

MEMORANDUM TO THE DCI COMMITTEE
CONCERNING THE

**Annual action programme in favour of Colombia to be financed
from the general budget of the Union for 2019 for adopting the
sector reform programme in support of the rural development
sector policy**

1. Identification

Budget heading	BGUE-B2019-21.020100-C1-DEVCO
Total cost	EUR 18 million of EU contribution Contribution from Italian Agency for Development Cooperation (AICS) EUR 1,5 million, contribution from Food and Agriculture Organization (FAO) EUR 1,5 million.
Basic act	Development Cooperation Instrument, Colombia Multiannual Indicative Programme 2014-2020

2. COLOMBIA background

Colombia is an upper middle-income country and a consolidated democracy with solid institutions at the national level. It has signed trade agreements with over 20 countries, including the EU (Colombia's second largest trading partner) as of October 2013. Economic growth has been constant over the last 20 years (4.3% on average between 2001 and 2010 and 4.5% from 2011 onwards). Growth is driven by oil, mining, construction, retail and the financial sector. In 2016, the Colombian economy grew by 1.9%, mainly due to a sharp fall in oil prices. Colombia has so far managed to overcome the economic crisis without lapsing into recession. Nevertheless, the economic situation remains uncertain and heavily reliant on buoyant international commodities prices and strong demand (mainly for oil, coal and coffee).

Agriculture has emerged as an important national economic driver, with a consolidated growth rate of 6.9% in 2017. Indeed, it is the fastest growing sector in the Colombian economy, growing at 4.9%, more than double the national average (2.0% in 2016, 1.8% in 2017 and 2.7% in 2018). Subsectors other than coffee (8.1%) have performed particularly well, as have live animals and animal products that registered a growth rate of 4.1%. Agricultural exports grew from USD 5,770 million in 2010 to USD 7,369 million in 2017. The EU is Colombia's second largest commercial partner. Rural unemployment was 4.3% in 2017, when approximately 159,000 people found employment in the agriculture sector. Agriculture, livestock, hunting, forestry and fishing absorbed 63.8% of the workforce¹.

Between 1990 and 2015, Colombia's Human Development Index increased from 0.592 to 0.727 (high), ranking the county at 95 out of 188. While poverty rates fell sharply from 49.7% in 2000 to 28% in 2016 (8.5% in extreme poverty), wide gaps persist between urban and rural areas (for example a poverty rate of 60% in Cordoba, as opposed to 11% in Bogota) and between demographic sectors. Indigenous minorities have a poverty rate above 64%. Inequality -as expressed by the Gini coefficient (0.517 in 2016)- is the highest in the region.

¹ National Administrative Department for Statistics (*Departamento Administrativo Nacional de Estadística, DANE*), 2018

The employment to population ratio was 61.7 in 2015. Female unemployment, however, almost doubles that for men. The availability of sewage systems is 92% in urban zones and only 15% in rural areas. Land inequality, which is among the highest in the world, increased sharply in the 1990's when illegal armed groups forcibly removed small farmers from their land, creating over 6 million displaced people.

Over the last decade, Colombia has transitioned from internal armed conflict to signing a six-point Peace Agreement with the FARC, including: 1) comprehensive rural reform – CRR-; 2) political participation; 3) ending of conflict; 4) illicit drugs; 5) victims' rights; and 6) implementation, verification and validation of the agreements. The country still faces challenges related to the rule of law (corruption, impunity) and governance (electoral abstention, coercion and clientelism, organised crime). These are particularly acute in rural areas where the absence of the state adversely affects democracy and public service delivery.

Colombia underwent two electoral processes during 2018: legislative elections in March and presidential elections in May-June. Despite the electoral outcome, a wide rejection of the Agreement appears unlikely. Issues such as rural reform and sustainable use of natural resources remain at the heart of any credible long-term solution for Colombian development.

3. Summary of the action

The decision proposes a second phase to the "sector reform contract to the rural development in Colombia" programme. The proposed action is fully in line with the New European Consensus for Development in which the EU and its Member States articulate one common and comprehensive response to the global development challenges and goals set up by the 2030 Agenda for Sustainable Development. The DRET II programme considers the whole framework for action: People - Human development and dignity, Planet - Protecting the environment, managing natural resources and tackling climate change, Prosperity - Inclusive and sustainable growth and jobs and particularly Peace – Peaceful and inclusive societies, democracy, effective and accountable institutions.

It is also important to emphasise that the European Consensus for Development identifies gender equality and women's empowerment as a principle and key driver for sustainable development and of EU' development cooperation. This action is in line with the EU Gender Action Plan 2016-2020 and contributes to two thematic priorities: Economic and Social Empowerment of women and girls and policy dialogue and strategic communication.

The proposed action falls within the Addis Ababa Action Agenda on financing for development opens the scope for greater participation of the private sector in development cooperation and places special focus on domestic revenue mobilization.

Finally, it is also in line with the Multiannual Indicative Programme (MIP) for Colombia. In particular, it corresponds to MIP focal sector "Local Development and Institution Building", which foresees "To reduce disparities between territories, through strengthening Local Economic Development and bringing back or strengthening public institutions in target regions where the State presence is weak".

The National Agricultural Census (2014) revealed that there are 2.7 million producers in the Colombian countryside. 725,000 of these are local producers, 26.9% of the total. Of these, 459,000 are men and 265,000 are women. According to the Census, 45.6% of remote rural inhabitants are living in poverty according to the adjusted multidimensional poverty index, decreasing from 73.7% in 2005 (DANE, 2016).

The last Governments have prioritised the rural sector. The Santos Administration addressed this sector through its Public Policy "Rural Transformation" (Política de Transformación del Campo, PTC in Spanish) within its 2014-2018 National Development Plan (PND) "All for a New Country" and as one of the main pillar of the Peace Agreement, (point 1 "Comprehensive Rural Reform"). In November 2018, the Government Duque presented the National Development Plan (PND) "Pact for Colombia, pact for equity" for the 2018-2022 period, as an effort to unite the country behind a political agenda of reforms to achieve both a higher productivity and social justice. This "Pact" is based on the assumption that Legality and Entrepreneurship would bring about Equity.

This sector policy responds to structural issues that are relevant today in Colombia. These include: peace building; poverty eradication; social inclusion; the reduction of regional development gaps; institutional strengthening at the national and territorial/sub-national levels; the sustainable use of natural resources; climate change mitigation; and the promotion of the territorialisation of the sector policy (as a comprehensive, participative and bottom up building strategy), with the opportunities and limits offered by the "national vision" on territorial development.

The new PND chapter 5, "Countryside with Progress", proposes an alliance to boost the development and productivity of rural Colombia. The priority is to increase public and private investments in rural areas and to boost productivity for agro-industry, so that it is competitive and able to operate in the international market. The PND also aims at promoting rural income generation, with higher quality jobs and opportunities of access to market for small producers.

The general objective of the proposed action is to contribute to reduce poverty and boost sustainable and inclusive growth in rural, marginalised and conflict-torn areas of Colombia. In particular, it will support the implementation of rural development policy and rural reforms, with a focus on access to productive assets, entrepreneurship and gender equality.

The programme should give priority to four (4) main areas:

- (i) Land: Activities aimed at facilitating access to land, promoting formalisation, and coordinating the planning exercises needed to guarantee production, with a particular emphasis on ethno-territorial communities.
- (ii) Public goods and productive assets: Activities aimed at supporting the promotion, coordination and implementation of productive, social and institutional transformation processes for prioritized rural territories, with a view to building the capacities of beneficiary families and communities and reducing regional disparities.
- (iii) Financial services: Activities that grant access to financial services for small rural producers, including credit. This would also be an opportunity to facilitate access to international credit lines (possibly, from the European Investment Bank, EIB).
- (iv) Women/gender: Activities that mainstream a gender focus across policy development and instruments, in particular for income generation and access to rural housing.

While the above priority areas are identified in the sector policy and will be monitored by the proposed indicators for this SRC, support measures will allow providing necessary technical assistance to tackle weaknesses of the institutional framework. Policy dialogue will also be

important to address the need to accelerate rural reform, while strengthening its sustainability and inclusive approach.

It is expected that the proposed action will help achieving:

- (1). Progress in policy coherence and effectiveness.
- (2). Improvement in the quality and coverage of rural development service delivery, in particular:
 - a. Marginalized rural populations, in particular conflict victims, ex-combatant and migrants, indigenous and afro- Colombian communities, have access to land in different legal forms: private property, communal property, tenure or any other legal arrangement.
 - b. Rural communities have access to public goods and productive assets (including credit) that allow them to increase incomes and job opportunities.
 - c. Rural women are empowered as key socio-economic actors in rural development and influence sector public policy.
- (3). Improvements in the quality of sector PFM, notably with respect to budget execution, public procurement, internal and external audit, and domestic resource mobilization.

COMMUNICATION AND VISIBILITY

The Delegation to Colombia counts with a communication and visibility contract to guarantee proper communication of EU identity, values and of its activities in the country. This is particularly relevant in the case of Sector Reform Contracts. The support of a professional communication team has increased the EU visibility in the media, and allowed a shift from communicating what projects do to communicating what the EU is.

The action will work promoting a strategic communication on EU cooperation in Colombia. It will reinforce the visibility and public awareness of the EU, pursuing a global picture of the EU-Colombia partnership, complementary with the visibility of each particular project.

4. Cost and financing

Sector Reform Contract for Rural Development	EUR 21 000 000
Total EU contribution to the measure	EUR 18 000 000

The committee is invited to give its opinion on the attached annual action programme 2019 in favour of Colombia.



