

Sustainable Economic
Development/Employment
Generation Strategies in Post-
Conflict Environments:

Recent Experience From
Colombia

The Alternative Development Dilemma

- Illegal activities generate higher family incomes than traditional agriculture
- Lack of effective state presence limits coercive enforcement incentives
- Constrained state financial resources limit infrastructure and social service availability
- No sense of a “social contract” exists between the community and the state
- Private Investors not interested in isolated/high risk current/immediate post conflict settings
- Inadequate incentives for communities to abandon illicit activities

Traditional Approaches

- Focus on enhanced coercive action which raise the costs of illicit activities
- --- Eradication/Interdiction
- --- Harsher criminal sanctions
- --- Asset seizure
- Focus on crop substitution to provide an alternative source of farm income for vulnerable families
- Provide transitional non-farm employment options
- Focus on community infrastructure projects to improve basic services and rebuild a basic sense of civic spirit

Main Benefits

- Rapid Initial Impact
- Provides “Direct” Counter-incentives to Industry Participants
- Highly Visible
- Easy to Galvanize Initial Support
- Plan Colombia AD Results (2002-6)
 - 115,000 hectares planted
 - 23,00 hectares manually eradicated
 - 240,000 jobs generated

Downside/Limitations

- Developmental/employment generation activities tend to be:
 - --- Short-term in nature
 - --- Not related to longer-term comparative advantage at the regional level
 - --- Not focused on value-chain integration
 - --- Not focused on financial market integration
 - --- Not focused on addressing relevant enabling environment constraints
- **END RESULT – LIMITED SUSTAINABILITY**

A New Approach – Sustainable Alternative Development (SAD)

- Establishment of the socio-economic preconditions required for communities to “turn away” permanently from illicit activity
- More ambitious value chain-based project development strategies
- Explicit emphasis on strengthening financial market linkages
- Greater focus on improving national/regional enabling environment
--- Important inter-linkages with TCB Priorities/Programs
- Heightened focus on state commitment to permanently improve municipal governance conditions and overall state presence
- Improve the sustainability of rural employment generation activities and their integration with national/regional economic growth objectives/opportunities

Benefits of SAD Approach

- Critically focused on attracting private investment into vulnerable regions
- Geared towards higher value-added activities
- Focused on deepening trade/investment linkages between local communities and regional/national economic agents
- Focused on improving the capacity of local government to effectively carry out core political and economic governance functions
- Gets government actors focused on something other than quick-fix solutions
- Focuses on the local/regional polity rather than the farm unit as the critical target of intervention

Potential Risks of SAD Approach

- Requires patience in terms of expected near-term results (donor/government)
- Requires bold public sector commitment to expanded state presence (including fiscal commitment)
- Requires innovative strategies for improving financial sector linkages
- Requires strong commitment to key enabling environment reforms
- Requires a realistic/cost-effective strategy towards economic reintegration of Ex-combatants/IDP's
- Requires skillful/flexible coordination of discrete program elements (SME development, agribusiness, policy...)

End-Game

- Will public sector institutions (Colombian, USG) stay the course
 - fiscal commitment
 - overarching strategic focus
- Will the policy environment be conducive to a private investment-led AD Approach
 - trade/investment climate
 - infrastructure reform
 - land market legal/regulatory reforms
- Will rural financial market outreach efforts succeed
- Will the global economic environment remain conducive to implementation of a SAD-oriented strategy

Thank you!