Productive Partnerships: An effective instrument for the inclusion of vulnerable population groups in diverse contexts of Colombia

Mark Lundy, Rafael Isidro Parra-Peña S., Carmen Lucía Jaramillo, Alexandra Amrein, Jhon Hurtado, and Carolina González

In Colombia, rural development requires institutional frameworks that help to reduce the current rural-urban divide. Policy instruments that promote productivity improvements, inclusion, and collective action focused on strengthening rural competitiveness are crucial. Twelve years of experience gained from the implementation of the Rural Productive Partnerships Project (PAAP), run by the Ministry of Agriculture and Rural Development (MADR) with support from the World Bank, provides useful lessons in this regard. The importance of these lessons learned is highlighted by the results of a recent study of the Linking Farmers to Markets team of the International Center for Tropical Agriculture (CIAT), funded by the Ford Foundation. This study not only provides an overview of the positive innovative aspects of PAAP, but also proposes necessary adjustments to increase its impact.¹

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**Key messages**

- The Rural Productive Partnerships Project (PAAP) provides incentives for the private sector to establish commercial ties with small-scale producers organizations. It facilitates market access in regions where private actors are rarely active. The project has shown its versatility through positive performance in post-conflict zones and by effectively reaching vulnerable populations (Afro-Colombians, indigenous communities, and internally displaced people). In a post-conflict context, the project may be useful as a platform to articulate other public initiatives.

- PAAP builds win-win relationships between buyers and producers. On the one hand, the private sector as a commercial partner is able to reduce transaction costs and secure inputs with proper quality. Redundant links across the supply chain are eliminated and long-term commercial relationships are established. On the other hand, producers organizations (POs) gain access to more stable markets and build relationships with formal buyers.

- PAAP constitutes an innovative model for smallholder farmers’ market access. Some of its most innovative elements are: i) a governmental grant, given to the producers organization (PO) to strengthen the commercial relationship with the buyer; ii) the formation of a Partnership Steering Committee, with active participation of the private sector, the public sector, and the PO members; iii) a transparent public bidding process aligned with local needs and combined with strategies that target vulnerable populations; iv) pre-investment studies that assess the financial feasibility of partnerships; v) training and backstopping provided to the PO in subjects such as social organization and business skills; and vi) a comprehensive monitoring and evaluation system for the project as a whole.

- The PAAP organizational structure, with a central project team known as the Project Implementation Unit, linked to Regional Support Teams, has been effective in achieving national coverage and rapid scale-up. The number of partnerships established (775) during the implementation of the project far exceeded the target (400). At the same time, overall efficiency remained high with project operating costs accounting for only 5.2% of total costs.

- Productive Partnerships are a viable alternative to direct subsidies and stimulate the development of business skills and inclusion. Smallholder producers are able to access public funding through a grant known as the Government Financial Incentive. The grant is used to improve the commercial relationship and is recovered to establish a rotating credit fund for PO members. By strengthening the competitiveness of smallholders, this approach stimulates the establishment of sustainable commercial relationships between POs and buyers.

- Productive Partnerships contribute to closing the urban-rural gap in the sense that they offer opportunities for smallholders to access the necessary financial, human, and social capital to reduce their vulnerability to negative shocks and improve their livelihoods.

- The current PAAP model could be improved even more. In addition to its focus on strengthening competitiveness, it could also work to promote socially inclusive agribusinesses, technology transfer, value addition, and rural off-farm employment.

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¹ In this document, post-conflict zones correspond to regions that historically have been affected by illicit crops and armed conflict, that have weak institutional presence, and where the Colombian government is developing activities to recoup security and promote development.
The Colombian Context

Since 2002, the MADR has supported Productive Partnerships as a model for the development of profitable and sustainable agribusinesses. Its focus has been on supporting producers organizations (POs) to produce the necessary volume of high-quality produce to meet buyers’ demand. The emerging commercial relationship between POs and partners is supported by contracts.