This action is funded by the European Union

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ANNEX 1

of the Commission Implementing Decision on the annual action programme in favour of Colombia to be financed from the general budget of the Union for 2019

Action Document for Sector Reform Contract for Rural Development in Colombia – Phase II

1. Title/basic act/ CRIS number	Sector Reform Contract for Rural Development in Colombia – DRET phase II CRIS number: LA/2018/41517 Financed under Development Cooperation Instrument			
2. Zone benefiting from the action/location	Latin America, Colombia			
3. Programming document	Multiannual Indicative Programme 2017-2020			
4. SDGs	GOAL 1: No poverty; GOAL 5: Gender equality; GOAL 8: Decent work and economic growth; GOAL 10: Reduced inequality			
5. Sector of concentration	Local Development and Institution Building - Rural Development DEV. Aid: YES			
6. Amounts concerned	Total estimated cost: EUR 21 000 000 Total amount of EU budget contribution EUR 18 000 000: EUR 15 000 000 for budget support and EUR 3 000 000 for complementary support <i>This action is co-financed in joint co-financing by:</i> - Italian Development Cooperation Agency –AICS for an amount of EUR 1 500 000 <i>This action is co-financed in parallel co-financing by:</i> - FAO for an amount of EUR 1 500 000			
7. Aid modality(ies) and implementation modality(ies)	Budget Support: Sector Reform Contract Complementary Support: Indirect management with AICS			
8 a) DAC code(s)	43040 – Rural Development			
b) Main Delivery Channel	10000 – Sectorial Public Institutions			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	x
	Aid to environment	<input type="checkbox"/>	x	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	x	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	x	<input type="checkbox"/>
	Reproductive, maternal, new born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input type="checkbox"/>	x	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>

	Climate change adaptation	<input type="checkbox"/>	x	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flags	Food and nutritional security, sustainable agriculture Human development, including dignified employment, social justice and culture			

SUMMARY

In spite of its status of middle-income country, Colombia still faces development barriers that have been amongst the root causes of over half century of conflict: exclusion, inequality, unfair access to productive assets (including natural resources) and weak presence of the State in rural areas. The EU has been supporting sustainable and inclusive rural development in Colombia for over 15 years. Our most recent Sector Reform Contract (SRC) in this area, Rural Development with a Territorial Focus (*Desarrollo Rural con Enfoque Territorial*, DRET), is supporting the national policy related to rural reform, in particular in what concerns land distribution and rural entrepreneurship. DRET has been crucial, amongst other things, in promoting the creation of a Directorate for Rural Women, territorial rural development pilot actions (bringing institutional offer of several agencies to specific territories), the consolidation of the national family farming strategy and the revision of land titling methodology.

Based on previous experiences, and aligning to most recent national priorities, this action proposes to continue and consolidate processes initiated with DRET. In particular, its objective is to reduce poverty and boost sustainable and inclusive growth in rural, marginalised and conflict-torn areas of Colombia through a budget support to the rural development policy and rural reforms. Accordingly, this action document proposes a new SRC that will: i) continue having as its main purpose the support to key issues for rural development and overcoming of gaps such as rural property formalisation (public and private) and income generation and productive inclusion by strengthening of family and community agriculture of vulnerable groups (farmers, indigenous and afro-descendent communities) as indicated in the Peace Agreement (Comprehensive Rural Reform); ii) broaden the policy dialogue to sector instruments reinforced by the new National Development Plan oriented to facilitate to small farmers access to credit and banking services, to markets and stable prices (through an innovative programme of contract farming) and to innovative agricultural technical assistance; and iii) enhance the gender equality approach with a specific indicator dedicated to measure the share of women benefitting from the public policy.

The action also includes a component of technical assistance (TA), which will be carried out with AICS (jointly with FAO), which will allow both to support the strengthening of local capacities and consolidation of modern and technical institutions aimed at delivering services in rural territories with greater capacities to lead multisector agendas oriented to rural development and competitiveness.

Considering that the EU added value to the public policy assessment lies in its territorial approach to local development (TALD), the complementary support will include a robust package for i) systematisation of different instruments for territorial development available in rural areas, ii) facilitate exchange of expertise with EU and Latin American countries. Based on that, TA will iii) identify lessons learned to feed back into the sector policy and iv) implement pilot initiatives allowing to demonstrate that TALD increased public policies efficiency and effectiveness. Inputs from the TA will feed into the implementation of SRC indicators and will offer arguments for policy dialogue.

1 CONTEXT ANALYSIS

1.1 Context Description

Colombia is an upper middle-income country and a consolidated democracy with solid institutions at the national level. It has signed trade agreements with over 20 countries. A Trade Agreement with the EU has been applied since 1 August 2013. Today the EU is Colombia's third largest trading partner.

Economic growth has been constant over the last 20 years (4.3% on average between 2001 and 2010 and 4.5% from 2011 onwards). Growth is driven by oil, mining, construction, retail and the financial sector. In 2016, the Colombian economy grew by 1.9%, mainly due to a sharp fall in oil prices.

Colombia has so far managed to overcome the economic crisis without lapsing into recession. Nevertheless, the economic situation remains uncertain and heavily reliant on buoyant international commodities prices and strong demand (mainly for oil, coal and coffee).

Agriculture has emerged as an important national economic driver, with a consolidated growth rate of 6.9% in 2017. Indeed, it is the fastest growing sector in the Colombian economy, growing at 4.9%, more than double the national average (2.0% in 2016, 1.8% in 2017 and 2.7% in 2018). Subsectors other than coffee (8.1%) have performed particularly well, as have live animals and animal products that registered a growth rate of 4.1%. Total agricultural exports grew from USD 5,770 million in 2010 to USD 7,369 million in 2017. Colombian exports of agricultural products to the EU have grown from 18% of total exports in 2012 (year before the application of the Trade Agreement) to 43% in 2018.

Rural unemployment was 4.3% in 2017, when approximately 159,000 people found employment in the agriculture sector. Agriculture, livestock, hunting, forestry and fishing absorbed 63.8% of the workforce¹.

Between 1990 and 2015, Colombia's Human Development Index increased from 0.592 to 0.727 (high), ranking the country at 95 out of 188. While poverty rates fell sharply from 49.7% in 2000 to 28% in 2016 (8.5% in extreme poverty), wide gaps persist between urban and rural areas (for example a poverty rate of 60% in Cordoba, as opposed to 11% in Bogota) and between demographic sectors. Indigenous minorities have a poverty rate above 64%. Inequality - as expressed by the Gini coefficient (0.517 in 2016) - is the highest in the region. The employment to population ratio was 61.7 in 2015. Female unemployment, however, almost doubles that for men. The availability of sewage systems is 92% in urban zones and only 15% in rural areas. Land inequality, which is among the highest in the world, increased sharply in the 1990's when illegal armed groups forcibly removed small farmers from their land, creating over 6 million displaced people.

Over the last decade, Colombia has transitioned from internal armed conflict to signing a six-point Peace Agreement with the FARC, including: 1) comprehensive rural reform – CRR-; 2) political participation; 3) ending of conflict; 4) illicit drugs; 5) victims' rights; and 6) implementation, verification and validation of the agreements. The country still faces challenges related to the rule of law (corruption, impunity) and governance (electoral abstention, coercion and clientelism, organised crime). These are particularly acute in rural areas where the absence of the state adversely affects democracy and public service delivery.

Colombia underwent two electoral processes during 2018: legislative elections in March and presidential elections in May-June. Despite the electoral outcome, a wide rejection of the Agreement appears unlikely. Issues such as rural reform and sustainable use of natural resources remain at the heart of any credible long term solution for Colombian development.

1.2 Policy framework

The proposed action is fully in line with the **New European Consensus for Development** in which the EU and its Member States articulate one common and comprehensive response to the global development challenges and goals set up by the 2030 Agenda for Sustainable Development. The DRET II programme considers the whole framework for action: People - Human development and dignity, Planet - Protecting the environment, managing natural resources and tackling climate change, Prosperity - Inclusive and sustainable growth and jobs and particularly Peace – Peaceful and inclusive societies, democracy, effective and accountable institutions.

It is also important to emphasise that the European Consensus for Development identifies gender equality and women's empowerment as a principle and key driver for sustainable development and of EU' development cooperation. This action is in line with the **EU Gender Action Plan 2016-2020** and

¹ National Administrative Department for Statistics (*Departamento Administrativo Nacional de Estadística*, DANE), 2018

contributes to two thematic priorities: Economic and Social Empowerment of women and girls and policy dialogue and strategic communication.

The proposed action falls within **the Addis Ababa Action Agenda** on financing for development opens the scope for greater participation of the private sector in development cooperation and places special focus on domestic revenue mobilization.

Finally, it is also in line with the Multiannual Indicative Programme (MIP) for Colombia. In particular, it corresponds to MIP focal sector “Local Development and Institution Building”, which foresees *"To reduce disparities between territories, through strengthening Local Economic Development and bringing back or strengthening public institutions in target regions where the State presence is weak"*.

1.3 Public Policy Analysis of the partner country/region

Sector policy main features

The National Agricultural Census (2014) revealed that there are 2.7 million producers in the Colombian countryside. 725.000 of these are local producers, 26.9% of the total. Of these, 459.000 are men and 265.000 are women. According to the Census, 45.6% of remote rural inhabitants are living in poverty according to the adjusted multidimensional poverty index, decreasing from 73.7% in 2005 (DANE, 2016).

The last Governments have prioritised the rural sector. The Santos Administration addressed this sector through its Public Policy "Rural Transformation" (*Política de Transformación del Campo*, PTC in Spanish) within its 2014-2018 National Development Plan (PND) "All for a New Country" and as one of the main pillar of the Peace Agreement, (point 1 "Comprehensive Rural Reform"). In November 2018, the Government Duque presented the National Development Plan (PND) “Pact for Colombia, pact for equity” for the 2018-2022 period, as an effort to unite the country behind a political agenda of reforms to achieve both a higher productivity and social justice. This “Pact” is based on the assumption that Legality and Entrepreneurship would bring about Equity.

Policy relevance

This sector policy responds to structural issues that are relevant today in Colombia. These include: peace building; poverty eradication; social inclusion; the reduction of regional development gaps; institutional strengthening at the national and territorial/sub-national levels; the sustainable use of natural resources; climate change mitigation; and the promotion of the territorialisation of the sector policy (as a comprehensive, participative and bottom up building strategy), with the opportunities and limits offered by the “national vision” on territorial development.

This also responds to the need to create better conditions to tap the full potential from the implementation of the EU-Colombia Trade Agreement to the benefit of all in Colombia, including those in its rural areas. These benefits do not only include the creation of business opportunities for small producers in rural communities but also the promotion of effective respect of labour and environmental standards, in line with the commitments undertaken by Colombia in the Trade and Sustainable Development chapter of the Trade Agreement.

This sector policy recognizes the predominance of small producer families in Colombia's rural sector. Small-scale farmers are more productive and efficient than other actors in the agricultural sector (i.e. cattle farming) that rely on large use of natural resources.

The sector policy promotes an inclusive agricultural model that is closing the gap in public investment equity and relations with the state. In conjunction with complementary strategies such as property formalization, it allows small producers to access both productive assets and financial services as well as market access. It therefore has the potential to stimulate rural socio-economic development and make a stabilizing contribution to peace building in Colombia.

The new PND chapter 5, “Countryside with Progress”, proposes an alliance to boost the development and productivity of rural Colombia. The priority is to increase public and private investments in rural areas and to boost productivity for agro-industry, so that it is competitive and able to operate in the

international market. The PND also aims at promoting rural income generation, with higher quality jobs and opportunities of access to market for small producers.

