



CIAT

policy brief

Policies for Bridging the Urban–Rural Gap in Colombia

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Rapid urbanization presents unprecedented challenges for Colombia’s agricultural production and food security. To address the extensive implications of this demographic shift, public efforts should be undertaken to strengthen the agricultural sector and set the country on a path toward sustainable growth. The success of those efforts will depend on their ability to narrow the socio-economic divide between urban and rural areas. Toward this end, public policy initiatives will need to stimulate key drivers of human development in rural areas by promoting access to land, improving public administration, and closing the gender gap.

Key Messages

- **Rural Development vs. Human Development:** Only 3.6% of Colombian municipalities are rural and at the same time show a high human development index. Local governments in these municipalities have succeeded in fostering human development through effective fiscal management and efficient public institutions. Other factors, such as economic strength, human capital accumulation, and the emergence of a “middle class” of rural landowners, have also contributed to the prosperity of these rural municipalities.
- **Poverty traps:** With the poverty line at US\$103.30/month¹, the monthly income of the average poor Colombian is estimated to be below the poverty line by \$48.10. Transitioning out of poverty requires policies that promote employment opportunities, asset building, and gender equity, while also boosting the average education level.
- **Gender gap:** Gender and rurality are key determinants of poverty. The monthly incomes of urban men and rural women fall below the poverty threshold by US\$42.58 and \$53, respectively.
- **Policy for bridging the gap:** In the short run, improved public administration at the local level represents the most likely option for reducing rural poverty. Fiscal decentralization can empower local governments to prioritize their expenditures in the most socially beneficial manner.

The Colombian context

By 2050, Colombia’s urban population will exceed 54 million people, more than six times the rural population of 8.8 million. Rapid urban expansion results in part from the natural growth of urban populations but also from the steady exodus of people out of rural areas as a result of scarce economic opportunities and extreme social tensions.

Poverty and inequality indicators shed light on Colombia’s rural crisis. Poverty and extreme poverty in rural areas – at 46.1 and 22.1%, respectively – far exceed their levels in urban settings (30.3 and 7%). Precisely because poverty is so prevalent in rural areas, the Income Inequality Index (Gini) shows more pronounced inequality in cities (0.526) than in the countryside (0.459).²

In recent years, Colombia’s steady economic growth – far from narrowing the urban–rural gap – may actually

have made the problem worse. The agricultural sector is growing, but more affluent farmers capture a large share of the benefits, because they have better access to both tangible and intangible assets than do the rural poor, including human capital needed to improve livelihoods and production practices.

The displacement of rural people, expropriation of land, and terrorist attacks perpetrated by armed guerrillas groups, narcotics traffickers, and paramilitaries have greatly worsened the plight of the rural poor. A long history of pervasive underdevelopment and poverty, aggravated by the current atmosphere of insecurity, has severely limited farmers’ ability to access markets and secure favorable positions in agricultural supply chains.

Rural or developed but rarely both

This policy brief, based on the working paper *Pobreza, Brechas y Ruralidad en Colombia* [Poverty, Gaps and Rurality in Colombia] (Parra-Peña, et al., 2012), reports on a study of the relationship between rurality and human development in Colombia at the municipal level. Figure 1 depicts the report’s findings on the state of the

1. Approximate conversion rate US\$1=COP\$1811.
2. Calculations of the Mission to Link Employment, Poverty and Inequality Surveys (MESEP). More information on this Colombian government initiative can be found at: www.dane.gov.co/index.php?option=com_content&view=article&id=430&Itemid=66

