

***Small holder inclusion in VC through
Productive Alliances (PA):
13 years of World Bank experience in LAC***

***Countries: Colombia, Guatemala, Bolivia, Brazil,
Panama, Honduras, Jamaica, Peru, Brazil, Mexico,
Haiti***

of PAs: 3500

of HH: 200 000

Funding: over US \$ 1 billion from WB loan

Public sector promotes linkages between producer organizations and buyers

Commercial agreement



Producer Organization



Retailer

Agribusiness

Exporter



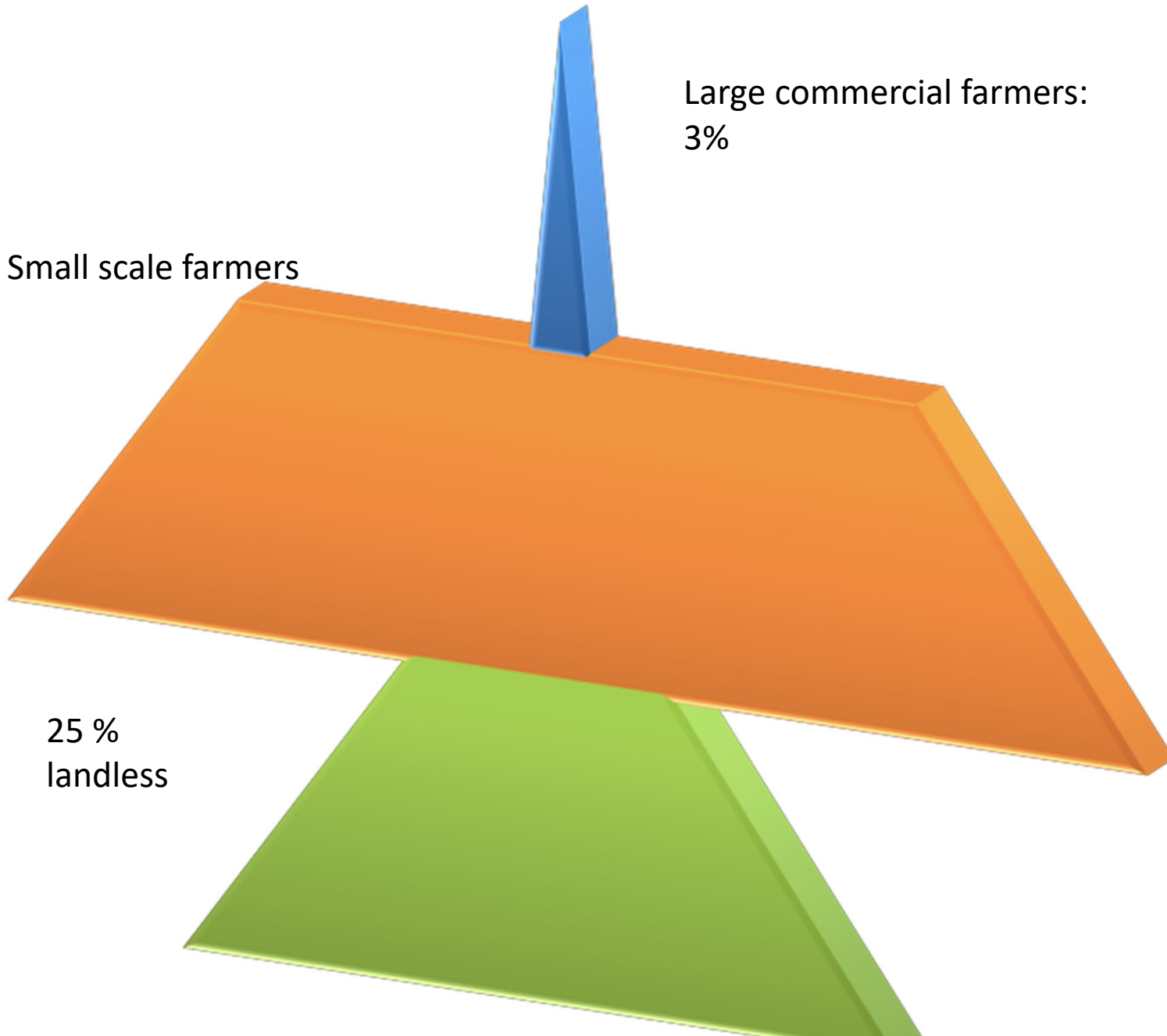
Objective: Support Organized Smallholders to:

- *Meet buyers' requirements to access profitable markets*
- *Secure a reliable outlet that absorbs larger quantities*
- *Obtain more value for their products through first step processing:* grading, packaging, storing, cooling