Policy credibility:

Track record in policy implementation: According to the National System for the Evaluation of Management and Results - SINERGIA², 66% of the 2014 -2018 National Development Plan had been implemented by 2017, as well as 75% of the PTC. Important achievements include: more than 2 million hectares of crops planted; 3.700.000 hectares entitled to indigenous, afro-Colombian and non-ethnic small producer communities; 36.950 people benefited from land restitution processes; 332.600 hectares of land rehabilitated or provided with irrigation districts; 139.400 rural housing subsidies granted; and 64.435 families benefited from commercial alliances and agribusiness. During the same period, however, the deforestation rate and related risks have increased, particularly since the signing of the Peace Agreement. In 2015, 124.035 hectares were reported to be deforested and in 2016 the figure rose to 178.597 hectares (IDEAM 2017). The figure for 2017 is estimated to be around 220,000 hectares, mainly in the Amazon Basin.

Policy Financing: During the 2010-2017 period, approximately \$ 21.65 billion pesos from the General National Budget (GNB) were invested in the sector, 55% more than between 2002 and 2010. This is an indicator that rural development remains a priority for the Colombian government despite national budget cuts. Nevertheless, in real terms there has been an overall fall in budget allocation towards the sector since 2015, when the sector represented 2.4% of the GNB, jeopardizing institutional capacity to fulfil its mission and to honour government commitments enshrined in the Peace Agreement, particularly those related to points 1 and 4³. According to the Comptroller General of the Republic, the medium term projection for the fiscal framework indicates a rise to \$ 129.4 billion COP during the 2017-2031 period, representing annual disbursements of \$ 8.6 billion COP (0.9% of GNB). It is worth highlighting that there has been a significant improvement in budget management, with 96.8% of commitments paid in 2017.

Institutional and Appropriation Capacity: The agricultural sector has adopted the recommendations of the "Rural Mission" (an expert mission mandated by the former President of the Republic to propose strategic adjustments to the sector policy for the next 20 years) and OECD guidelines on institutional adjustment. These relate to strengthening the Ministry of Agriculture (MADR) as agriculture and rural development lead, with a slow and gradual delegation of implementation responsibilities towards its dependent entities. The MADR is the policy's governing body and therefore responsible for the formulation, coordination and adoption of sector-wide policies, plans, programmes and projects, according to the principles of decentralization, coordination and participation. The Vice-Ministry for Rural Development coordinates the strategy for Rural which encompasses a comprehensive approach to fighting poverty and promotes social equity in rural areas through its six directorates, including the Rural Women's Directorate. The following are the entities with decentralized functions mandated to implement rural development instruments: the Special Administrative Unit for the Restitution of Dispossessed Lands Management (UAEGRTD); the Rural Agricultural Planning Unit (UPRA); the National Aquaculture and Fisheries Authority (AUNAP); the Colombian Agricultural Institute (ICA); and the Agrarian Bank (BANAGRARIO).

Since 2016 the sector policy has eased the transition to a new institutional and normative arrangement that focuses on the implementation of point 1 of the Peace Agreement: comprehensive rural reform (CRR). This includes three specialist rural development bodies: the Agency for Rural Development (*Agencia de Desarrollo Rural*, ADR), the National Land Agency (*Agencia Nacional de Tierras*, ANT), and the Agency for Territorial Renewal (*Agencia de Renovación Territorial*, ART). Fifteen

² National Development Plan. The National System for Evaluation of Management and Results SINERGIA follow up document <http://sinergiapp.dnp.gov.co/#HomeSeguimiento>. [Consulted: February 9, 2018]

³ In 2017 the sector received \$ 2.84 billion Colombian pesos, which represents 1.56% participation of the GNB and meant a reduction in its participation with respect to the GNB (1.58% in 2016), affected by fiscal austerity.

"decrees with force of law" have also been issued, six of which have a direct impact on the agricultural and rural development sector and enable the implementation of several CRR aspects. These include issues such as the creation of the "National Land Fund", plans for wide-scale rural electrification, the creation of a state rural education system, the creation of a National Rural Housing Plan, and the regulation of Development Plans with a Territorial Focus (PDET), among others.

Limited capacity for intra- and inter-sectorial coordination persists, however (CGR, 2017). These limitations could be a product of the transition process and resistance generated by the institutional restructuring. Two years after the transition to the new institutional framework, not all of the programmes and their resources have been effectively transferred to the new agencies.

Analytical Base and Data Quality: The sector has a solid agricultural information system that generates sufficient, timely and good quality information for decision-making. This is led by the MADR and the Rural Agricultural Planning Unit, in coordination with the National Administrative Department of Statistics (DANE) and bodies affiliated to the sector. The official data reported by the sector is extracted from the Agriculture Information System. The MADR also relies on the sector's strategic communication network, AGRONET, developed with FAO support, and on data provided by FINAGRO, the sector's financing mechanism.

In 2015, the Third General Census of the Agricultural Sector was satisfactorily completed after a 40-year gap. The Ministry of Agriculture and Rural Development (with the support of the EU) will be financing the National Agricultural Survey (DANE) that has been un-financed in the last two years (2017-2018). The resources will be allocated for two surveys, six months apart from each other to update the sector information.

Having assessed eligibility for a Sector Reform Contract based on the above, the EU concludes that:

- a) Sector policy has a solid legal and institutional framework and is in line with the National Development Plan and the CRR elements of the Peace Agreement.
- b) The MADR and its related institutions have strategic plans that are relevant for building a stable and lasting territorial peace in Colombia.
- c) PTC is coherent with the European foreign policy framework and the EU-Colombia Trade Agreement (thanks to which Colombian agricultural exports to the EU have kept increasing).
- d) PTC is credible because it is already being implemented and financed within a medium-term fiscal framework. Although budget constraints and execution deficits exist, the sector has made significant efforts to leverage resources from different sources (sub-national levels and private sector). It has also achieved specific results that are coherent and complement other sector policies.
- e) The policy has a performance assessment framework and a monitoring and evaluation system at the national level, including a baseline. Data quality has been improved and is now reliable.
- f) There is clear commitment, strategies and recommendations for improving the sector's institutional capacity.

The EU concludes that the Rural Transformation sector policy (PTC) is relevant and credible; it supports poverty reduction, sustainable and inclusive development and democratic governance.

1.4 Stakeholder analysis

- *Ministry of Agriculture/Vice Ministry of Rural Development and Vice Ministry of Agricultural Affairs:* The MADR is the Agriculture and Rural development policy leader. It facilitates the coordination of agricultural institutions with other sectors, local governments and private sector (farming business associations). It will be responsible for the implementation of the DRET II programme and it will be directly involved on productive capacity building in agricultural value chains, issues related to family farming and the promotion of contracts between small producers and commercial allies, corresponding to indicators 2 and 5. It will also coordinate issues related to credit and technical assistance with Finagro (second tier bank for the agriculture sector) and the National System of innovation (indicator 3 and 4). The Directorate for Rural Women, created

with support of the ongoing EU SRC, is of particular importance as it is mandated to mainstream gender equality throughout rural development instruments (indicator 6).

- *ANT*: This agency is in charge of the formulation and implementation of the "Social and productive Planning of Rural Property" and resolving underlying problems around land ownership rights in the rural sector. This is a central mandate in the implementation of the peace agreements but it has a limited budget. In order to make his work more efficient, ANT is applying an innovative land titling methodology entitled "Land Sweep" (Barrido Predial), but it is still responsible for the land claims accumulated over the past 30 years, which act as a burden on its work. It will be in charge of the indicators 1 of DRET II.
- *ADR*: promotes, structures, co-finances and implements comprehensive agricultural projects, and builds capacity to improve integrated DRET management; It contributes to delivering indicators 2, 4 and 5. This entity has sufficient technical strength, but clear weaknesses to interact with rural territories and local authorities.
- *Ministry of Environment and Sustainable Development*: Responsible for environmental sector policy, the ministry leads the Inter-sectorial Commission for Deforestation Control and Comprehensive Natural Forest Protection Management. Also, it will be linked to the action through its "green business office" by providing technical assistance on how to incorporate an environmental dimension into all agricultural value chains (including the "zero deforestation" strategy).
- *High Councillor for Post-Conflict*: This body is responsible for the overall post-conflict vision, building relationships with civil society and other government bodies, as well as reaching agreements with departmental and municipal governments. In practical terms it is in charge of the Territory Renewal Agency (Agencia de Renovación del Territorio-ART) responsible for implementing the PDET (Development Plans with Territorial Focus) in 170 municipalities.
- *Presidential Cooperation Agency*: It is responsible for the coordination and articulation of cooperation demand and offer on behalf of the Presidency. Although it is not a technical body, it is essential to achieve adequate coordination with other donors and to enable strategic discussion spaces in the sector public policy dialogue and into inter-ministerial agendas.
- *Departmental and municipal governments*: The departments are responsible for channelling and complementing national and international assistance in the sub-regions. Their contribution will be extremely important in linking the program with subnational territories in a comprehensive agenda and other sectoral agendas. Despite this, they have scarce budget resources (mainly linked to royalties' resources) and low technical capacity in particular regarding municipalities linked to the PDET zones.
- *Ethnic-Territorial Authorities*: Indigenous people have collective entitlement to almost 30 million hectares of land organized in 34 "reservations", representing 25.23% of the national territory. Afro-Colombians have collective entitlement to 5.2 million hectares, or 4.6% of the national territory. Although mainly settled in forested areas, they will benefit from a public policy that clearly defines the agricultural frontier and therefore limits encroachment pressures. These communities play an important role in the conservation of cultural, environmental and genetic heritage in their territories
- *Civil society organizations*: These include small producer organizations, women's and youth associations, environmental groups and a range of private sector actors (economic solidarity organizations – cooperatives – chambers of commerce, farming associations, etc.). They will be responsible for implementing, monitoring and overseeing grants received by the Governments' rural development programmes, of which they will be main beneficiaries
- *Agro-industry, exporters and capital investors*: These actors should benefit from a post-conflict situation in which property rights and sectorial governance have improved. Lack of enthusiasm can be expected from those sectors, groups or individuals that are accustomed to informality and self-regulation with weak state presence. They will have to adapt to new market conditions, a more equitable land market and higher costs for inefficient activities.

- *Italian International Cooperation Agency-AICS (and Food and Agriculture Organization – FAO):* Responsible for the implementation of the complementary support of the programme. See 5.4.1.1.

1.5 Problem analysis/priority areas for support

Land issues: Only 36.4% of rural households in Colombia have access to land. 75.6% of those that have access possess less than 5 Hectares; of these, 59% are not legally formalized properties⁴. Land distribution is among the most unequal in the continent with a Gini coefficient score of 0.86. The growing tendency towards the fragmentation of rural property in recent decades is also making small agriculture economically unviable⁵. Of total land titles between 1960 and 2012, 56.1% went to indigenous communities, 9.6% to afro-Colombian territories and 34.1% to new settlers (*colonos*). Although indigenous areas are generally well represented in land distribution terms (27% of country), some ethnic groups still do not have access to land, whilst others do not have their collective entitlements fully legalized. In other cases the amount of land distributed is not enough to meet sustainability needs. Afro-colombian groups face a similar situation.