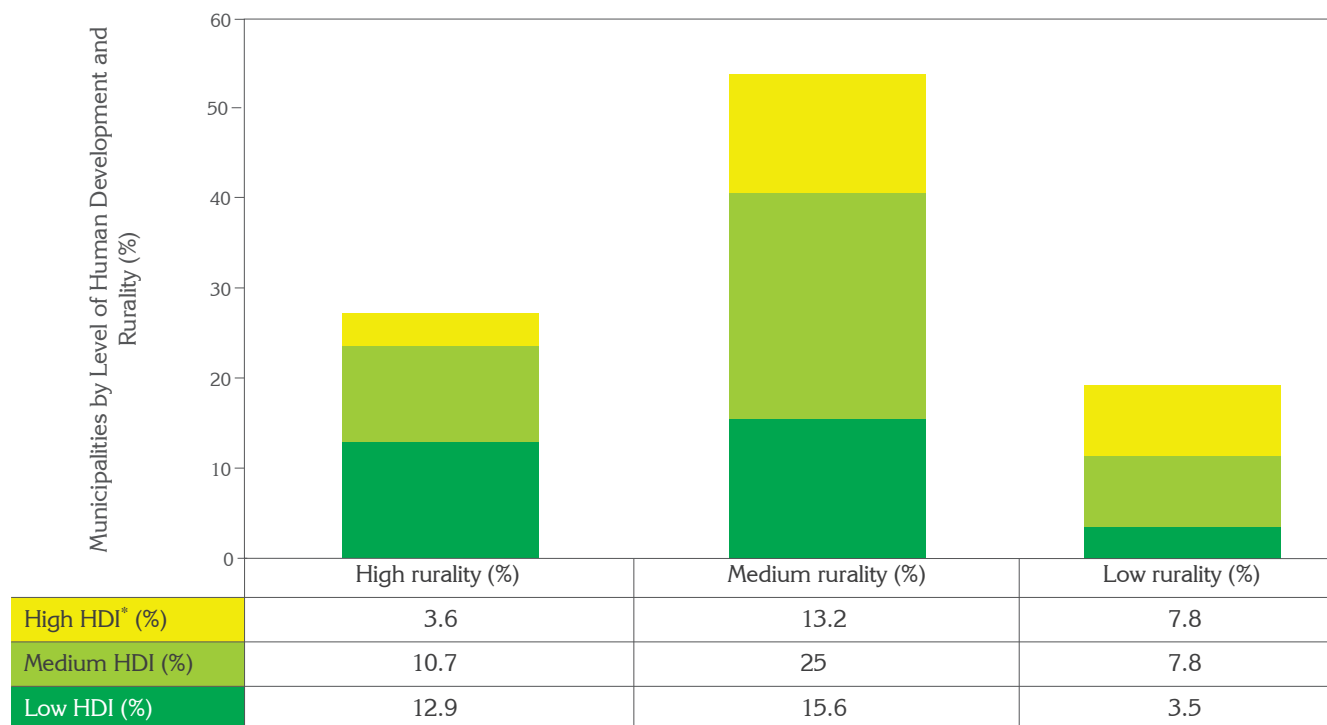


Figure 1. Human Development and Rurality Indexes in Colombian Municipalities.

* HDI: Human Development Index.

SOURCE: Authors' calculations based on UNDP (2011).

country's rural development. Municipalities are classified according to their standardized scores on the Human Development Index (HDI) and Rurality Index (RI). According to the report's findings, very few municipalities – just 3.6% overall – have both high rurality and high human development scores, compared to 12.9% of all municipalities with high rurality and low human development scores.

The findings of Parra-Peña et al. (2012) underline the complementary fact that cities tend to fare better in terms of human development. Nearly a fifth (19.1%) of Colombian municipalities are primarily urban, as indicated in Table 1, and most of these show high human development indicators (7.8% of total municipalities).

Municipalities that manage to combine high rurality with high human development scores (3.6%) may attribute much of their success to appropriate public management, as reflected in fiscal policy and

institutional performance. Economic strength, solid investment in human capital, and access to land also positively impact rural human development. In the municipalities characterized by intermediate levels of rurality (53.8%), human development improves as the Public Management Index increases and, likewise, as the Gini Land Index increases, indicating the emergence of a rural middle class of landowners. In urban municipalities, the main driver of development is education, although public administration is important as well.

