or poppies. To enable this to happen, this think piece provides a menu of options for creating such linkages and enhancing local incomes. These can help the *promoters* of such change to identify many attractive possibilities for improving incomes at the local level. The options include finding better markets for existing products, improving product quality, adding information value to products, developing new products, creating marks of origin, branding, sorting, cleaning, packaging, improving efficiency, adding service components to the product, improving transportation and communication logistics, reducing risks, improving linkages with the value chain downstream, identifying unique product attributes, reducing post-harvest loss, promoting village industry, developing agro- and eco-tourism and using information systems to improve value. This is not meant to be an exhaustive list. Those in the front lines of this effort are encouraged to post examples of success from among this list and to identify still other categories of options.

Objective The following framework is meant to enhance the practical effectiveness of USAID and ARD operations to improve alternative livelihoods for *campesinos* living in areas vulnerable to illicit crop production. This is one tool to assist those developing alternative economic options for vulnerable Colombian *municipios*.

Context The Government of Colombia is engaged in a critical effort against guerrillas who threaten its national security and who are financed from profits on the production, manufacturing and trade of illicit drugs.

The Government of the United States, itself facing dangers from the import of illicit drugs, fully supports the Government of Colombia in these efforts. The USAID-financed ADAM and MIDAS projects, being implemented by the Associates in Rural Development (ARD) and its partners, have the objective of making a transformational change in the areas where illicit crops are grown. ADAM, in particular, is designed to work in the regions that are vulnerable and is involved in the county centers (*municipios*).

Having traveled extensively in Colombia's rural areas and having worked in Colombia's rural areas with *campesino* centers since 1977, the author has gained a sense of the realities on the ground. After a series of meetings and workshops in Colombia with ARD, USAID and local counterparts, the author has sought to codify *types of initiatives* that can generate multiple streams of income that provide alternatives to coca or poppy production. This catalogue is based on experience with successful projects elsewhere.

While the income derived from illicit crops may be higher than that of many other traditional crops, farmers and farm communities are often willing to accept somewhat lower incomes because of the higher social and psychic costs associated with the drug trade, especially when the impact on their children is factored into the equation. Therefore, while it is desirable to have economic incentives that displace coca production, it is not absolutely necessary that the cash income from one particular crop be greater than that derived from coca or poppies. A "discount rate" can be applied to income derived from association with participating in the value chain for illicit crops and their derivatives.

The key is not to find one particular "magic bullet" crop or product, but to create multiple streams of income that enmesh the local producers in legitimate value chains that, when taken together, offer an acceptable alternative and create "barriers to re-entry" into the illicit value chains. The key is to identify and develop alternative economic *systems* that displace sole reliance on the early stage of a drug-related value chain. The benefit of looking at alternative livelihoods in this way is that it frees one from dependency on particular crops or products, enabling the search for *multiple streams of income* for a farm, a village, a *municipio* or a region. The chances of finding alternative livelihoods are better if one focuses on multiple streams of income for a specific region than if one focuses exclusively on only one or a few specific crop alternatives.

Those dwelling in these areas (*moradores*) are active agents in seeking out alternative positive solutions for their economic livelihood. While often risk averse for understandable reasons, they are also willing to change when results are demonstrable and risks can be managed. By creating *multiple streams of income*, the *moradores* of the vulnerable zones can create alternatives for economic livelihoods while reducing the risk and dependency on one monoculture. This creates a positive incentive to make an irreversible decision out of coca and into a system of alternative economic opportunities.

ARD and ADAM must be adept at identifying, implementing and generating local consensus and effort behind these initiatives. By including both local government and local producer groups together, opportunities can be identified. Most of these opportunities will be identified or even already known by local residents. But there is a role for a catalyst, promoter, facilitator and agent of change. This role is a delicate one. It must strike a balance between listening and leading.