Only 49.61% of land is in the land register. This, together with weak institutions, explains a large proportion of the problems associated with land ownership/tenure, land use, financial crisis at the municipal level and the poor administrative management of public lands. 1.7M rural properties have precarious tenure arrangements: possessions, inheritances that have not been legally resolved, public land occupations or improperly registered entitlements. This situation has created obvious developmental barriers: land ownership is a prerequisite for small producers' access to credit and other state assistance programmes.

Public goods and productive factors: 74% of all rural production in Colombia takes place on productive units categorized as family, community or small producer agriculture (FCSPA). Their relevance can be seen in their contribution to agricultural and livestock production (60%), food security and nutrition (70%), and rural employment (50%). Agricultural productive potential, however, is directly linked to access to the means of production and public goods and services. According to FAO, nearly 80% of FCSPA in Colombia are classified as subsistence, while only 6% are considered in transition and a mere 4% as consolidated⁶ (FAO, 2016). 22.09% of rural population engaged in FCSPA live under the poverty line (adjusted multidimensional poverty index), versus 19.41% for all other agricultural or livestock productive units. Unsustainable economic activities result in rural migration towards urban areas, where youth can find more opportunities.

Access to financial services: Since 2010, 21% of agricultural credit allocations were made to medium or large producers, accounting for almost 79% of allocated resources. According to DANE (2014), 89% of the producers did not have access to credit. At the same time, 5% of rural producers applied for credit through informal means.

Financial inclusion has been prioritized due to its impact on economic growth and poverty reduction. According to Asobancaria (2016), a 10% increase in financial services produces a 0.6 points reduction in the Gini coefficient and a 3% fall in the number of people living in poverty.

Technical assistance: the 2014 Agriculture and Livestock Census revealed that only 16.5% of all productive units were receiving some sort of technical assistance. The vast majority of available technical assistance does not include specific services that support agro-ecological production. Education, combined with technical assistance that promotes inclusive production for vulnerable

⁴ ANT <http://www.agenciadetierras.gov.co/wp-content/uploads/2018/03/bpin-proyecto-dotacion-de-tierras-para-garantizar-los-mecanismos-de-acceso-a-sujetos-de-reforma-agraria-a-nivel-nacional.pdf>

⁵ In 1970, small rural properties with less than 5 Hectares represented 64% of all productive units and 5% of the registered land surface. Today they represent 70.5% of the total, but barely represent 2.7% of productive land (Oxfam, 2017).

⁶ i) Agricultura Familiar de Subsistencia, orientado al autoconsumo, con recursos productivos e ingresos insuficientes para garantizar la reproducción familiar; ii) Agricultura Familiar en transición, orientado a la venta y autoconsumo, con recursos productivos que satisfacen la reproducción familia y con problemas para generar excedentes que le permitan el desarrollo de la unidad productiva y, iii) Agricultura familiar consolidada, con recursos de tierra de mayor potencial, acceso a mercados (tecnología, capital, productos) y genera excedentes para la capitalización de la unidad productiva.

populations, improves living conditions by stimulating productivity and profits. Traditionally, however, technical assistance has been aimed at agricultural and livestock activities that lack an integral and multidimensional approach.

Rural Women: Important gaps in women's economic empowerment remain. Female participation in the labour market is 57.9 percent compared to 79.8 for men. Women remain concentrated in informal employment, with an estimated 50% of women working in the informal economy. Also, statistics demonstrate persistent poverty levels among women, especially in rural areas. According to the Multidimensional Poverty Index, the poverty level for rural women is 37.4%, compared to 12% in urban areas. Employment figures also show a gender disparity, albeit with a small improvement for woman. In 2010, women's participation rate in the labour market was 30.6%, as opposed to 73.1% for men. In 2010, 18% of women were registered as unemployed. By 2016, this had fallen to 9.8%. These figures and tendencies show structural asymmetries in participation based on gender and differential impacts.

Sector financing: Financial investment in the implementation of the Peace Agreement appears insufficient. The National Association of Financial Institutions (*Asociacion Nacional de Instituciones Financieras*, ANIF) has calculated that, in order to comply with CRR commitments alone, the government will need to invest 3.2% of GNB. Within the current allocations, the property adjudication and formalization element alone will foresee intervening in approximately 70,000 hectares annually, an investment that will consume 85% of available post-conflict resources.

Institutional capacity: Coordinated actions are essential to maximize local benefits from different funding sources and different national rural development programmes. There is room to consolidate new institutions that have been created for the sector and strengthen their capacity for assuming their leadership and coordination role. National institutions are heavily centralised, which has so far hampered their capacity to be present in the territories and to accompany local communities. While sector policies properly identify problems and solutions for rural development, their impact could be accelerated with simplified procedures, more ambitious targets and, necessarily, increased funding. International cooperation is a temporary alternative for closing the current financing gap and strengthening institutional capacity.

To address these problems, the programme should give priority to four (4) main areas:

- (i) Land: Activities aimed at facilitating access to land, promoting formalisation, and coordinating the planning exercises needed to guarantee production, with a particular emphasis on ethno-territorial communities.
- (ii) Public goods and productive assets: Activities aimed at supporting the promotion, coordination and implementation of productive, social and institutional transformation processes for prioritized rural territories, with a view to building the capacities of beneficiary families and communities and reducing regional disparities.
- (iii) Financial services: Activities that grant access to financial services for small rural producers, including credit. This would also be an opportunity to facilitate access to international credit lines (possibly, from the European Investment Bank, EIB).
- (iv) Women/gender: Activities that mainstream a gender focus across policy development and instruments, in particular for income generation and access to rural housing.

While the above priority areas are identified in the sector policy and will be monitored by the proposed indicators for this SRC, support measures will allow providing necessary technical assistance to tackle weaknesses of the institutional framework. Policy dialogue will also be important to address the need to accelerate rural reform, while strengthening its sustainability and inclusive approach.

1.6 Other areas of assessment

1.6.1 Fundamental values

Colombia has demonstrated its strong commitment to the fundamental values of democracy, human rights and the rule of law. However, effective implementation of these fundamental values remains a challenge in some areas. For the EU, it is a like-minded partner in multilateral agenda.

Nevertheless, in the framework of the sector's policy dialogue, the EU should monitor the following issues:

- Respect of core labour rights as established by the eight fundamental Conventions of the International Labour Organisation, also as Colombia committed to in the Trade and Sustainable Development chapter of the EU-Colombia Trade Agreement. The high level of labour informality in rural areas is an additional challenge.
- Adoption of effective measures to reduce high unemployment rates, in particular for youth, women, and indigenous and afro-Colombian people.
- Effective implementation of agricultural policies that prioritise food production by providing incentives to small producers.
- Restitution of land to dispossessed indigenous, afro-Colombian and non-ethnic small producer communities and the adoption of measures needed to achieve effective land reform.
- A sustainable land distribution policy, which enhances rural population's rights while preserving natural resources and does not contribute to deforestation.
- Progress on institutional response to high rural poverty and vulnerability rates in rural areas, targeting areas where the rates are highest.
- The incorporation of environment and climate change as crosscutting issues and their assessment in the light of rural population vulnerability.
- The respect of human rights and fundamental values in rural areas, including the right to live, participation and expression. (INDEPAZ has reported the homicide of 289 social leaders between 2016 (116) and 2017 (173)).

1.6.2 Macroeconomic performance

Colombia is an upper middle income country (in 2016 this indicator stood at USD 14,153, purchasing power parity), being the third Latin American economy, with a sustained economic growth for the last 20 years (4.3% on average between 2001 and 2010 and 4.5% from 2011 onwards). Growth is driven by oil, mining, construction, retail and financial sectors and agriculture has emerged as an important driver in recent years.

Colombia continues to maintain a solid macroeconomic framework. Key components of Colombia's macroeconomic framework include the adoption of a full-fledged inflation-targeting regime, a flexible exchange rate, a Fiscal Rule (2011) for the central government, and a Medium-Term Fiscal Framework. The solid macroeconomic framework has strengthened resilience to external shocks, facilitating external and domestic economic adjustment to potential shocks.

The post-conflict reconstruction efforts could provide a boost to confidence, and support growth through increased investments, particularly in the agriculture and energy sectors. It would however also put additional pressures on spending, making continued fiscal consolidation efforts necessary.

The economy expanded by 2.7% in 2018. This was the highest growth rate in three years, and was largely driven by a rebound in domestic demand, which offset the negative contribution of the external sector. Growth is expected to strengthen at a moderate pace over the 2019-2021 period, as private consumption growth continues to accelerate, and investment spending is boosted by lower effective corporate taxes. Accommodative monetary policy and improved confidence will also support growth.

With demand-driven growth, external imbalances are widening. The current account deficit was 3.8 percent of GDP in 2018. Strong import growth outpaced exports by over six times, therefore leading to a negative contribution from net exports. The current account deficit has been comfortably financed, mainly by stable foreign direct investment and robust portfolio inflows from a more diversified foreign

investor base. However, in the absence of additional policy actions or higher oil prices, external adjustment to appreciably reduce the trade and current account deficits will be challenging over the medium term.

The intensification of a US-China bilateral trade war and weaker than anticipated economic growth in the US represent the main external risks, together with further volatility in international commodity prices. In the domestic side, the mayor risks to governability stemming from the government weak legislative position.

The government has shown commitment to fiscal discipline over the last years, complying with the fiscal rule instituted in 2012, which helped maintain its investment grade credit rating since 2013. In recent years, Colombia hosts the largest number of Venezuelan migrants. This migration flows from Venezuela are likely to put additional pressure on fiscal accounts as demand for basic public services increases. The cost of additional public services caused by lies between 0.23% and 0.41% of Colombia's GDP, according to a recent report of the World Bank. Meanwhile, the Financing Law approved in January 2019 should boost investment but may lead to revenue shortfalls as lower corporate tax burdens are realized from 2020 onwards. Additional fiscal consolidation measures may be needed to comply with the fiscal rule, but also, flexibility within the fiscal rule is being considered by the government in 2019 and 2020.

Inflation is expected to stay very close to the bank of the Republic's central target (3.0%) at the end of 2019. Monetary policy is projected to remain accommodative.

Colombia has made impressive progress in reducing poverty over the past fifteen years. Inequality however remains a key issue. The International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD) considers that it is essential to focus on policies that lift medium term inclusive growth. At this regard, closing the infrastructure gap and making markets more efficient (labour and firm informality, barriers to trade) are critical to diversify the economy away from oil. Emphasis on entrepreneurship and improving the business environment take on renewed importance given the need to strengthen external competitiveness. Strengthening the rule of law and reducing corruption is also an important challenge.