While the results point to greater human development in urban areas, they do not necessarily suggest that national development policies should focus mainly on fostering urban growth. On the contrary, *policy makers should aim to narrow the urban-rural gap by encouraging convergence of the urban and rural sectors toward improved economic opportunities and quality of life.* This will require a new mindset that values

the rural sector as a source of untapped potential instead of regarding it as a case of neglect.

Using policy to combat poverty

To elucidate the interplay of factors influencing rural poverty in Colombia, Parra-Peña et al. (2012) use an instrumental variable (two-stage model) that analyzes the relationship between public administration, human development, and rural poverty.² The results reveal that areas with higher human development (Figure 2) tend to have better public administration and more-equitable land distribution. Where human development tends to be weaker, principally in rural areas, public policies that improve public administration and encourage the emergence of a “middle class” of land-holding farmers are most effective in combating rural poverty.

2. Authors' calculations based on data from the DANE Quality of Life Survey 2010. More information about the survey can be found at: www.dane.gov.co/index.php?option=com_content&task=view&id=1159&Itemid=1224

Table 1. Municipal-Level Public Policy Performance as a Function of Rurality and Human Development.

Index		Human Development Index			
		High	Medium	Low	
Municipal Rurality	High	Total percentage Municipalities	3.56%	10.67%	12.85%
				Policy Performance	
		Human Capital	50.89	56.41	52.45
		Institutions	55.46	56.81	52.73
		Economic Strength	51.24	50.81	51.49
		Unsatisfied Basic Needs	42.17	47.15	65.38
		Land Tenure Inequality	0.68	0.69	0.66
	Medium	Total percentage Municipalities	13.22%	24.98%	15.59%
				Policy Performance	
		Human Capital	51.73	57.69	56.10
		Institutions	63.31	58.50	57.51
		Economic Strength	57.81	55.71	55.89
		Unsatisfied Basic Needs	31.48	38.10	59.46
		Land Tenure Inequality	0.72	0.70	0.69
	Low	Total percentage Municipalities	7.84%	7.84%	3.46%
				Policy Performance	
		Human Capital	66.68	63.31	59.99
		Institutions	62.63	61.54	64.96
Economic Strength		53.74	55.08	71.30	
Unsatisfied Basic Needs		19.41	35.47	66.82	
Land Tenure Inequality		0.76	0.70	0.69	

SOURCE: Authors' calculations based on UNDP (2011) and statistics of Colombia's National Administrative Department of Statistics (DANE, its Spanish acronym).

Note: Human Development and Rurality Index values have been modified to follow a normal standard distribution $\sim N(0,1)$. Index levels should be considered "high," "medium," or "low" as they correspond to a standard deviation >0.5 , between -0.5 and $+0.5$, or <-0.5 , respectively. Human Capital, Institutions (public administration), and Economic Strength Index scores range from 0 to 100, with higher scores indicating better overall performance. The Land Tenure Inequality scores correspond to a Gini coefficient, with higher scores indicating greater inequality. Complete index definitions can be found in UNDP (2011).

Dynamics below the poverty line

In Colombia, the Mission to Link Employment, Poverty and Inequality Surveys (MESEP, its Spanish acronym) states that an individual is considered poor if he or she earns less than US\$103.30/month. Parra-Peña et al. (2012) use this income threshold and a sample of 29,816 observations (representing around 26 million people) from the DANE Quality of Life Survey 2010 in their econometric

analysis. According to the former sample, almost half of the country's population (47%) lives below the poverty line. More precisely, 27.5% live in poverty, while 19.7% live in extreme poverty. The income of the average poor Colombian is below the poverty line by \$48.10/month (Figure 3). The difference is even wider for the rural poor at \$51.88; rural women's incomes are farthest below the poverty line at \$53.

