

Introduction to the agricultural credit programme

Farming is a sector that for many years has been weighed down by a number of social conflicts, poverty and, most recently, the effects of climate change, with the result that rural development has been an imperative in the last few legislatures in Colombia. One of the issues that has been pinpointed as particularly critical for rural development is access to funding. Because of this, after Act 16/1991 was enacted, the National Agricultural Credit System (NACS) was created in order to design credit policy for the agricultural sector, as well as to manage and streamline the use of its financial resources to provide and maintain appropriate financing for the sector's activities.

NACS is managed by the National Agricultural Credit Committee, NACC, a licensed body made up principally of senior governmental representatives. It is in charge of setting policies and guidelines so that the flow of credit resources has an impact on all kinds of farming. NACS works at three main levels. The first consists of the Agricultural Financing Fund, FINAGRO, an entity that not only functions as the NACC's technical division, but is also in charge of executing the policies decided by the division and of handling the resources and instruments necessary to finance arable and livestock businesses. To do this, FINAGRO issues special securities called "Agricultural Development Securities" (TDAs in the Spanish acronym). Their general conditions are governed by the central bank's Management Board, and financial institutions operating in Colombia are required to invest in them. With the money raised, FINAGRO funds its activities and acts as a second-tier institution, granting funding under development conditions to financial intermediaries so that they may distribute these among subsistence farmers and farmers in general (rediscounting). The second tier is made up of banks in the first tier and other financial institutions (among them BANCAMÍA, within the BBVA Microfinance Foundation Group); the third tier is composed of the beneficiaries of these policies, loans and other financial instruments.

In addition, FINAGRO has been given the responsibility of administering the Agricultural Guarantee Fund (AGF) which operates as a specialist fund to back credits and microcredits granted to arable and livestock projects and others in the rural sector.

To implement this, different lines of credit have been created (loans for associated parties with individual liability, loans with associative structures, agricultural and rural microcredits, among others), and special collateral for each line of credit. These contribute to the development of the rural sector in that they encourage access to financing and to other existing support instruments as part of Colombian public policy. NACC and FINAGRO have issued the regulation necessary to provide the structure to underpin this system, applicable to both agricultural and rural credit, as well as to collateral, incentives and subsidies, among other considerations. This set of regulations consists of resolutions and circulars that are also available online through *Progreso*.