The country will have to mobilize more domestic resources to ensure that the country's growth is sustainable. In this regard, a medium-term objective to gradually raise tax revenues collected by the central government by 2-3 percent of GDP would help protect key spending on public investment and social programs. In this regard, base broadening for personal income taxes and VAT - with due attention to progressivity and protection for the poor - and enhancing efficiency of tax administration and collection are key reforms to be adopted.

Educational outcomes have improved over time but there is still significant room to better align skills to labour market needs. Informality has fallen in recent years, but nearly half of all workers in the main cities still work in the informal sector. This calls for stronger efforts to reduce informality by further reducing non-wage labour costs, reviewing the minimum wage to promote job creation and simplifying procedures for the registration of companies and workers' affiliation to social security, but also the strengthening of labour inspection is also key in this regard. The pension system has low coverage and is very unequal, as it mostly benefits high-income formal workers. A thorough reform of the pension system is needed to foster inclusive growth. Increasing the coverage and benefits of the public minimum income-support programme would particularly help to reduce old-age poverty. Expanding early childhood education would improve school outcomes and allow more women to take up paid work.

The national development plan 2018-2022 rightly identifies many of these issues, providing a strategic roadmap for reforms—including fighting informality, improving efficiency, and enhancing productivity.

The upcoming accession of Colombia to the OECD could be a milestone in the process of modernization of Colombia, and will potentially attract international investors, provided that Colombia takes implementation of its accession commitments seriously. All members have stated publicly they support Colombia's fiscal sustainability and strong economic policy frameworks.

After reviewing the macroeconomic framework, the EU concludes that the country has consistent policies aimed at maintaining macroeconomic stability. Consequently, Colombia is deemed to satisfy this eligibility criterion.

1.6.3 Public Financial Management (PFM)

Concerning the PFM system, the latest PEFA assessment -carried out in 2015 - shows positive results in terms of robust macroeconomic and fiscal projections, budget credibility, and increased transparency of budget. However, there are still important weaknesses related to the financial information system and accountability, procurement system, payroll system efficient delivery of public services and external control.

The Fiscal Transparency Evaluation (FTE), conducted by the IMF in 2017, shows that Colombia has made a significant leap forward in terms of building strong fiscal institutions, based on good transparency practices. However, Colombia's gaps are in areas such as the absence of a harmonized budget classification system, the frequency of in-year reporting, forecast reconciliation and management of specific fiscal risks. While strong fiscal institutions have contributed to Colombia's macroeconomic stability, stronger and more transparent fiscal management would help better manage medium to long-term risks. In addition, enhancing transparency would bring Colombia in full alignment with OECD standards.

In 2015, the Minister of Finance approved its sectorial strategic plan 2015-2018, which enabled progress in terms of fiscal reporting, transparency and strengthening of management capacities at local level. In this framework, the EU and other donors (SECO, World Bank and the IDB) have been backing up the government's efforts in the latest years, by supporting important projects to enhance PFM capacities in the country, specially, linked to the creation of a harmonized budget classification, the integration of the financial information system and the reinforcement of the PFM transparency.

A constructive dialogue of the PFM donors group with the new authorities has started. In this framework, the new government set three priorities for the PFM reform: (1) the improvement of the financial information quality (2) the quality and efficiency of public expenditure and (3) institutional reforms. The new authorities agree on the necessity to have an integral reform plan for the PFM sector. This plan could be approved in the first semester of 2019.

Meanwhile, a roadmap to support the government's PFM reform is being discussed by the donors community with the government. This action plan should be ready in the first quarter of 2019 to be presented for approval to the Minister of Finance and the donors' Heads of Mission. This roadmap should serve both the government and donors to support cooperation opportunities in the PFM sector.

Concerning domestic resources mobilisation, the efforts of the Colombian government to increase the level of tax collection has been important in the latest years. Nevertheless, the current tax system does not raise sufficient revenues to finance the provision of services that can stimulate inclusive and sustainable economic growth. More revenues need to be raised to finance investment in infrastructure, education and innovation, as well as to expand the social safety net, reduce poverty and inequalities. Also, taxes have a limited effect in reducing income inequality in Colombia.

The government has just presented a draft tax bill based on unpopular elimination of exemptions on value-added tax (including on the basic basket), a widening of the income taxpayer base and a reduction of corporate tax tariffs. Additionally, the proposal includes changes to the subsidies system and changes in the pension system. The proposal is facing significant opposition in Congress. It is possible that fissures in governing coalition could force the government to water down its current tax proposal and seek a budget review.

To conclude, the strengthening of domestic resource mobilization, the improvement of the effectiveness and efficiency of public spending and the reinforcement of the transparency and budget control are the priorities of the EU PFM policy dialogue in the following years. A structured EU-Colombia dialogue on PFM with the new authorities is being carried out based on these priorities.

Consequently, the country is deemed to satisfy this eligibility criterion for a Sector Reform Contract.

1.6.4 Transparency and budget oversight

For the General Budget Law to enter into force it has to be officially published by Congress and in the Official Journal. The budget can be consulted on the web page of the national publication office ^[2]. The budget is also available on the web page of the Ministry of Finance ^[3].

Regarding the publication of information on the budget, Article 6 of Decree 4730 of 2005 establishes that programming, adoption, modification, execution, monitoring and evaluation, as well as regular and final reports of the budget cycle shall be known to the public.

The Law on Revenue and Capital Income and the Law on Budget Appropriations for the Fiscal Year from 1st of January to 31st of December 2017 was published on 7th December 2016. Moreover, Colombian citizens have access to a government web portal ^[4] on economic transparency, an online information system that offers monitoring of the state's budget.

According to Open Budget Partnership (OBP) Colombia has a rating in the Open Budget Index (OBI) of 57%, which places the country above the world average (45%) and fifth in Latin America, which means that the Government provides the public with limited budget information and limited opportunities to engage in the budget process. Nevertheless, oversight of the budget by both legislature and the audit institution in Colombia is adequate.

Although the country provides spaces for public participation, there is room for improvements and implementation of instruments, such as a citizens' budget. However, some of the country's strengths in budget execution are the ability to systematically and punctually publish information in each of the phases of the budget cycle. According to the FTE Civil society could be given more opportunity to engage in budget debates.

In turn, the website of the Ministry of Finance offers standardized monthly budget execution reports, 30 days after the end of the reporting month. The economic transparency portal, provided by the Ministry of Finance, has become one of the greatest advances of the nation in revealing information on the country's budget. Finally, the SIIF Nation II System allows for the consolidation of financial information of the entities that make up the National General Budget. It also provided the Ministry of Finance with the power to exercise control of the budget and examine the financial performance of the entities belonging to the National General Budget.

Finally, the IMF's Fiscal Transparency Evaluation concluded that Fiscal forecasting and budgeting is the strongest area in the country assessment. Half of the related indicators are advanced, mostly in the areas of: (1) orderliness, which covers the legislative framework, and the adequacy of powers and information available to Congress; (2) credibility, which stresses that economic and fiscal forecasts are of high quality and credible; and (3) medium-term forecasts and policy orientation, all through a strong medium-term fiscal framework (MFMP), display comprehensiveness, clarity, and quantified objectives.

Colombia is considered to comply with the entry point criterion relating to budget transparency.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigation measures
DRET I suffered relevant shock caused by oil prices and crunch in sector allocations. Future potential risks could also include financial capacity to fund the commitments rising from the peace process.	M	Under the policy Dialogue agenda the Delegation will check potential risks in institutional and financial capacity to implement the sector policy.
Instability and public security problems due to the presence of illegal armed groups. Deterioration of security conditions.	H	Based on the monitoring of the security conditions in rural territories, priority intervention areas could be adjusted given that stable public order and an absence of violence are preconditions for regional development programme success.
Persistence of illegal economic activities.	M	Support to the strengthening of traditional economic systems and the reinforcement of alternative productive chains with greatest potential in each territory will allow to offering economic alternatives to the communities. People have demonstrated to prefer legal alternatives when these come with comprehensive development.
Breakdown of social fabric.	H	The support to cooperatives and producer associations will have a positive effect on social cohesion. Gender inclusive actions.
Corruption problems that undermine confidence in the process.	M	Design and implement transparency and accountability systems for project implementation. Strengthen citizen oversight mechanisms with support from the Comptroller General's Office, through the TA.
Structural weakness of public and community bodies.	M	Support to institutional strengthening actions, foreseen in the technical assistance.
Increase in crimes against social and rural leaders in rural territories.	M	Policy and political dialogue with government representatives at the highest level, including close coordination with EU member states, international partners and other stakeholders.
Assumptions		
There is stability in policies and programmes in the coming years, as these correspond to international commitments (SDGs) and constitutional prescriptions (Peace Agreement) that the current government take into account.		
Government has sufficient political and social support to continue sector reforms at the national, regional and local levels with private, public and social actors.		
Although new local expressions of violence and conflict by ELN guerrilla, illegal armed groups linked to drug trafficking and FARC-EP's dissident groups have escalated in magnitude and coverage, these will not be an obstacle for the implementation of the programme and for achieving programmed goals.		
The level of public expenditure at the sectorial level is at least maintained and adequately complements the resources assigned to the "Colombia in Peace" Fund for the CRR.		
The coordination promoted by the MADR with national and local authorities create coherent and coordinated actions and build social trust.		
An environment of sustainable trust is built and facilitates community work and the strengthening of the social fabric and the state.		
The ethnic-territorial organizations and small farmers are committed to implementing and following up on the activities proposed in the CRR.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The European Union has vast experience in the implementation of initiatives that promote rural sustainable development and peace consolidation in Colombia and other Latin American countries. The following is a list of main lessons learned from previous programmes of the EU, support/evaluation missions carried out by the European Commission in 2018⁷ and 2019⁸ and some conclusions of the Rural Transformation mission carried out by the GoC:

- Overcoming the root causes of the conflict implies a **long-term effort** that requires important adjustment in several sector policies as well as more public investments and institution strengthening. Medium-term policy and institutional transformation also requires **medium-term commitment and support**. The present Action Fiche therefore constitutes a continuation of on-going EU support to CRR as well as an adaptation to the changes of the national political/ policy context.
- The international community has been a key factor in bringing about a negotiated peace and in supporting the parties, mainly the GoC, in implementing the Peace Agreement and the adjustments required. The European Union has been singled out as an international supporter in 2 out of the Accord's 6 thematic points: 1 (Comprehensive Rural Reform) and 3 (Reintegration of Ex-combatants). This support is still therefore required as the implementation remains at an early stage. **The EU can take advantage of the International Support Scheme** to reinforce its political dialogue with the new government.
- Public interventions have often had limited impact in rural areas, since they are designed based on homogenous criteria developed at the national level, ignoring the specificities of particular territories and population groups. National institutions have a rather restricted vision on territorial development (understood as the territorial implementation of national policies). Despite this, current EU Budget support programmes **already combine** in a very smart way **the financial support component** – contributing to delivery indicators - **with complementary measures** – which support the bottom-up development of sub-national capacity.
- This **territorial approach to local development** should also translate into actions responding to specific local needs. For instance, while some regions face post-conflict scenarios, where ex-guerrilla and victims must find a way to build peaceful coexistence, other Colombian regions are witnessing massive Venezuela migration. Complementing other EU-funded programmes, this SRC should be able to address issues such as **reincorporation of ex-combatant and socio-economic integration of migrants**.
- Small-scale agriculture has a potential to create wealth for rural population. Nonetheless, **its promotion requires several combined elements**: land access, access to credit at reasonable conditions, adequate and timely technical assistance, long-term accompaniment and associativity. Moreover, any selection of value chains to be supported should follow **commercialization and market studies**.
- Many of the conflict-torn territories show extreme environmental fragility. Use and occupation of land should be sorted out before pushing forward rural development processes. The SRC DRET I and DLS (Local Sustainable Development) have promoted **synergies between economic development and environmental protection**, in the framework of a green growth agenda. Such early findings need further policy developments and investments.
- The lack of real economic participation of rural women and barriers for their access to land should be seen as an economic cost and missed opportunity for local development in Colombia. This action shall contribute to **women economic empowerment** (in line with GAP 2016-2020).