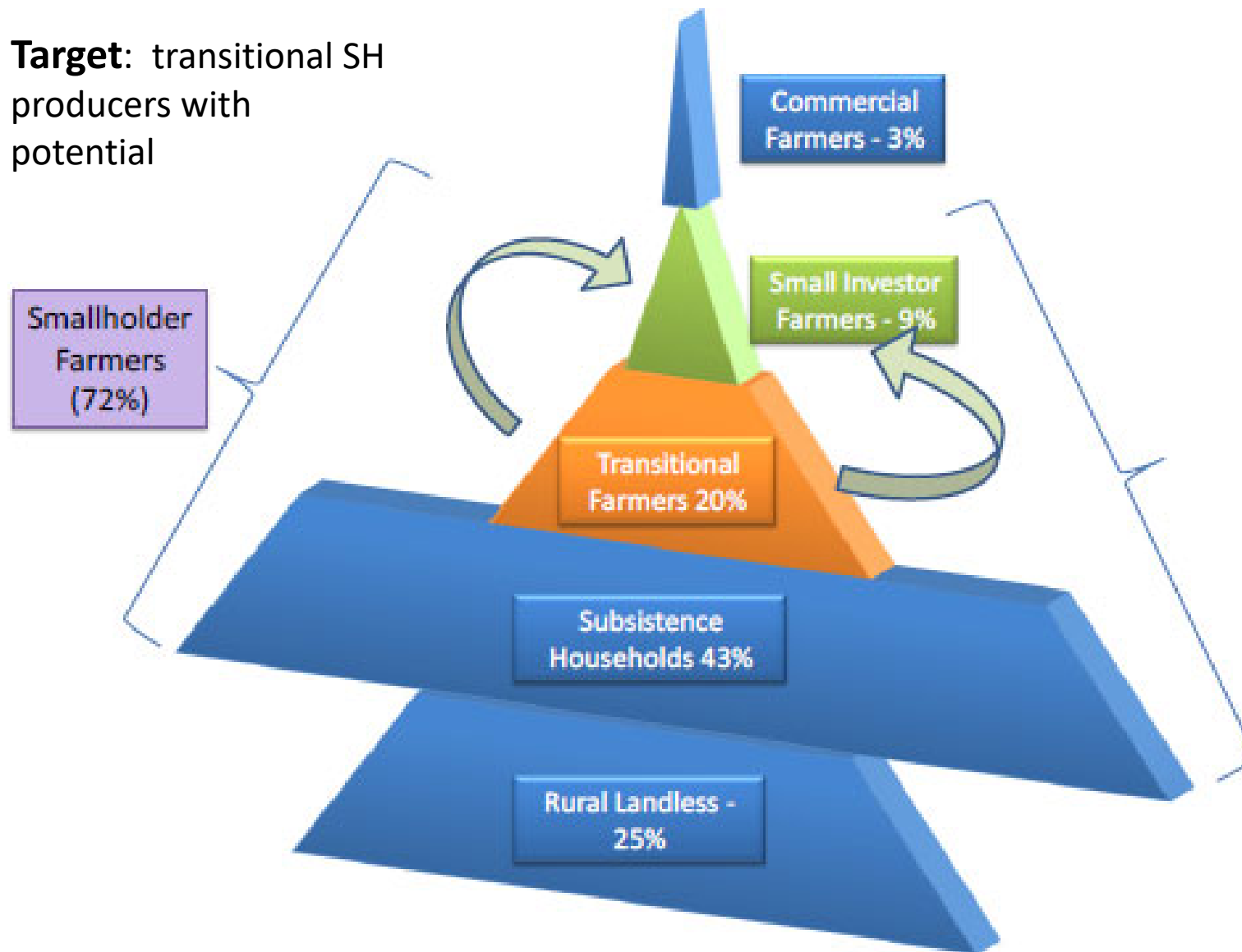
72% Small scale farmers

Large commercial farmers:
3%

25 %
landless



Target: transitional SH producers with potential



A Demand-driven Process that strengthens PO's capacity

- A public information campaign
- Call for proposals from POs
- Screening of initial proposals for viability and eligibility
- TA helps selected POs to develop their business plan
- Business plans are evaluated for financing
- Funds transferred to POs for implementation

Two key instruments for a Productive Alliance

PO business plan

- **Investments** (inputs, individual and collective equipment, collective infrastructure)
- **Technical assistance** (individual, collective)
- **Business development** (management, marketing accounting)

Commercial agreement PO/buyer

- Quantities
- Safety (SPS) and quality
- Delivery specifications (dates, conditioning)
- Buyer support (TA, inputs on credit)
- Price arrangements

Business Plan financing: Public sector, PO

Much less: buyer, financial sector

Results

- **Increase in sales** before/after : from 20 to 60%
- **Increase net ag income** : impact evaluation
- Average: 29% higher than control group (Colombia)
- Between 28% and 37% higher (Bolivia)
- **Spill-over effects** to nearby producers (Colombia)
 - Technology adoption and seeking buyer partnership
 - 24% increase in gross income between nearby and distant control group

Results

- **Sustainability:** PAs still operating after end of support:
 - ✓ Colombia I: 62% seven years after
 - ✓ Colombia II: 80% two years after
- **Job creation:**
 - ✓ Colombia:
 - 1.7 to 2.8/person-year per PO
 - 10 000 new jobs created (for 45 000 HH supported)
 - ✓ Guatemala: 1 person-year per PO

An approach to be improved

1. PO's organizational/governance problems
2. Access to formal financial sector limited
 - ✓ Only in Honduras
 - ✓ Build upon from PO revolving fund
3. Private sector involvement
 - ✓ Buyers' meetings/forum

An approach to be up-scaled and complemented

4. A piecemeal approach?
 - ✓ Build group of PAs into conglomerates or clusters around a buyer
5. Promote commodity chain associations (interprofessions)
 - ✓ support PAs through them
6. Address VC choke points

Some unanswered questions

- Rigorous impact evaluation
- Spill-over and indirect effects
- Sustainability
 - ✓ VC conditions
 - export vs domestic
 - Type of commodity
 - + or – added value
 - + or - stringent SPS/quality
 - Side-selling easy or not
 - ✓ Buyer's involvement

THANK YOU