Having a menu of actions, initiatives and options can provide the *municipio* action group with a powerful tool. It can help ensure that a full set of options are considered. Effectiveness in using this tool is enhanced when specific examples can be presented for each approach. The following are categories of options, each of which may have several potential option varieties.

Options Framework The following is a framework for identifying ways to bring income to residents of Colombia's *municipios*. Each alternative is followed by an example, mostly from the author's experience. Alternatives can also be found in Colombia and this guide can be complemented with such examples later.¹

1. New Markets for Existing Products

One of the quickest ways to generate additional farm, village or regional income is to find new and better markets for existing products. When a U.S. entrepreneur provided quinoa farmers on the altiplano of Peru and Bolivia with new potential markets in the USA, this offered the potential for increasing demand for their product and increasing prices. One should be alert to the possibility of finding better markets for existing products.

2. New Products

What else can be produced in the region that can bring additional or improved incomes? In one very poor community of Salinas, Ecuador, an Italian priest with the help of other experts was able to help the community produce cheeses to export to Europe, increasing household income significantly.²

3. Improving Product Quality

Improving quality can be achieved by improving the quality of inputs, better production processes and attention to harvesting techniques. Is there value to be created by informing local producers of quality standards and assisting them to meet these standards? In Thailand, a USAID-funded project implemented by Kennan Institute Asia and J.E. Austin Associates helped to introduce "Good Agricultural Practices (GAP) standards" for Thai farmers enabling them to meet agricultural import standards.

¹ It helps to begin by having at one's disposal an analysis of the current economic production of the *municipio* and some sense of the numbers of people who rely on what economic activities. The existence of the IICA Regional Observatory and Agribusiness Chain Observatory at IICA as well as improved capacities of the Colombian Government for local and regional statistics bring this within the realm of the possible. Armed with this, the promoter-facilitator-catalyst or community leaders can have a fruitful process leading to the identification of specific initiatives to link local communities with value chains and bring additional income to local producers.

² As reported by Alvaro Balcazar, ARD economist on the ADAM project.

4. Adding Informational Value to the Product

Adding a small piece of information about the product and its producers can boost the price of the product. For example, the Colombian supermarket chain, Carulla, already has a section for foods and products that displace illicit crops which helps to encourage purchase decisions. A small piece of written material about the producing community can add value to handicrafts and other items—especially when consumers have a consciousness about wanting to contribute in their own small way to fair trade, elimination of drugs, poverty alleviation or environmental damage. Every product coming out of vulnerable *municipios* could and should have a label or paper insert saying “by buying this product you are helping farmers and villagers who are seeking to substitute this for illicit crops” or something to this effect. Information has value for the consumer and creates value for the producer in the form of additional income.

5. Mark of Origin, Mark of Quality and Branding

Indicating the province and even county of production can generate purchase decisions by those who recognize the region has having particularly good production capability. In other cases, a mark of origin may motivate purchases by those who live away from the region but have emotional ties to it. Certain areas are known for excellence in certain crops, and this can also be exploited. By “branding” a village or *municipio* production, one can add value. Sri Lanka is known as a source of some of the world’s best sapphires but Sri Lankan producers were not always getting the benefit of this reputation. Under a USAID-funded project, the industry created a “Ceylon Sapphire” brand that allowed more value to come to local producers. This has been repeated by “Gems and Jewelry Pakistan.”

6. Sorting, Classifying, Cleaning and/or Packaging

Local farmers and residents can often create significant value by light processing of crops produced locally. This normally begins with a discussion involving industry processors and buyers resulting in contracts involving higher value for this effort. The spice farmers of Sri Lanka, guided and assisted by the USAID-sponsored competitiveness project, have begun to sort, clean and package their spices at the farm level, thereby both creating modest employment and increasing the sales price of their products. This example could be repeated in other crop and product areas. Can farmers and producers in the *municipio* add further value to their products through grading, packing or sorting?

