Creating value by providing incentives to establish commercial ties between small-scale producers organizations and downstream firms

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Rural Productive Partnerships Project (PAAP)

- Colombia’s PAAP is one of the oldest productive partnerships projects in LAC region (since 2002). It is implemented by the Ministry of Agriculture and Rural Development (MADR). Between 2002-2008, the pilot was co-financed by the World Bank.

- The objective is to generate income, create employment and promote social cohesion of poor rural communities through the development and implementation of a demand-driven productive partnership scheme with the private sector.

- PAAP provides incentives for the private sector to establish commercial ties with small-scale producers organizations.

- Since 2013 the MADR decided to scale up the project and continue its implementation until this day.

Source: MADR 2019
What is a productive partnership?

- It is a *model for the development of profitable and sustainable agribusinesses*.

- A profitable, sustainable, and competitive *business proposition that links smallholder rural producers organizations with markets* through a commercial agreement with a formal commercial partner.
The productive partnerships project

Adverse of the territories

- Vulnerable population
- Many commercial Intermediaries
- Disjointed agricultural production
- No market articulation

Government intervention

- Constitution of the partnership and the business plan
- Pre-investment Studies
- Technical Assistance
- Monitoring
- Developing productive capacities
- Financing (modular incentive)

Results

- Producers organizations strengthened by trade companies
- Strong agribusinesses
- Revolving funds
- Eliminated commercial intermediaries
- Sustainability
- Empowerment of producers

The beneficiaries must accomplish the following conditions

- At least one family member is literate
- The subsidy beneficiary is an adult and head of household
- The family net income must not exceed twice the value of the minimum wage (USD 473.2)
- At least 75% of the household income is earned from agricultural activities
- Family asset value must not exceed 284 times the value of the minimum wage (USD 67,195.6)
- The plot size must not exceed two Family Agricultural Units (UAF Spanish acronym)
Results between 2016 and 2018

- 549 partnerships implemented in 31 departments covering 375 municipalities
- 30,470 agricultural producers and 40,944 hectares
- The value of the partnerships promoted reach US$ 196 millions, including US$ 55 millions, which correspond to modular incentive
- 173 Productive Partnerships are present in 90 of 170 municipalities (PDET) most affected by the conflict. The gross value of these partnerships is US$ 72 millions (including US$ 19 millions of the modular incentive) benefiting 9,952 producers

Main production chains

- 17% Cocoa
- 10% Specialty Coffee
- 9% Plantain
- 6% Nance
- 5% Cattle

National Results

549 Productive partnerships

Source: MADR 2019
Ethnic Groups

- **5,635** Beneficiaries
- **99** partnerships
- **USD $34** millions Total value of partnership
- **USD $10** millions Modular Incentive
- **22** regions

**Main groups**

<table>
<thead>
<tr>
<th>Group</th>
<th>Number of partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zenú</td>
<td>16</td>
</tr>
<tr>
<td>Embera Chamies</td>
<td>14</td>
</tr>
<tr>
<td>Arhuaco</td>
<td>11</td>
</tr>
<tr>
<td>Wayuu</td>
<td>10</td>
</tr>
<tr>
<td>Inga</td>
<td>9</td>
</tr>
<tr>
<td>Paez</td>
<td>9</td>
</tr>
<tr>
<td>Pastos</td>
<td>5</td>
</tr>
<tr>
<td>Pijao</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: MADR 2019
Rural Productive Partnerships Project (PAAP): lessons learned

Since 2002 PAAP has supported more than 1,428 alliances, benefiting 85,751 producers

- Partnerships established with POs with vulnerable populations have a slightly longer duration than those with less vulnerable populations

Benefits

- An innovative model for smallholder farmers’ market access: i) a governmental grant; ii) a steering committee; iii) a public bidding processes; iv) pre-investment; v) training and backstopping; and, vi) an effective monitoring and evaluation

- It facilitates market access in regions where private actors rarely act: positive performance in post-conflict zones and reaches effectively vulnerable populations

- A win-win relationships between buyers and producers. Long-term commercial relationships are established. On the other hand, producer organizations (POs) access to more stable markets

- Viable alternative to direct subsidies and stimulate the development of business skills and inclusion

Source: Rafael Isidro PARRA-PEÑA & Mark LUNDY & Jana BISCHLER & Bilver Adrian ASTORQUIZA & John Jairo HURTADO, 2016. "Public private partnerships: only for the well-off? Evidence from the rural productive partnership project in Colombia,"
Other results

• 90% of the productive partnerships continue after the project intervention is completed. PAAP is a tool that generates long-term commercial ties between agricultural producers and private sector.

• A productive alliance generates 2.6 additional employments per each beneficiary supported by the program.

• PAAP builds the POs’ basic business competences to establish and maintain commercial relationships. If the original partnership agreement fails, more than 80% of the POs that include vulnerable populations are able to find a new commercial partner in the subsequent semester.

• According to World Bank and FAO (2015), the income of the families participating in the programme increased by 77% compared to those who did not participate in it.

Lundy, Mark; Parra-Peña S, Rafael Isidro; Jaramillo, Carmen Lucia; Amrein, Alexandra; Hurtado, Jhon; González, Carolina. 2015. Productive Partnerships: An effective instrument for the inclusion of vulnerable population groups in diverse contexts of Colombia. Cali, Colombia: Centro Internacional de Agricultura Tropical (CIAT).
Other results

- On average, participating households receive 120% more income from the sales of the partnership’s product than non-participating households.

- The business ties between smallholder farmers and buyers have been a mechanism through which the producers access to credit, inputs, information, and insurances.

- Partnerships established with POs with vulnerable populations have a slightly longer duration than those with less vulnerable populations.

<table>
<thead>
<tr>
<th>Product</th>
<th>Beneficiaries</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk (La Alquería)</td>
<td>210 producers in La Macarena municipalities</td>
<td>Access to cold chain, technical assistance and a commercial partner</td>
</tr>
<tr>
<td>Cacao (Casa Luker)</td>
<td>2500 producers in Tumaco</td>
<td>Seal of origin</td>
</tr>
<tr>
<td>Oil Palm (Palmas del Cesar)</td>
<td>312 producers</td>
<td>Seal of origin</td>
</tr>
</tbody>
</table>

Source: Fedesarrollo (2019) Analysis of associative models experiences as a mechanism to fostering entrepreneurship in the rural areas (In Spanish)

Ways to improve

PAAP next call in 2020 will encourage a greater participation of young people and women producers. Currently, only 21 of 549 productive partnerships involved women’s producer organizations, and only 2,295 of 30,470 beneficiaries are young, (8% of the beneficiaries).