⁷ "Territorial approach in EC supported program. Mission Report to Colombia". Letter of Contract N°2017/384875. Devco C5. Nov. 2018

⁸ Study on "EU Achievements in the Food and Nutrition Security and Sustainable Agriculture (FNS&SA)" Domain – Colombia- Devco C1. Feb. 2019

- There is scope to strengthen the partnership between public institutions, private sector and civil society and generate investment opportunities in territories now under State control. This SCR will **seek to prepare the rural sector for private investment** (in coordination with EIB agenda).

3.2 Complementarity, synergy and donor coordination

EU programmes: The present action and the policy it supports are a logical continuation of EU cooperation efforts in Colombia. It is based on, and consolidates, the good governance and territorial principles underlying the EU long lasting support to peace in Colombia. This SRC DRET phase II will offer important opportunities for synergies in two key areas supported by on-going bilateral cooperation instruments such as SRC for Local Sustainable Development (with the Ministry of Environment) and SRC for Territorial Competitiveness and Sustainable Trade (with the Ministry of Trade and Industry). In addition, this programme has important complementary elements with the EUTF, which mainly focuses on comprehensive rural development issues. The European Investment Bank also plans to link a loans package to supporting actions that will be funded on rural development issues.

Clear synergies will be generated with projects financed under the GPGC thematic programme: i) "resolution of land tenure disputes in the National Protected Areas System in Colombia" which promote the use of voluntary guidelines for the Responsible Governance of Land Tenure, Fisheries and Forests (VGGT) of FAO; ii) "FIRST programme" on issues related with food security and family-based agriculture, also implemented by FAO. iii) "Páramos: Biodiversity and Water Resources in the Northern Andes", which promotes the gradual conversion of unsustainable production systems into environmentally friendly economic activities in moorland areas. iv) FLEGT-Colombia flagship program that promotes forest governance within the framework of the GoC's strategy to combat deforestation.

In relation to climate change, EUROCLIMA+ and several LAIF on-going projects will provide findings and outcomes at the national and regional level. They should feed into the policy dialogue between the EU and the GoC and may be taken into account in actions to be carried out under the sector policy, thus promoting complementarities and synergies.

Other donors: The Government Duque has confirmed its commitment with the implementation of the Havana Peace Agreement and is now focusing on the "stabilization" process. One of the provisions thereafter is the International Support scheme, where EU and FAO are given a role in supporting the CRR (Comprehensive Rural Reform, core of Point 1 within the Peace Agreements). Joint policy dialogue around the CRR has been established, and has proved to be effective, in that FAO's strong technical backing, based on evidences, contributed to structuring priorities. The existing rural development donors group will also allow for coordination of international cooperation. This action proposes to strengthen cooperation with EU member states already working with the MADR, mainly Italy.

The EUD is working to broaden the array of actors to get involved with. While the Executive (MADR) is the main partner and interlocutor, it is also necessary to set working relations with the legislative, control bodies as well as with the private sector and civil society. Considering the scope of the policy (rural reform), it is also necessary to broaden the dialogue out of Bogota, to selected territories.

Special synergies will be promoted with the loan to the "multi-purpose cadastre" recently approved by the World Bank (\$ 100 million dollars) and the Inter-American Development Bank (\$ 50 million dollars). The beneficiary government institutions include the National Planning Department (DNP), the Agustín Codazzi Geographic Institute (IGAC), the Superintendence of Notaries and Registration (SNR), the National Land Agency (ANT) and the municipalities. This project will strengthen the capacities to implement the cadastre at the local and national levels, formalize land tenure, promote community participation with a differential gender approach and have special characteristics for ethnic communities.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

Policy Priorities: At the global level, this programme contributes to the achievement of the SDG Goals 1 (no poverty), 5 (gender equality), 8 (promote inclusive and sustainable economic growth, employment and decent work for all), 10 (reduced inequalities), and 15 (sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss). It also contributes to DAC 31110 (agricultural policy and administrative management). It contributes to CRR implementation (as established in the Peace Agreement) and is aligned with the 2014-18 NDP.

General objective: To contribute to reduce poverty and boost sustainable and inclusive growth in rural, marginalised and conflict-torn areas of Colombia.

Specific objective: To support the implementation of rural development policy and rural reforms, with a focus on access to productive assets, entrepreneurship and gender equality.

The present SRC DRET II is a continuation and consolidation of the on-going EU support to rural development policy in Colombia (SRC DRET). Additionally, DRET II will prepare the sector for private sector investment and credit opportunities.

As a way of ensuring quality delivery, the following aspects will be mainstreamed throughout all the phases of this programme:

- Reduction of geographical and gender disparities in public service access and quality
- Implementation of sustainable social and environmental criteria in productive processes, in line with international commitments inter alia under the Trade and Sustainable Development chapter of the Trade Agreement and promotion of sustainable production methods and products that would not put at risk the health and safety of consumers
- Alliances with the private sector to foster innovation and investment in rural areas Processes for adaptation and mitigation of climate change vulnerability(including by actively combatting deforestation).
- Responsible and sustainable use of lands and natural resources, in particular in forest-based areas.
- The resolution of conflicts around the use of lands and natural resources
- Harmonization of policy instruments between national and local authorities
- Strengthening the capacities of national institutions mandated to implement the rural reform.

Expected results

1. Progress in **policy coherence and effectiveness**.
2. Improvement in the quality and coverage of rural development service delivery, in particular:
 - a. Marginalized rural populations, in particular conflict victims, ex-combatant and migrants, indigenous and afro- Colombian communities, have **access to land** in different legal forms: private property, communal property, tenure or any other legal arrangement.
 - b. Rural communities **have access to public goods and productive assets** (including credit) that allow them to increase incomes and job opportunities.
 - c. **Rural women are empowered** as key socio-economic actors in rural development and influence sector public policy.
3. Improvements in the **quality of sector PFM**, notably with respect to budget execution, public procurement, internal and external audit, and domestic resource mobilization.

Main activities

Budget support

General activities:

- Transfer of EUR 15 Million over the 2019 – 2022 period;
- Enhance EU policy dialogue: Activities aimed at broadening the pertinence and effectiveness of the EU policy dialogue with the MADR and wider sector institutions/bodies involved in Agreement implementation, and within the international community;
- Strengthen PFM through complementary support programmes;
- Continued dialogue between donors to coordinate and align development cooperation with a view to reducing transaction costs and increasing effectiveness;
- Regular monitoring of budget support eligibility criteria:
 1. Progress towards achieving rural development policy and CRR objectives will be monitored on the basis of annual progress reports and other EU or development partners' reviews, supported by regular briefings and discussions in the MTAI, the Rural Development International Cooperation Group and other forums that include civil society organizations;
 2. Macro-economic developments will be assessed in the context of IMF missions and other relevant assessments;
 3. PFM eligibility will be verified on the basis of the government's PFM reform strategy reviews and associated assessments or ad-hoc analysis from the IMF and others, including sector specific analysis;
 4. Budget transparency will be assessed by verifying that appropriate documentation is available for public scrutiny and by promoting public participation in decision-making.

Complementary support

The very purpose of fostering the CRR will require, in the present stabilization phase, of a broader political dialogue, encompassing new institutional actors, as well as the private sector and civil society. Such political dialogue will require of both strong partners and strong technical expertise.

For such purposes, the EU is proposing a new approach to complementary support based on the concurrency of technical and financial resources contributed by both AICS and FAO. One joint Complementary Support Package, adding up to euro 6 000 000, will bring together contributions from 3 international donors (EU, AICS, and FAO).

In technical terms, this means that the Ministry of Agriculture and dependent Agencies will receive a coherent, comprehensive and coordinated technical assistance to support the implementation of the SRC and the policy dialogue associated.

Contractually, the EU will sign a Delegation Agreement with the Italian Development Cooperation Agency for a total of EUR 4 500 000 (EU: EUR 3 000 000; Italy: EUR 1 500 000). This Delegation Agreement and its management structure will ensure EU control over the Complementary Measures. In parallel, AICS and FAO will sign a Cooperation Agreement in which FAO will contribute with additional EUR 1 500 000.

Institutions wise, the Complementary Support (CS) will require working with:

- Executive. Under the MADR leadership, it will coordinate actions with sector Agencies (ADR, ANT), but also with the Ministries of Trade, Environment and Finance.
- Legislative. DRET experience shows the importance of the legislative in the policy making process and the need to work with technical legislative units.
- Control bodies. DRET experience shows the importance of working with oversight bodies, mainly the General Comptroller Office (CGR), who monitors the implementation of public policy and ensures the credibility of the information officially reported.

- Private sector and Civil society. Under an enhanced policy dialogue, this action will allow engage meaningfully with producers and producers' associations, as well as consumers and civil society as a whole.
- Territories. The CS will also focus on selected territories, in particular those most affected by conflict and migration, and will work with local actors such as Departments, agriculture secretaries, producers' organizations and communities.

Thematic wise, the main CS actions are:

Public policy

1. Strengthening MADR leadership in the formulation, coordination and evaluations of policies fostering rural development under competitive markets, but with equality and sustainability.
2. Strengthening rural institutions in the performance and fulfillment of their responsibilities. This will include support to the new framework for land titles (cadaster, reform of attribution process and simplification, ...)
3. Technical support for the achievement of the goals and indicators set up in the SRC, as well as for the follow up, monitoring and evaluation of the implementation of the public policies concerned.
4. Under the guidance of MADR, facilitating the legislative work with technical inputs aimed at the adoption and development of sector policies.

Public finances

5. Support to the improvement of PFM and the institutional strengthening for securing fiscal sustainability, economic growth and macro-economic stability.

