



**Sustainable Highland Development and Networking:
Lessons Learned From the Royal Project**

“Targeting markets and selling products before producing them”

by Sandro Calvani ¹

Executive summary

Countries that have shown the best results in the fight against illicit cultivation have found that alternative development is the most effective and sustainable eradication strategy. Indeed, a good alternative development strategy guarantees that the producer himself destroys the illicit crop, replacing it with legal cultivations. Moreover, if this new activity is linked to a sustainable and profitable economy, the producer will not go back to growing illicit crops in a new location. By giving farmers legal and profitable alternatives and improving the living conditions in rural areas, villages and urban centers in regions affected by illicit cultivation, the scope for organized crime will be reduced, since it will eliminate potential and indirect militancy for the armed groups. **The results of alternative development are not immediate but they are sustainable.**

A lesson learnt from alternative development is that the support given in the creation and strengthening of rural organizations is the best strategy to build development processes at a regional level. Such strategy generates social capital, promotes effective social control mechanisms within the community, and becomes an efficient consultation mechanism between the rural communities and the national and local governments. An important factor for the success of an alternative development process lies in the capacity of projects to transfer the necessary knowledge to the communities. Positive results are achieved because the community is not only seen as the beneficiary, but also as carrying out its projects and being their protagonist.

Nevertheless, the strengthening of social rural organizations does not make sense if these organizations do not come together around productive activities that are profitable and can increase the farmer’s quality of life. The commercialization is decisive for the success of alternative development programs. Without a strong private sector that can offer new technologies and supplies for the diversity of the production and market system, the growth of alternative development is impossible. Moreover, the private sector can be a good pointer for which products are in demand, and can thus **sell the products emanating from alternative development before producing them.**

The document presents in particular successful examples of marketing, micro-credit, and negotiated or pledged sales before production, which strengthen the credibility of the process and accelerate the mind change of former illicit crop growers.

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The author’s statements do not necessarily represent the opinion of the United Nations.

Since the year 2000, Colombia has been the largest coca producer in the world, with 86,300 hectares, and the first poppy producer in the western hemisphere with approximately 5,000 hectares. The country's situation regarding the problem of illicit drugs is one of the most complex ones on the planet. Colombia became the most relevant hub of illegal drug trafficking and the largest coca producer in the world, thanks to some key factors: inequity and the lack of a State presence in large rural areas of the country, its long history of armed conflicts, its strategic location serving as the entry way into South America and as a connecting point to the West Indies, Europe and North America, the serious agricultural crisis of the nineties, a long delayed agrarian reform and its institutional weaknesses.

At the same time Colombia is greatly affected by the relationship between illegal crops and the armed conflict. The two major armed groups are the Revolutionary Armed Forces of Colombia (FARC), on the extreme political left, and the United Self-Defence of Colombia (AUC), also called the 'paramilitaries' on the extreme political right. The armed groups monopolize the purchase and sale of cocaine base and poppy latex and determine the taxes it charges to the traffickers, to the laboratories, the landing strips and the "gramaje". They also guarantee territorial control for the production. The armed groups promote illicit cultivation in their areas of influence because the income from drug trafficking provides the hard currency required in the international arms market. Therefore, the two illegal adversaries, the guerillas and the paramilitary, engage in a continuous and fierce fight to secure their income and finance their operations. According to a National Planning Department study, the FARC obtains 60% of its income from drug trafficking and the AUC has recognized that most of their financing depends on drug trafficking. Reportedly, for each dollar of cocaine sold in any of the streets in the world, 10 to 15 cents end up in the hands of Colombia's armed groups to continue financing the war.

The perverse vicious circle of drug trafficking-illegal crops-violence has resulted in a heavy burden on social and economic development. During the past ten years the country's financial resources were squeezed to provide greater resources to combat the narcoterrorism nexus and the resulting problems such as human rights violations, corruption, political instability and environmental destruction, in detriment of social and productive investment.

An international pattern is evident in the countries that have been the largest producers of illegal crops while they simultaneously faced a war or a conflict. Drug traffickers look for armed conflicts and take advantage of the resulting lack of law and order and, vice-versa, insurgent and terrorist groups take advantage of the easy big money from drug trafficking. Replicating such an international pattern, during the past few years, Asia's poppy and heroin production has moved toward countries that are confronting endemic wars. This is the case of Afghanistan and Myanmar where the Taliban and the Burmese ethnic guerillas exploited the profits resulting from the heroin sale. Coca production in Peru reached a record of 210,000 hectares in 1990 while the attacks of *Sendero Luminoso*, grew worse, thanks to funding from narcotrafficking. Likewise, in 2000, the 163,000 hectares top production of coca in Colombia, coincided with an unprecedented number of kidnappings, which reached 2,840 cases, and with attacks to villages by the armed groups, which amounted to 142 that year.