7. Improving Income Through Improved Efficiency

This is the most traditional and frequently used approach. Helping farmers to improve their efficiency can create opportunities for increased income in the short and long run. The options here range from the “quick win” solutions to long-term improvements. Helping farmers get access to improved seed varieties and inputs is one of the most traditional ways of improving productivity. Appropriate technologies exist that may not be in use in the local community. Transportation efficiencies may be possible. Better processes can improve labor efficiency. Improvements in efficiency are as numerous as the production systems in these regions. This is usually the role of agricultural extension agents which may not be as effective in Colombia as in the USA. Nonetheless, considerable scope for improving farm-level efficiency exists. One farm in Uruguay began using a computerized program to identify the most economically efficient feeding system for hogs, thereby increasing financial returns substantially.

8. Information Systems

Farmers can improve incomes through price discovery using cell phones and the Internet. This allows farmers to improve the prices received for their products by being less dependent on only one or a few buyers or by improving their negotiating power with these existing buyers. Information systems can also speed the transmission of knowledge regarding what farmers and producers are doing in other *municipios* to improve incomes. The *Economist* has documented many such income-enhancing improvements to farmers through cell

phone price discovery. The USAID-sponsored competitiveness project in Mongolia created fairs where buyers and sellers of livestock (often nomads) came together and then posted the prices where they were available to producers nationwide.

9. Unique Attributes

Every locality has some unique attributes and products from different regions have different characteristics. Through sampling and testing, one can determine if the fruits, vegetables, tea or other products have special health characteristics such as higher than average levels of anti-oxidants. This can then be turned to commercial advantage. Unique attributes can also be created, especially for artisan products. Producers of coconut fiber in Sri Lanka are very low-income people in rural areas. But testing of coconut fiber (“coir”) revealed special product characteristics such as moisture retention and tensile strength. The product is now used for erosion control and even BMW now uses coir as a component in its seat cushions. Natural rubber also has special characteristics for which synthetic rubber is not suited. By capitalizing on these characteristics, Sri Lanka has become a major exporter of specialized industrial products derived from raw rubber.

10. Reducing Post-Harvest Losses

Much value and income is lost after it the value is created or harvested. Improving storage and transportation systems can help reduce this loss and increase farmer income. Infrastructure investments can also reduce post-harvest loss. But in many cases, even simple improvements in communications and logistics can help reduce post-harvest loss. Are there opportunities for reducing such loss in the local municipio? In Pakistan, the installation of small scale dairy coolers allowed farmers to conserve their milk, doubling their income by storing milk from the evening collection and selling it the next day.

11. Risk Reduction

Rural poverty is often exacerbated because of extraordinary setbacks related to climate, disease, pests, contract failures and transportation failures. In other cases, disastrous price declines for products may be caused by abundant harvests elsewhere in the country or in other countries. The use of farmer insurance can provide income safeguards. Changes in cropping patterns can reduce vulnerabilities to rainfall. The introduction of new seeds or better animal vaccinations can do much to reduce risks and boost long-term farmer income. Risk reduction must be a component of the approach to boosting farmer income.

12. Adding Service Components to Products

Local producers can add value to their products by adding service components. One cut-flower exporter began to include bar codes relevant to the ultimate end-buyer supermarket, thereby enhancing product value. By coordinating with buyers, one can change the timing of production or the mix of products to conform to seasonal buying needs of the purchaser. One Colombian cut-flower producer began to bring in flowers from different elevations and assembled them according to the seasonal colors and price-point specifications of Kroger Supermarket chain in the USA. They also wrapped these in cellophane wrap and put Kroger logos on them. The product was shipped efficiently directly to the sites specified. These service components greatly increased the profitability for this company and created additional employment in Colombia.