Producers who participate in PAAP are generally classified as poor smallholder farmers. In order to access the program, their monthly income cannot exceed two monthly minimum wages, among other requirements such as maximum size of the plot.

Between 2002 and 2015, around 775 Productive Partnerships have been sponsored by PAAP, covering 31 departments in the country (Figure 1). These partnerships have benefited over 49,000 families and 430 commercial partners (buyers, principally in the processing sector). Of these partnerships, 92% are still operating today. The total value of agribusinesses sponsored is approximately US$434 million, of which 23% corresponds to investments made by the MADR. A summary of PAAP product lines and crops supported is presented in Figure 2.

2 Only 3.56% of rural municipalities in Colombia have high Human Development Indices (Parra-Peña Rí et al., 2013).
The PAAP framework promotes wide participation in the steering committee of each partnership by national and regional organizations, as well as PO members. This structure helps to connect national and regional initiatives and develop viable businesses.

PAAP plays a key role in articulating efforts and investments. Figure 3 provides an overview of the PAAP operational framework, from national to sub-national scale.

![Operational structure of PAAP](image)

**Participation of vulnerable populations**

Despite the fact that PAAP was not developed with a focus on vulnerable populations, it has reached these groups with impressive results, especially from 2011 on. Consequently, the overall participation of the internally displaced, indigenous, and Afro-Colombian producers is similar to or greater than their share in the total Colombian population (Figures 4 and 5).

<table>
<thead>
<tr>
<th>Participation in PAAP</th>
<th>% of overall population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internally displaced</td>
<td>8.8%</td>
</tr>
<tr>
<td>Afro-Colombians</td>
<td>8.5%</td>
</tr>
<tr>
<td>Indigenous</td>
<td>9.9%</td>
</tr>
<tr>
<td>Internally displaced</td>
<td>7.3%</td>
</tr>
<tr>
<td>Afro-Colombians</td>
<td>10.6%</td>
</tr>
<tr>
<td>Indigenous</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

3 This growth has been through coordination with important national programs such as Consolidation Zones focused on post-conflict areas.
The inter-institutional coordination model allowed PAAP to leverage funds from regional sources. Co-funding from Departmental and Municipal governments accounts for 0.72 Peso for every Peso provided by the Government Financial Incentive. When in-kind contributions from producers are discounted, PAAP is likely to reach a ratio of 1:1 (FAO/IICA, 2013).

**The study**

The review of PAAP focused on documenting and analyzing the effectiveness of the project, not only in terms of competitiveness but also regarding its role in facilitating social inclusion of vulnerable populations.4 In addition, program innovations were identified and documented, and possible adjustments explored that could further enhance its impact.

PAAP did not start with a focus on poverty reduction but rather on increasing smallholder farmers’ competitiveness. Nonetheless, this study was able to assess the usefulness of market access programs as vehicles of social inclusion, especially for historically marginalized populations.

Criticisms of market access programs as vehicles for sustained rural poverty reduction tend to focus on issues of inclusion and sustainability. The analysis of PAAP followed this logic with research questions focusing on three components: i) the effectiveness of the program in post-conflict contexts and with vulnerable populations; ii) the kind of partnerships established and the level of inclusion achieved; and iii) household improvements in terms of income, employment, commercial opportunities, and technical and business capacities. The analysis incorporates components on the macro, meso, and micro level (Figure 6).

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4 Vulnerable populations as defined by this study include ethnic minorities, the internally displaced, and people living in conflict or post-conflict zones.
Macro analysis: 572 Productive Partnerships
A Productive Partnership Performance Index (IDAP) was developed. The IDAP is built on the basis of three sub-indexes: competitiveness, business skills, and sustainability. Together, these dimensions measure partnership performance. In addition, survival models were employed to identify those key characteristics of the POs that explain the duration of the partnership agreement with the initial commercial partner. All of these approaches are novel to assess Public-Private Partnership (PPP) programs.