Territorial approach to local development

6. Support to territorial initiatives that foster participative rural development and the institutional coordination at territorial level, which will result in an enhanced MADR political dialogue with other national authorities and prioritised territories and local stakeholders. Considering that the EU added value to the public policy assessment lies in its territorial approach to local development (TALD)⁹, the complementary support will include a robust package for i) systematisation of different instruments¹⁰ for territorial development available in rural areas, ii) facilitate exchange of expertise with EU and Latin American countries. Based on that, the TA will iii) identify lessons learned to feed back into the sector policy and iv) implement pilot initiatives allowing to demonstrate that TALD increases public policies efficiency and effectiveness. Inputs from the TA will feed into the implementation of SRC indicators and will offer arguments for policy dialogue.

Access to market and business climate

7. Strengthening the connections between public offer and private demand. In this sense, strengthening the dialogue with the private sector for the implementation of public policies and the identification of demands and financing opportunities (as a path for laying down eventual future blending operations).

Inter-sectorial coordination

8. Strengthening the political dialogue, under the MADR leadership, with the aim to enhance intra-sectoral and inter-sectoral coordination and articulation, to achieve a more comprehensive rural development approaches. Special coordination work will be promoted with the Environment and

⁹ TALD is a "national policy that promotes endogenous, integrated, multi-scalar and incremental local development", <https://europa.eu/capacity4dev/article/what-territorial-approach-local-development>

¹⁰ Local economic development agencies, comprehensive rural development programmes with territorial focus (PDRIET), peace and development regional programmes, "life plans" (the instrument used in indigenous and afro-descendent territories), sustainable development plans (for farmers reserve zones (Zonas de Reserva Campesina), landscape approach programmes, and PDET, amongst others.

Sustainable Development and the Trade, Industry and Tourism Ministers (in the frame work of the budget supports operations on "Local Sustainable development" and "Territorial competitiveness")

Cross-cutting issues

9. Effective integration of transversal dimensions within the rural development policy: gender, environment and climate change.

Conflict management

10. Promote legal and sustainable economies in rural territories that have traditionally been a scenario of illicit coca crops and conflicts around the use of lands and natural resources in sensitive environmental areas (deforestation, mining, other not allowed activities in National Natural Parks, Paramos, Forest reserves, wetlands, etc.).

Communication and visibility

11. Implementation of a communication and visibility strategy for the EU support at national and sub-national level.

4.2 Intervention logic

Over the last two decades, Colombia has explored different approaches to rural development: the 1989 Mission for Agriculture and Livestock Studies, the 1998 High Level Rural Mission, and the 2014 High Level Mission for Rural Transformation. The CRR that was agreed in the Peace Agreement takes on board the findings of these "rural missions" and proposes a 20-year agenda for recovering rural competitiveness and closing development gaps.

DRET Phase II main purpose will continue being the support to key reforms for rural development. It will support tackling issues such as rural property formalisation, income generation and productive inclusion based on the promotion of rural entrepreneurship and strengthening of family, community or small producer agriculture, as indicated in the CRR. It will also broaden the policy dialogue to sector instruments aimed at facilitating small farmers' access to credit and banking services, to markets and stable prices (through an innovative programme of contract farming) and to agricultural technical assistance.

DRET Phase II also includes a coherent package of complementary measures to support the consolidation of modern and technical institutions, with a view of service delivering in rural territories, with greater capacities to lead multisector agendas oriented to rural development and competitiveness.

In this way, Phase II widens the EU policy dialogue by including both Vice Ministries: the Vice Ministry of Agricultural Affairs and Vice Ministry of Rural Development (the only Vice Ministry associated to Phase I). This means that Phase II facilitates a more comprehensive approach to rural challenges and enables synergies between traditional approaches to rural development and new ones, oriented to markets, investments and productivity. It also allows a deepen connexion with national strategies of "fight against poverty" and peace building.

Different social strategies are required to bring about development in rural areas, especially in ethnically diverse countries like Colombia that also presents diverse agricultural models and regional peculiarities. The following key crosscutting elements will be addresses: **confidence building** between civil society and authorities, the strengthening of **local governance**, building trust between small producers and within communities (**associativity and cooperativism**) and **tackling inequality based on ethnic identity**. It is also an opportunity to develop policy instruments that **tackle structural gender inequality**. These elements are at the core of the present SRC.

The rural reform is an opportunity to create wealth and bring investments to the traditionally forgotten areas. This SRC promotes those aspects of the policy that provide public goods and services for small farmers in order to improve **inclusion in added-value chains, as well as access to markets and procurements**. It will also improve small producers' incomes and in so doing provide a **viable alternative to illicit activities** such as logging and coca cultivation in the medium term, reducing the pressure on natural resources. In doing so, it will also promote implementation of sustainable social and environmental criteria in productive processes. Access to credit is the aim of a financial inclusion

national programme aimed at small producers and implemented through financial entities of the National Agricultural Credit System. The Ministry monitors its implementation through outreach indicators – the same that have been chosen as disbursement indicators for the SRC. In the framework of this national programme, indicator n. 3 measures the number of small farmers that access a specific line of credit dedicated to rural producers and aims at reaching over 65.000 farmers in 3 years.

While forest resources are under threat, Colombia's still huge biodiversity has a potential to turn into a **motor of green growth**. The current national debate on land and natural resource management offers an opportunity to explore connections and synergies between development and conservation. This agenda is an opportunity to promote a comprehensive rural development policy that will boost **sustainable economic development**. This SRC will therefore consolidate synergies with the EU's Local Sustainable Development SRC.

The action will also allow to tackle three strategic issues that are a threat for Colombia stability: illegal economies, reincorporation of ex-combatant and socio-economic integration of Venezuela migrants. Indeed, the establishment of **legal and sustainable economic activities** in rural areas of Colombia is key to ensure a viable economic development of territories that have traditionally been affected by conflict and coca crops, accompanied by other illicit activities such as illegal mining and deforestation. The MADR work towards solid agriculture and agroindustry offers a credible alternative to such illicit economies. The development of rural economies will also increase **opportunities for both ex-combatants and migrants** to find sustainable livelihoods in Colombian countryside.

4.3 Mainstreaming

The action is linked to a **peace building approach**, based in the second generation of human rights (economic, social and cultural). Its main focus is on **vulnerable groups and minorities** and is intended to empower them and their governance capacities.

The action will be based on a **right-based approach**, aimed at empowering local communities and strengthen a user-oriented and service-delivery spirit of national polices and institutions. A distinctive element in the ways of working will be the right of all the stakeholders to participate.

Gender approach: High levels of poverty and limited access to education, health, and employment opportunities are a reflection of the discrimination against afro-Colombian, indigenous and mestizo rural women. A high number of households are female-headed due to men being associated or killed in the conflict, or abandoning of their families. This leads to greater involvement by women in community affairs, increasing their participation in issues relating to governance, the strengthening of the social fabric and the building of a peace culture. In order to overcome the “gender gaps”, the intervention will promote the following: (i) women economic empowerment. Special attention will be given to access to land titles and formal jobs; (ii) their participation in decision-making under equal conditions with men, in a range of issues (land access, productive, reproductive, political, communitarian and cultural); and (iii) challenge discriminatory stereotypes, resulting in inequalities between men and women and gender violence.

Environmental approach: The SRC DRET II is particularly sensitive to the importance of the environment as a crosscutting issue. As previously mentioned, the main causes of deforestation are land grabbing and the expansion of the agricultural frontier. This SRC will promote the adequate participation of the MADR and its dependent entities in the Inter-sectorial Commission on Deforestation Control and Comprehensive Natural Forests Protection Management.

Colombia is one of the most vulnerable countries to climate change, impacting directly on social and economic development. Climate change affects the poorest population through water shortages, disease and lower agricultural productivity (impacting directly on small rural producers' income). Promoting climate change adaptation will be tackled through “climatically intelligent productive systems” that will generate greater resilience to phenomena such as El Niño that significantly reduced the national water supply in 2015-2016. The action will also promote watershed protection and an environmental dimension in territorial planning instruments (Territorial Plans, Territorial Usage Plans and Schemes, etc.) that will guarantee suitable land and natural resource use.

Territorial approach: The SRC supports the integral management of local capacities and the development of their potential, with the aim of finding bottom up, local solutions. This is at the core of any rural development strategy and the EU development approach in Colombia is no exception.

4. 4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG(s) GOAL 1: No poverty; GOAL 5: Gender equality; GOAL 8: Decent work and economic growth; GOAL 10: Reduced inequality.

DRET II emphasizes three main areas of support: fostering balanced territorial development, enhancing social inclusion and mobility through improved service delivery, and supporting sustainability and productivity. It also allows to consolidating the gains of the peace process, especially in remote areas, which have traditionally been excluded from government services. Addressing inequities help tackle root causes of the conflict.

The SDGs have provided focus and a political framework for challenging reforms, including the implementation of the peace agreement, accession to the Organisation for Economic Co-operation and Development (OECD), and climate commitments under the Paris Climate Agreement.

Colombia has been a leader in the Latin America region and the world regarding the negotiation and formulation of the 2030 Agenda and the SDGs, and it is currently setting its new National Development Plan. This plan is expected to fully align with the SDGs, which is why Colombia offers an appropriate context for the integration of SDGs with national policies, and the integration of these with local priorities as well as private sector interests.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country (Government of Colombia)

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for the budget support component is EUR 15 000 000, and for complementary support is EUR 3 000 000. This amount is based on a broad qualitative assessment of the following elements:

- Political and strategic priorities aiming at ensuring sustainability of the peace process;
- Government commitment to execute national budget resources (including EU budget support) in line with development strategy and objectives and to follow standard national budget procedures;
- The effectiveness, value for money and impact of the specific added value that budget support will bring in achieving rural transformation (and CRR) objectives;
- The policy's implementation track record;
- The results-based orientation of the partner country's development strategy including a monitoring system.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the rural development (and CRR) policy and continued credibility and relevance thereof;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches are the following:

Indicative RESULTS	Indicative Indicator
Providing poor rural population, in particular conflict victims and ethnic minority groups, with access to land ownership.	Indicator 1. Number of land titles or formalisation of private ownership
Guaranteeing rural communities access to Public goods, productive assets and financial services (including credit)	Indicator 2. Number of small farmers benefitting from strategies for productive inclusion
	Indicator 3. Indicator 3. Number of small producers with access to credit for productive initiatives
	Indicator 4. Number of small rural producers benefited from agricultural and livestock extension services (technical assistance).
	Indicator 5. Number of producers with commercial agreements signed
Increasing rural women's access to productive assets and housing.	Indicator 6. Increase in women's access to rural productive assets

The above indicators have been confirmed with the correspondent MADR authorities.