Recent historical experiences in various countries prove that peace and reconciliation are necessary elements in making progress toward sustainable reduction of illegal crops. The ability to design efficient eradication and illegal crops substitution mechanisms is another requirement for sustainable alternative and peaceful livelihoods.

Countries that have shown the best results in the fight against illicit cultivations have found that alternative development is the most effective and sustainable eradication strategy. Indeed, a good alternative development strategy guarantees that the producer himself will destroy the illegal crops and will replace them with legal ones. Moreover, when this new activity is tied to a sustainable and profitable economy, the producer will not revert to growing illicit crops in a new location. Providing farmers legal and profitable alternatives and improving the living conditions in rural areas, villages and urban centers in regions affected by illicit cultivation proved to be the most effective socio-economic interventions, in order to reduce the scope of organized crime and their potential and indirect engagement in the conflict. The results of alternative development are not immediate but they are indeed sustainable.

Alternative development policies are rather new in Colombia, if compared with the situation in other countries. As a consequence they are permanently adjusted to the new strategic priorities of the government and to the new scenarios that predominate.

We learned socioeconomic lessons and recognized some best practices from alternative development in Colombia. The first one is that support given to creating and strengthening rural organizations is the best strategy to build development processes at grassroot level. People empowerment generates social capital, it promotes effective social control mechanisms for the projects within the community and it ignites an efficient coordination mechanism between the rural communities and the national and international authorities. Second, the success of alternative development processes lies in the projects' capacity to transfer the necessary knowledge to the community. Sustainable results are achieved because the community is not only seen as the beneficiary, but also as the protagonist of the process of change through the execution of its projects takes a leading role in the process.

Nevertheless, strengthening social rural organizations does not serve our purpose until they come together to carry out productive activities that are profitable and that can increase the farmers' quality of life. Donations to peasants' organizations do not lead to healthy rural enterprises. Grants achieve high cost-benefit rate when they are used to create community rotation funds that facilitate the establishment of micro-credit mechanisms of productive projects. Such a credible, transparent and economically sound process ensures the sustainability of the farmer's organizations, transforming them in formal market entities.

Finally, in our projects the dialogue with the producers' associations made evident the problem with commercialization of their agricultural products. They repeatedly insist on their need of technical assistance to tackle marketing problems, which they consider essential for long term alternative development sustainability.

Indigenous and peasant enterprises were able to produce beans, rubber trees, palm hearts or cattle but still their outputs could not be considered commodities in any of the Colombian markets. For a product to become a commodity it must meet quality,

sanitary, packaging and transportation standards and to rely on essential management know-how including marketing and business skills.

At this point is where the United Nations (UNODC) provided the leadership and vision required to solve the marketing puzzle - as history has often shown in the resolution of complex conflicts unconventional tough issues require creative smart solutions. We faced prohibitive basic conditions such as : poor trade abilities of the peasant groups, unreliable transport facilities including frequent inaccessibility of land due to seasonal road breakdowns, high competition from more developed areas of the country, and the attitude common to farmers of illicit crop producers whose commitment to a new life of hard work for a limited gain is “tentative”, and requires a continued evidence of its feasibility and reliability.

Marketing of licit crops was identified as the real ultimate test – should we have failed that test, all the rest of our endeavors would also have failed in a catastrophic way.

Awareness of a “win all or lose everything” situation was built fast among all partners. Jointly we decided to go straight for the best solution by thinking ‘outside the box.’ The best value added obviously would come from direct sizeable and guaranteed sales to the consumers. We needed also a strong partnership with a supermarket, a true marketing counterpart with the ability to face and fix any of the above-mentioned difficulties. We were not looking out for a good buyer, we were seeking a true committed partner, who would be willing to share a great deal of our risks, without any limitations on their kind and magnitude. Of course we had also to find something of unique value to offer to our wanted partner.

Indeed, this was the spirit of the commercialization agreement with Carrefour Supermarkets for the sale of palm hearts and red beans from Putumayo, plantains from Meta, tomatoes from Nariño, red beans coming from South of Bolivar, coffee from South of Cauca and cheese and dairy products from Guaviare, among others.

