

## Opportunities and Challenges for organic producers to access to financial services in Bolivia

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### Abstract

*Organic agriculture is expanding rapidly in Bolivia due to the favourable legal framework that permits producers to expand their production through the access to technical and entrepreneurial services most of them provided by NGO and Foundations but there is a lack of suitable financial services offer for organic producers from the private sector. In spite of the rural insurance which is provided by the Rural Insurance Institute (INSA) since 2012 to the producers that were affected by natural phenomena. The principal problem is that there is not a wide range of suitable financial services for organic producers by public and private providers. There are only four financial services providers. Three out four are from the private sector and only one is from the public sector. This paper seeks to identify which are financial services providers available for organic producers in Bolivia?, What are the services they offer? , What are the requirements they demand to their clients? and How can we help to foster the access to financial services to producers form the organic subsector. In order to respond to these research questions a quantitative and qualitative framework was selected using the semi-structured interview, the survey to financial services providers and organic producers. The principal results of this research were that 96% of the surveyed organic producers did not have a suitable access to financial services, the potential financial services providers come from the private sector and the rural insurance service is provided by the public sector. One out four financial services providers in the Bolivian context offers the Green Ecologic Loan that helps organic innovators to make investments with the 20% interest rate. The others interest rates are still higher. Among the financial service providers, the INSA from the State offers insurance for natural disasters to all producers and no charges any fee for this service but the principal requisite is to be registered in the national data base. Both private and public financial services providers must offer their services according to an assessment of the real demand from organic producers. This task can be sustained by technical and entrepreneurial services providers which have been working in organic agriculture for more than fifteen years. Finally, policy makers must consider suitable public policies oriented to help organic producers at local levels.*

### Introduction

The organic agriculture in Bolivia is growing rapidly according to the last UC-CNAPE census made last 2012 at a rate of 20% a year (Vildoso 2008). The support for organic agriculture is a priority in the Bolivian context according to the favorable political framework such as the New Constitutional State Letter, the number 3525 Law on the Promotion of the Organic Agriculture, and the number 144 Law on Agro-productive Revolution and the Participatory Guarantee Systems National Normative. All these legal instruments state the "Right to Food" as the number one political priority in the New Plurinational State.

In spite of this favorable framework in the Bolivian legislation, small producers are still marginalized from the financial services access provided by private organizations. In other words, the available financial services such as ecologic credits are not suitable for small organic producers due to the highest taxes and rates imposed by private financial service providers that discourage small organic producers to access to these services.

In order to respond to the small organic producer's expectations for suitable financial services such as the loans, public financial services must be developed to assist producers to increase their production, and develop organic local markets and keep them involved in organic farming avoiding the side-selling of products through the conventional channel (Bacon 2005).

This scientific paper will show how the financial enabling environment is working for small organic producers in the Bolivian context showing the opportunities and limitations for the access to these services. Furthermore, this paper shows which are the financial actors for the organic chains, their roles, what sort of services they provide and limitations that face organic producers in the access to these services.

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In sum, the principal objective was to create awareness for policy makers to develop a suitable financial framework for small organic producers in Bolivia which will be complementary to the National Insurance Policy for Small Producers (INSA).

The specific objectives were: a) To describe the available financial services for organic production and their requisites for clients, b) To sketch recommendations to policy makers to assist small organic producers with suitable financial services according to their demands and ability to pay for them

## Material and methods

Both quantitative and qualitative research methods were used to collect data on the perceptions and attitudes of organic producers and service providers in order to collect primary information from the actors involved in the organic value chains (producers, processors, traders, consumers and service providers). To compare and evaluate the obtained results, the case study methodology was selected for this paper (Yin 2004). The study case provides an insight to the working structure of the financial service providers. For this paper, we selected four study cases. The Ecologic Credit, Green credit, Rural Credit and the Green Entrepreneur credit.

