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

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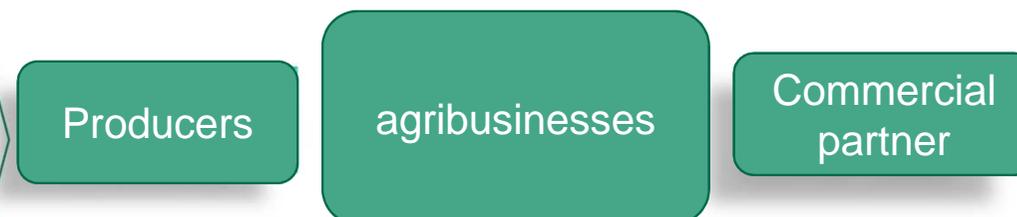
Rural Productive Partnerships Project (PAAP)

- 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.

Operational Structure

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

Empowerment
Producer

Technical Assistance

Environment
World Food Programme

Commercialization
Trade agreements

Financing
Revolving Fund

Quality

Quantity

Coordination



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)



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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



National Results



Ethnic Groups

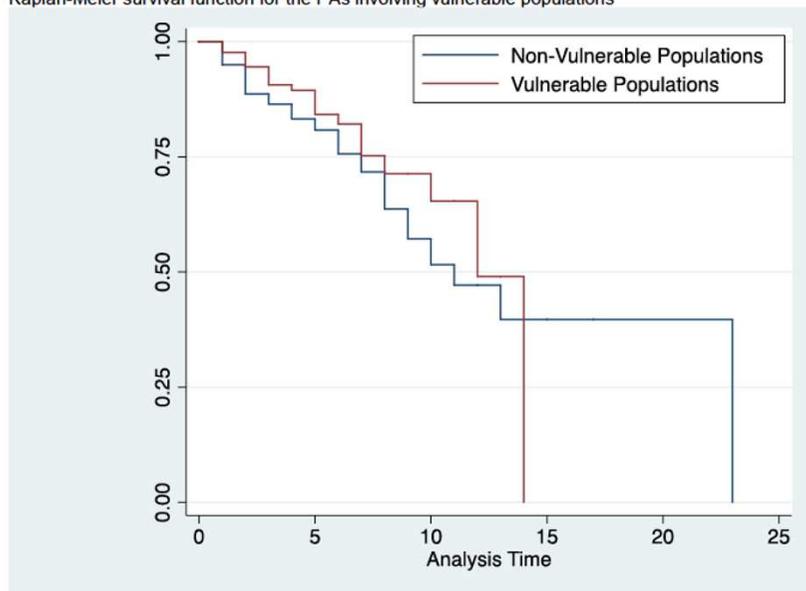


Main groups

Group	Number of partnerships
Zenú	16
Embera Chamies	14
Arhuaco	11
Wayuu	10
Inga	9
Paez	9
Pastos	5
Pijao	5

Rural Productive Partnerships Project (PAAP): lessons learned

Kaplan-Meier survival function for the PAs involving vulnerable populations



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**

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.

Table 1. Time between a commercial rupture and a new commercial relationship.

Waiting time	# Partnerships with new commercial partners	# Partnerships with vulnerable populations	# Partnerships in post-conflict zones	# Partnerships with both characteristics
1 semester	70 (85.36%)	16 of 24	13 of 19	5 of 6
1 year	11 (13.41%)	+2	+2	+1
2 years	1 (1.21%)	No	No	No

- 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.

Source: MADR, 2019.

Lundy, Mark; Parra-Peña S, Rafael Isidro; Jaramillo, Carmen Lucía; 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

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

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)



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THANK YOU



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