Using econometrics based on the DANE Quality of Life Survey 2010,³ the study identifies a "poverty trap" in rural Colombia – one in which it may be relatively easy to transition from extreme poverty to poverty but very difficult to escape poverty altogether. The key factors affecting the transition

3. A detailed description of the variables and econometric model, along with the results of the instrumental variable model used, can be found in Parra-Peña et al. (2012).

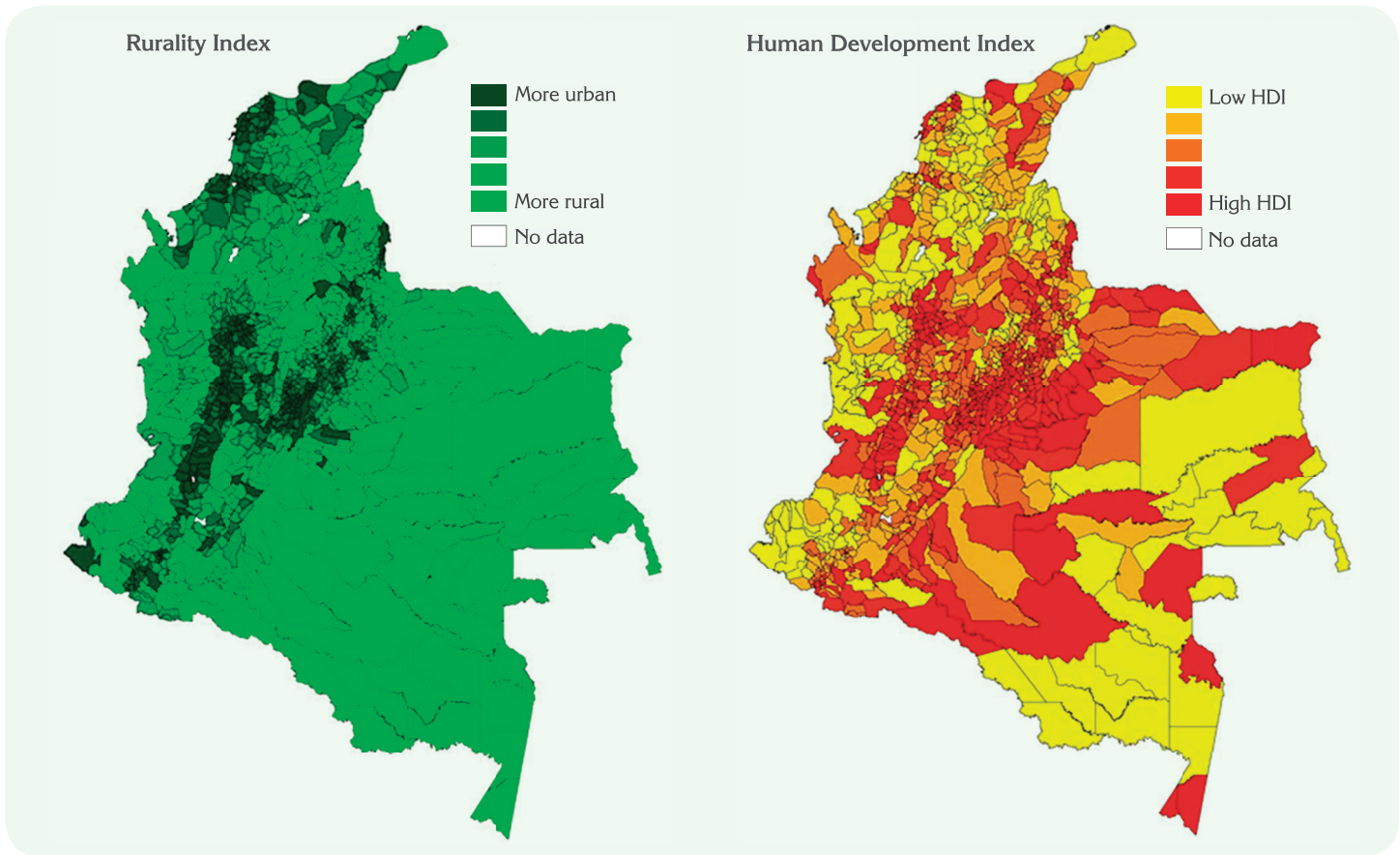


Figure 2. Rurality and Human Development Indexes in Colombian Municipalities.
SOURCE: UNDP (2011).