Since the beginning of such “coalition of the willing” we learned in the practice of every day how much commercialization is critical for the success of alternative development projects. Without a strong private sector able to offer new technology and supplies aimed at diversifying production and market systems the growth of our alternative development enterprises would have collapsed early in this joint venture. Moreover, the private sector proved to be a good indicator for the products that are in demand and for selling the products emanating from alternative development even before they are produced. In this regard we learned that any alternative development project must first locate the markets and have a clear idea about commercialization and then put the farmers to produce.

In cooperation with Carrefour, UNODC put in practice a very effective “Keep it simple” marketing methodology.

- Aggressively sell whatever UNODC projects produce, wherever there is a market and a gain to be made.
- Early fix quality, packaging and transportation weaknesses, going straight to the cause of the problems, no intermediaries allowed, no problem put aside or hidden, all losses to be cut immediately as soon as identified.

- Add value in any possible way. Improve packaging and labeling, active promotion of products inside target supermarkets. Bulk sale by mail advertising to families. Build product recognition and customer satisfaction. Sell at a loss where it is necessary to keep consumption as high as possible, and high market absorption of products. Do not keep stocks.
- Facilitate micro-credit or forward purchase agreements.
- Consider possibilities of export for products of long conservation.
- With advice from Carrefour UNODC also drawn alternative development peasants closer to Europe's fair trade markets through organizations such as FLO International and Max Haavelar.
- Special unique labels and trademarks were developed.
- Some successful ventures outside the agricultural sector were planned and executed, in particular to give more opportunities to women's groups. A very successful example was the design and the production of lingerie for women sold with the Carrefour trademark 'TEX.'
- In 2003 the peasant alternative development enterprises gained the equivalent of more than two million dollars through their direct sale to distribution chains of all kinds.
- In November 2004 the UN and the city of Vienna choose Carrefour supermarkets as the winner of the UN Global Civil Society Award for its unique contribution to the marketing of alternative developments products in Colombia. It was the first time ever that a profit private company won a UN Civil Society Award.

In such process we learned some lessons from the global trade forces. Foreign trade policies, for example, may affect the relative prices of agricultural products thus affecting the decision of the buyers in terms of importing products that are promoted by alternative development. Therefore, it is necessary to sign long term negotiation agreements with the buyers in order to prevent the sale of the products from being subject to price fluctuations. It is also imperative for peasant organizations to gain access to the final markets thus avoiding the intermediaries, who cause a reduction of the project beneficiaries' income.

By the other hand, in 2002, three years after the start of our joint venture with Carrefour the new government, by President A. Uribe Velez, gave a new orientation to its Plan Colombia by including the concept of alternative development into agro-forestry and reforestation related issues in the understanding that it is necessary to differentiate what kind of land exploitation is appropriate, and the areas that are suitable for agricultural use.

Therefore, the United Nations entered into new kinds of alternative development projects by promoting sustainable forestry: productive use of the forests, commercial plantations and the development of timber productive chains. We believe that due to Colombia's high forestry vocation this is a promising activity to combat illegal crops in the country.

After two decades of technical assistance in the field of human security in Colombia we can conclude from that experience that the United Nations projects have contributed to the generation of a strong local social and human capital in the areas with a greater presence of illicit cultivation. The process to form social capital has focused on strengthening peasant organizations in eight departments where the need was greatest:

Cauca, Nariño, Putumayo, Caquetá, Guaviare, Meta, Bolívar and in the Sierra Nevada de Santa Marta. As a result, today all the producers' organizations have marketing agreements for their products and they participate actively in the planning and development institutions in their departments.

From 1996 to date more than 8,000 peasant families have benefited from alternatives such as double purpose livestock breeding (meat and milk), forestry and traditional crops such as coffee, cacao, plantains, fruits and palm hearts, among others. We estimate that approximately 6,000 hectares of illegal crops have been eradicated and more than 50,000 hectares of legal cultivations have been installed.

The commercialization agreements with the private sector have generated important changes of the socioeconomic and market conditions. In fact, with a permanent "demand" for legal products in the same producing areas and the possibilities to compete against the illegal crops became real, the concept of 'illicit crop-free economy' became self-evident and no longer an abstract dream; former illicit crop producers have now abandoned for good any form of illegality and informality. They have become proud shareholders of sustainable and successful peasant companies.

Carrefour and UNODC professionals could not ask for a bigger prize.

Thank you very much.