13. Coordinating with the Value Chain

Can forward contracts with buyers create value while reducing risk? Can the local community be put in touch with end buyers to discover ways to improve the value of their product? Is it possible to help link producers directly to supermarkets? Is it possible to promote agro-industrial investments in ways that provide good markets for the *municipio*? The agent of change and local municipio leaders should actively explore these value chain linkages. USAID helped to link Mozambican fruit and vegetable producers with South African super-

markets, creating a fuller product line for the supermarket and income-generating opportunities for farmers in Mozambique.

14. Labeling and Branding

Local producers can create additional income by labeling and branding their product. By adding labels, producers can enhance consumer confidence and motivate purchases. Is there something interesting or unique about the municipio and/or its products? This can also be turned into value in the mind of consumers. In the ceramic-producing village of Batrang in Vietnam, about 45 minutes outside of Hanoi, villagers were advised to begin putting their village name and company name on their product, something they had not done before since they had previously sold to the state trading company. A design competition could also yield an effective “*municipio* logo” which could great product recognition, especially if there is a specific product or variety of fruit or vegetable that is particularly high quality that grows in the region. One can think of a brand saying “Putomayo’s Alternative Products” that could be promoted through press articles.

15. Processing

A local town center should be on the lookout for possibilities to do light manufacturing and agricultural processing. There is a role to be played by state and local government authorities in promoting investment. However, it is important that processing decisions be led by the needs of the market, not based on subsidized finance for investments. As peace returns to villages, there will be new agro-industry opportunities. In Croatia, USAID helped a number of secondary cities to attract such investment to areas that had previously experienced turmoil.

16. Artisan Production

Village industry represents another opportunity to create multiple streams of income. In Laos, there are whole villages that specialize in particular handicraft products. In Thailand, under the “one village one product” scheme, villagers were encouraged to specialize in particular areas of specialty. In Colombia’s municipios, there are also possibilities to stimulate artisans. These create opportunities not only for artisans but also for shops in the area. In Haiti, the chance meeting of a Haitian artist with an American benefactor before World War II led to the creation of an art school in that country that helped train other artists and led to the development of highly valued Haitian art that also created a positive social image for the country.

17. Agro-Tourism

Some municipios will have opportunities for developing rural tourism, eco-tourism and agro-tourism. In the Cibao Valley of the Dominican Republic, tobacco farms have become centers for agro-tourism where international visitors come to be educated about premium cigars, walk through tobacco fields, visit drying sheds and tour cigar factories in the nearby *zonas francas* of Santiago de los Caballeros. Similarly, there are now hotels and bed-and-breakfasts on tea plantations in Sri Lanka where connoisseurs and “connoisseur wannabes” learn to discern. They return home as loyal lifetime buyers of the local product. Similarly, there is a phenomenon all over Romania where farmers in rural areas are putting up extra rooms for urban-dwellers who want to get away to the country while also sampling fresh country food. These income-generating operations not only supplement but sometimes surpass income from agriculture. While this option may not be relevant in some of the more vulnerable regions of Colombia because of security problems, it would be good to be alert to these emerging opportunities.

Next Steps

The first step is to translate this options menu into Colombian Spanish. The second step is to incorporate this as one of the tools being used by ADAM employees who work in the *municipios*. The third step is to present these options to *municipio* leaders and test this options menu with them to see if it helps lead to identifying new options for generating income. The fourth step is to bring people together after trying these options to see how this can be further expanded or improved. As promoters fan out to the *municipios*, they will inevitably come across other examples. Therefore, the fifth step is for ADAM to utilize an Internet-based network, supplemented by periodic workshops of promoters, where ideas can be exchanged and cross-fertilization can take place. The list above could become a “Wikipedia” like effort with people adding ideas as they emerge. This would lead to a more robust set of option categories, an ongoing prioritization based on which options seem to be having the best results and a forum for monitoring and evaluating actions as they are being implemented.

It is hoped that this think-piece has stimulated ideas for creating multiple streams of alternative income at the *municipio* level and for tools that can be put into the hands of those in the front lines of this extremely important effort.