from extreme poverty to poverty are: education levels (individual's and mother's), employed household members, and asset ownership. Exiting poverty altogether requires reducing the total number of household members and greatly increasing education levels, in addition to secure, sustainable asset building.

Overcoming Agricultural Sector Constraints

Agriculture is one of Colombia's primary productive sectors. However, since the economic crisis of the late 1990s, agriculture has grown at a rate (2.8%) below its potential and behind the country's overall economic growth (3.92%, 2000–2010). Boosting

agricultural growth will require public policies that address major bottlenecks in the sector, such as a lack of competitiveness due to limited innovation in production systems, underutilized farmland, limited transportation and commercialization infrastructure, and low rural productivity.

Policy-makers also need to improve hard-pressed public administration in rural areas. The general poor quality of public administration limits rural people's access to social welfare services, discourages their participation in political dialogues, and worsens inequality in rural land tenure.

According to UNDP (2011), smallholder farmers in Colombia suffer from restricted access to land. Illegal groups, such as guerillas, narcotics traffickers, and paramilitaries, have a vested interest in acquiring land, and often do so by means of violence, leading to the displacement of rural populations and the concentration of land tenure in the hands of a few. This creates tremendous social problems in urban areas, as displaced people arrive in cities stripped of all acquired "capital" (both tangible and intangible) and possessing only "rural abilities," which are generally not suitable for urban employment (Ibáñez and Moya, 2009).

Poverty and the Gender Gap

- Poverty in Colombia affects men and women almost equally (See Figure 3).
- On average, poor rural men's and women's incomes are around US\$50.82 and \$53 below the poverty line, respectively.
- Due to gender gaps, it is often the case that rural female household heads have limited access to land, training, financing, and other benefits generally available to men.
- Support and investment aimed at helping rural women are vital for increasing productivity and improving rural livelihoods.



Figure 3. Average income shortfall for Colombians living below the poverty line
SOURCE: Authors' calculations based on the DANE Quality of Life Survey 2010.

Public policy recommendations

A few municipalities (3.6%) have successfully fostered high levels of human development in highly rural environments. Following their lead, municipal governments should endeavor to fight rural poverty by improving public administration and fiscal management, according to the recommendations outlined below.

At the national level

Policy-makers need to encourage the emergence of a rural middle class. Toward this end, they should aim to re-distribute the available land (primarily that seized from narcotics traffickers) and resettle displaced farmers, while also introducing other mechanisms, such as

leasing land, granting surface rights to farmers, or fostering smallholder farmers associations. Such short-term measures will have immediate impact.

Narrowing the gap between the rural and urban sectors requires improvement in rural livelihoods through active social policies that meet the basic needs of the rural population. Empowering municipal governments through fiscal decentralization will allow them to prioritize social programs that cater to the specific needs of the rural poor.

At the municipal level

Achieving strong fiscal management and institutional efficiency will require policy

measures such as fair and transparent budgeting, efficient tax collection, and appropriate expenditures.

Public policies intended to favor the rural poor must ensure that economic growth proportionally benefits the most vulnerable by engaging the rural poor in decision making through community meetings and other forms of civil society participation.

Narrowing the gender gap will require significant public efforts to implement gender equality measures, such as the promotion of female participation in public programs. Likewise, female education must be prioritized.

Further reading

This policy brief is based on:

Parra-Peña RI; Ordóñez LA; Acosta CA. 2012. Pobreza, brechas y ruralidad en Colombia. Working paper. Available at request (Spanish version only).

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