The research techniques that were used include the questionnaires, semi-structured interviews with key informants and secondary sources of data such as academic literature, official statistical information such as reports, government publications. Questions about the crops, area, access to credit and other socio-economic characteristics were directed to the organic producer's household heads through a questionnaire. Questions that inform the role and the financial services were conducted with key informants. The study was undertaken in La Paz, Oruro and Cochabamba Departments. The collection of primary information from organic producers came from three producer organizations such as Eco-feria, Bio-Achocalla and Bio-Caracollo. On the other hand, the collection of primary information from the financial services providers was taken from four providers from two groups: private (Bancredit, Promujer, CIDRE) and public (INSA) through semi-structured interviews.

## Results

- 96% of the surveyed producers indicated that the limitation for increasing their production is the lack of suitable financial services
- The highest taxes from the private financial service providers are too high for small organic producers which limit their participation in these services
- Service providers such as NGOs and Producer Associations are reluctant to help provide financial services to their members endangering the organic agriculture movement in the country for lack of access to these services
- Policy makers do not often pay attention to the financial services offer for the Bolivian organic movement rather than the technical and entrepreneurial services

## Discussion

Financial services in the organic Bolivian context are not suitable according to the real demands for these services by small organic producers. For example, the lack of a census of the financial services providers as well as the real demands for organic producers restrains the expansion of the Bolivian organic movement.

The 20% interest rate for green credits is an acute limitation for small organic producers to be involved in this movement in spite of the higher percentage of the number of producers in the transition phases.

If public services providers such as UC-CNAPE and the Ministry of Rural Affairs will not pay attention to the development of suitable financial services according to the real demand for small organic producers complementing with the INSA rural insurance, the expansion of organic hectares and the number of organic producers involved in the value chains will not increase further than the 5% annually.

On the other hand, private financial services providers such as the foundations, private banking operators (Bancredit, Promujer, CIDRE, and INSA) must be obligated to provide financial services for small organic producers with the collateral of the public agencies such as UC-CNAPE and the Ministry of Rural Affairs.

Policy makers should direct their efforts to design public policies to assist the organic sector in the access of a wide variety of services such as technical, entrepreneurial and financial services.

## Suggestions to tackle with the future challenges of organic animal husbandry

The challenges of Organic Animal Husbandry must face are: 1) the use of medicines such as antibiotics, 2) the humane treatment in the management and slaughtering of animals and 3) the lobbying for public policies in order to norm these activities for organic animal husbandry at local, national and international levels. In order to tackle these challenges we must seek the adoption of Good Management Practices for organic animal husbandry that must be elaborated in a participative way at international level and being enhanced according to national and local levels. This must be done in order to not impose an internationalization of the standardization of norms that must be designed at national and local levels at first instances. I also suggest that the use of medicines must be regulated and to adopt much more responsible practices in their applications to animals such as vaccines and antibiotics. I mean that organic animal raisers must manage the correct administration of medicines to animals an await a period of time for milking and slaughtering according to the species, race, size and the sort of medicine and its dose for avoiding the contamination for direct consumption (e.g. eggs, milk and meat).

The humane treatment in the management and slaughtering of animals in the context of the organic husbandry is a difficult issue to be treated due to the economic, cultural conditions involved in these activities. I recommend taking into consideration the international legal frameworks such as the PETA and the Humane Society recommendations and adapting them to national and local levels taking into consideration cultural and traditional practices of small organic animal raisers.

Finally, these recommendations and suggestion to tackle these challenges for the organic animal husbandry must be lobbed into the political arena. In Bolivia, for example, we were invited to sign a book of acts in order to collect signs from the citizens interested in the emission of an Animal Well-being Law. In order to be considered in the legal area, some 150 thousand signatures must be collected. This activity is been fostered by national and local NGO and Animal Associations from Bolivia. This action has called the attention of some advocate members of the political arena and according to the actual trends it must be considered in the political arena soon.

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