Meso analysis: 10 case studies
Case studies were selected and analyzed in terms of the business models underpinning the commercial relationship and the level of perceived inclusion.

Micro analysis: 1,118 household surveys with 718 PAAP participants and 400 control households. Impact assessment methods were used to measure the impact of PAAP on income, poverty, and food security improvements, using poverty indexes such as the Progress out of Poverty Index (PPI)\(^5\) and the Latin American and Caribbean Food Security Scale (ELCSA).\(^6\)

### Results

The three levels of analysis (macro, meso, and micro) found generally positive evidence for PAAP. However, some adjustments need to be made in order to maximize impact. These include strengthening the relationship between the partnerships and the Local Management Organizations (OGA), stimulating the business and organizational capacity development of the POs, and revising farmers’ incentives to return the grant to a rotating credit fund.

- The interventions of PAAP are effective in promoting long-lasting commercial relationships, but the partnerships need some time to mature. Both the score of the Productive Partnership Performance Index (IDAP) (Figure 7) and household income tend to improve with time. The micro analysis demonstrated that a beneficiary household that has been included in the project for more than 3 years has an income from the sales of the product supported by the partnership that is on average 45% higher than the income of a household with less time in the partnership. Additionally, the average participating household has 10.2% higher probability to be food secure.

- 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, independent of being located in conflict or post-conflict zones (Table 1). This shows the effectiveness of PAAP’s strategy to invest in the POs’ organizational and business competences. Two years after the failure of the initial commercial relationship, 98% of partnerships with vulnerable populations have reestablished a

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5 The Progress out of Poverty Index (PPI) is a ten-question index developed by the Grameen Foundation based on national poverty measures. It measures the probability of a household being above or below a specific poverty line: [http://www.progressoutofpoverty.org/country/colombia](http://www.progressoutofpoverty.org/country/colombia)

6 ELCSA is a widely used scale that classifies household food insecurity into four discrete values: 0: the household is food secure; 1: slight food insecurity; 2: moderate food insecurity; and 3: severe food insecurity.
relationship with a commercial partner. The partnership durations of POs located in post-conflict zones are statistically equal to those of POs located in non-conflict zones.

- Partnerships established with POs with vulnerable populations have a slightly longer duration than those with less vulnerable populations. Partnerships located in post-conflict zones do not show statistically significant differences in terms of failure rates versus those located in other areas. A comparison of the durations of the partnerships with vulnerable and non-vulnerable populations shows no statistically significant differences. This indicates that PAAP works equally well in vulnerable and better-off populations.

- Other variables that explain the duration of the commercial relationship are the experience of the PO in the production and commercialization of the target crop, the PO members’ initial management skills, and the size of the PO. While there is no statistical evidence to indicate that the establishment of the revolving fund affects the duration of the commercial relationship, the fund is important for the long-term commercial sustainability of the PO.

- Of the alliances studied, 44% included vulnerable populations, were located in post-conflict zones or met both criteria. This demonstrates the versatility of the PAAP model and reveals that the national public call mechanism has not limited the participation of vulnerable populations.

- Participation in PAAP has a positive effect on household income and food security. According to the micro analysis, the income of household beneficiaries that received productive and business training is 34% higher than the income of households that did not receive such training. On average, participating households receive 120% more income from the sales of the partnership’s product than non-participating households. Furthermore, participating households score 1.99 points higher on the PPI and have a 10% higher probability of being classified as food secure. These positive PPI effects are generated by the technical assistance and empowerment offered by PAAP. Given the time needed for partnerships to reach maturity, especially in the case of crops with long growing cycles, it is highly probable that the results will improve over time.