The chosen performance indicators and targets to be used for disbursements will apply for the duration of the action. However, in duly justified circumstances, the Ministry of Agriculture and Rural Development may submit a request to the Commission for the targets and indicators to be changed.

Note that any change to the targets should be agreed ex-ante at the latest by the end of the first quarter of the assessed year. The agreed changes to the targets and indicators shall be agreed in advance and may be authorised in writing (either through a formal amendment to the financing agreement or an exchange of letters).

In case of unexpected events beyond the MADR control, such as natural disasters, neutralisation of one or several affected indicators can be accepted. The amounts of neutralised indicators would in such case be redistributed amongst the remaining indicators on a pro-rata basis. The GoC must request and justify neutralisation to the European Union.

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

The amount allocated for the budget support component is EUR 15 000 000. This amount will allow for 60 months' support, via 3 tranches: a fixed tranche and two variable tranches of EUR 5 000 000 each, the last ones to be paid in accordance with sector policy performance and goals achieved.

Indicative calendar	Y N	Y N+1	Y N+2	Y N+3	Total	%
	T2		T3	T3		
Fixed tranche	5				5	28%
Variable tranches		0	5	5	10	55%
Complementary support ¹¹	0,5	1	1	0,5	3	17%
TOTAL	5,5	1,00	6,0	5,5	18	100%

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into COP will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities for complementary budget support.

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹².

5.4.1 Indirect management with an international organization.

5.4.1.1 Indirect management

A part of this action may be implemented via indirect management with the Italian Agency for Development Cooperation ("AICS" for its Italian acronym). This implementation entails "comprehensive support to the implementation of Rural Development policy in Colombia".

The envisaged entity has been selected using the following criteria: the nature of the action, operational capacity, value added and transparency. In addition, AICS provide added value based on:

- EU and its Member States working as one. EU benefits from a joint technical work with a Member State (Italy) with whom it shares common and complementary approaches on rural development. Italy supports the rural reform policy with a robust cooperation package (EUR 20M) centered on agro-industry, sustainable agriculture, quality production, small farmers and cooperatives, inter-generation continuity on rural areas, hence, compatible and complementary with EU efforts.
- The Italian cooperation has a long tradition working with private sector globally, as well as on regional marketing and territorial development. Such a European experience is coherent and complementary with the EU SRC purposes. Italy can mobilize such an experience for the benefit of the Colombian reform.
- Italy has a long standing tradition of cooperation within the sector and access to political and technical levels of dialogue. Donors' coordination and policy dialogue can only benefit from a coordinated action.

¹¹ Delegation agreement with AICs.

¹² www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management with Food and Agriculture Organization –FAO-. The implementation by this alternative entity would be justified because of the following criteria:

- A track record of long-lasting problem-free cooperation
- FAO has a robust cooperation package within the sector, as well as a large regional experience working with different Legislatures. In Colombia, it supports and coordinates actions with the Congress, promoting the creation of Working Parliamentary Fronts, such as the one on Fight against hunger.
- FAO Colombia is the biggest, highest quality FAO office in the Latin America Region. FAO Regional Office, based in Chile, is a centre of gravity for more than 120 high level experts (academics and policy makers) and a think tank network in subjects related to the SRC. FAO can mobilize such experience, network and human resources for the benefit of the GoC and the SRC, as well as to bring to Colombia the best regional practices and experiences. The GoC has expressed its interest on counting with this support.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (EUR)
5.3.- Budget support / Sector Reform Contract	15 000 000	
5.4.2. – Complementary Support composed of		
5.4.2.2.– Indirect management with international organization	3 000 000 ¹³	
- AICS (joint co-financing)		1 500 000
- FAO (parallel co-financing)		1 500 000
Totals	18 000 000	3 000 000

5.7 Organizational set-up and responsibilities

The proposed DRET phase II will consolidate the "governance scheme" developed for the SRC DRET, which allows a structured sector policy dialogue at technical, strategic and political levels.

- Overall *political dialogue* will be led by the EU Head of Delegation, with the Minister of Agriculture and Rural Development. Through high level policy dialogue, the EU will reinforce its commitment to peace in Colombia, fundamental values, the commitment with Sustainable Development Goals, the Paris Agreement on climate change, gender equality and the need for inclusion of all ethnic groups, among other. The Minister and HoD will coordinate and chair at least two open high level political dialogues per year involving the international community (HoM level) and the national government (ministries, agency directors) in order to exchange

¹³ It includes expenditure verification.

ideas and perspectives on general progress, policy sector challenges and international cooperation contributions.

- *Steering Committee*: It is comprised of the Vice-Ministers of the MADR, the Directors of the ANT, ADR and APC, the Responsible of AICS Colombia and the EU Head of Cooperation. It has the following functions:
 - Analyse overall progress in policy implementation, particularly the achievement of the Budget support indicators.
 - Approve and submit periodical and ad hoc reports to GoC on SCR progress and the fulfilment of indicators and policy outputs and outcomes.
 - Revise the Technical Committee's reports.
 - Analyse different courses of action for effective budget support development.
 - Ensure an adequate implementation of the complementary measures.
 - Foster the harmonization or complementarity of the budget support initiatives with projects from other national and international cooperation initiatives (regional, private, or banks).
- *Budget support technical committee*: Provide technical follow-up of goals measured by the SRC indicators; supervise the commitments and actions agreed for the budget support; and make timely decisions to ensure satisfactory implementation. The committee will be integrated by:
 - MADR sectorial directors (Rural Women Bureau, Productive Chains, Credit, etc.)
 - ANT and ADR sub-directors of relevant areas
 - Sub-director of Multilateral Cooperation - APC
 - Task Manager for SRC DRET II - European Union
 - AICS and FAO as Ad hoc special guests (participation without a vote)

Detail Functions:

- Identify risks that may hamper fulfilment of the agreed goals and establish corrective measures.
- Coordinate the preparation, consolidation, revision and presentation of mandatory reports; prepare the variable tranche payment dossiers.
- Follow-up on all formal requirements to ensure timely disbursements.
- Monitor disbursement implementation.
- Set up and implement annual working agendas that allocate responsibilities and deadlines for budget support commitments.
- Prepare SRC indicator fulfilment reports and propose adjustments where appropriate.
- Foster EU visibility at the national and regional level.
- Promote donor rural development policy coordination.

Frequency of the meetings: At least 4 executive sessions and 2 broadened sessions per year.

- *Complementary Measures Technical Committee*: This committee supports the implementation of the complementary budget support measures to ensure the efficient use of resources according to institutional requirements.

Members:

- MADR – Delegated technical focal point; ANT, ADR – Delegated technical focal points; APC – EU Desk; EU Delegation – Task Manager; AICS –Task Manager ; FAO – Policy Officer.
- Ad hoc special guests, defined in consultation with the parties (participation without a vote)

Functions:

- Periodic follow-up of the annual operative plan and reports to the steering committee on decisions taken about implementation support.
- Facilitate institutional coordination.

- Support in any other aspects, in particular those related to communications, information and visibility.

Frequency of the meetings: At least 6 executive sessions per year.

5.8 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix (for project modality) or the partner's strategy, policy or reform action plan list (for budget support).

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regarded to the nature of the action an evaluation might be carried out for this action or its components.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.10 Audit

Without prejudicing the obligations applicable to contracts celebrated for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services will be celebrated. The cost of the audit will be covered by another measure constituting a financing decision.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)¹⁴

The inputs, expected direct and indirect outputs and all indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action. New columns will be added for intermediary targets (milestones) when relevant and for reporting purposes when results are achieved according to the indicators. Note also that indicators should be disaggregated by gender whenever relevant.

	Results chain	Indicators	Baselines (2017)	Targets (2021)	Sources and means of verification
Overall objective: Impact	Contribute to reduce poverty and boost sustainable and inclusive growth in rural, marginalised and conflict-torn areas of Colombia.	Share of agriculture/overall GDP Regional convergence indicator ¹⁵ Public investment as % of GDP.	4.9% with regard to previous year. 17.8 27%	TbC	Sinergia (Department of National Planning Public Information System – DPN SPI) and Sectorial management reports. World Bank reports. DANE information (Agriculture / livestock National Enquiry)
Specific objective(s): Outcome(s)	Support the implementation of rural development policy and rural reforms, with a focus on access to productive assets, entrepreneurship and gender equality.	Level of monetary poverty (in populated centres and in remote rural areas) Rural unemployment rate Urban-rural poverty gap Gini Coefficient	36% 5.1% 1,5 0.508	TbC	Sinergia World Bank reports Sectorial management reports. DANE information
Indirect outputs	Improvement in the relationship between external assistance and the national budget and policy processes.	Improved efficiency of public sector policy , public sector spending and the delivery of services to target population. Improved public finance management	TbC	TbC	Kroc Institute reports Ministry of Public Finance reports

¹⁴ Mark indicators aligned with the relevant programming document with '*' and indicators aligned to the EU Results Framework with '**'.

³ De acuerdo con la metodología desarrollada por el DNP, el ICIR para los municipios más afectados por el conflicto (180 identificados) mide y compara los resultados de dichas entidades en materia de: cobertura en educación media, resultados de las pruebas SABER 11 en matemáticas, cobertura de la vacuna pentavalente, mortalidad infantil, ingreso tributario per cápita, participación de ingresos tributarios sobre ingresos totales y déficit de vivienda rural. Valores que se acerquen a cero indican una mayor convergencia —situación deseable—, mientras que valores cercanos a 100 evidencian mayores disparidades (en promedio) entre los municipios.

Direct outputs	Providing poor rural populations, in particular conflict victims and ethnic minority groups with access to land ownership	Indicator 1. Number of land titles or formalisation of private ownership	9.788	42.275	Sinergia (DNP SPI) MADR, ANT management reports
	Guaranteeing rural communities access to Public goods, productive assets and financial services (including credit)	Indicator 2. Number of small farmers benefitting from strategies for productive inclusion	12.486	32.342	Sinergia (DNP SPI) MADR, ANT y ADR management reports
		Indicator 3. Number of small producers receive a credit for productive initiatives	15.393	65.868	Sinergia (DNP SPI) MADR, FINAGRO management reports
		Indicator 4. Number of small rural producers benefited from agricultural and livestock extension services (technical assistance).	N/A	329.000	Sinergia (DNP SPI) MADR., ADR management reports
		Indicator 5. Number of producers with commercial agreements signed	N/A	105.815	Sinergia (DNP SPI) MADR, ADR management reports
	Increase rural women's access to productive assets	Indicator 6. Increase in women's access to rural productive assets	N/A	100%	Sinergia (DNP SPI) MADR, ANT, ADR management reports

Notes:

All the above indicators are aligned with the MIP 2018-2020 to Colombia and with the EU Results Framework indicators as well as the National Development Plan 2019-2022

The targets for each indicator have been formally confirmed by the Ministry of Agriculture and Rural Development.