- In the impact assessment that was conducted exclusively with the beneficiary households of two Productive Partnerships in Cauca (dairy) and Risaralda (unrefined sugar), a statistically significant impact, 5% and 10% respectively, was found regarding annual income effects from the sales of the partnership crop. In the case of dairy, the average household income for a beneficiary household is 38.4% higher than the income of non-participants. In the case of unrefined sugar, project participants earn 59.7% more than non-participants.

For these two partnerships, the statistical differences between participating and non-participating households are not significant in terms of the Progress out of Poverty Index (PPI) and the ELCSA food security index. Nonetheless, the average PPI score for members of the dairy partnership and the average ELCSA score for food security in the case of unrefined sugar partnership participants are higher than those of non-beneficiaries. This suggests that the participating households have improved these indicators thanks to PAAP.

- The commercial relationships and their respective business models are diverse, as are the levels of inclusion reported by the participants. These results are affected by the kind of value chain and the market conditions that the partnership is facing. Evidence from the study indicates correlations between the business models, the level of social inclusion and the resulting development trajectories of

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

**Table 1. Time between a commercial rupture and a new commercial relationship.**
participating households. Studying a larger number of cases would give more clarity on the directions of these correlations.

- From the private sector perspective, the relationship between private actors and the national public sector (MADR) was strengthened by PAAP. The Ministry is critical in assessing the feasibility of the business plans of the partnerships. However, some difficulties are identified in terms of transparency and lack of policy support to the Productive Partnerships at the regional level. The pre-investment studies for the partnerships could be improved in terms of detail and quality. In addition, the performance of the Management Organizations (OGA) is perceived to be weak, with some local actors mentioning lack of technical competence and relatively poor results.

Recommendations

• Continue to promote social inclusion and collective action strategies with market-based instruments and PO technical support as part of rural development policies. Increased backstopping of the partnerships would imply higher Productive Partnership Performance Index (IDAP) scores.

• Productive Partnerships need time to mature in order to show profits and improve the livelihood gains at the household level. It would make sense to explore options to continue with multi-year investment plans that correspond to the needs of the partnerships, rather than follow the annual calendar of traditional governmental funding.

• PAAP could incorporate incentive schemes to stimulate social inclusion. For example, the public funding provided to the partnership could be graduated according to levels of technology transfer, value addition, and employment generation, as all these factors could contribute to social inclusion. This kind of incentive scheme could be particularly useful for partnerships that focus on vulnerable populations or work in post-conflict zones.

• It makes sense to continue to decentralize the Productive Partnerships model. The goal would be to achieve greater assimilation and ownership by sub-national actors in terms of POs business capacity development and links with formal market actors. The decentralization of the PAAP model would promote the efficient handling of technical and administrative tasks. Due to weak institutions in many regions, the effective implementation of Productive Partnerships currently requires a high level of coordination at the national scale.

• Pre-investment studies are a key starting point to develop viable investment plans under existing market conditions. POs and commercial partners agree that these studies should be conducted by experts who are aware of the peculiarities of the products and regional contexts. Implementation of these studies by the Regional Management Organizations (OGR) leads to mixed results.

• Within the context of regional planning, PAAP should be seen as a platform that connects diverse policies of the MADR with policies of other public agencies. This has proven effective with post-conflict programs such as Consolidation Zones and could be expanded.

• The revolving fund is a key source of investment capital and serves to strengthen the financial stability of the PO. Difficulties in accessing formal credit lines from the banking sector continue to be an obstacle for business growth. Establishing more effective connections between the revolving fund and formal financial services is important to further strengthen the PAAP model.

• With the goal of identifying business models that perform well in diverse contexts, it would be useful to incorporate monitoring and evaluation indicators in the PAAP model to assess both the existence of commercial relationships as well as the level of inclusion perceived by participants.
References

This policy brief is based on the following readings:

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Lundy M; Parra-Peña RI; González C. (s.f.). Productive partnerships support project in Colombia: Looking for empirical evidence of market access programs. Project submitted by CIAT to Ford Foundation.


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