Productive Alliances in Latin America and the Caribbean

A Review

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1. Introduction

The expression "Productive Alliance" is used to describe a specific type of collaboration between the public and the private sector aimed at facilitating the access of associated smallholder agricultural producers to markets. More specifically, a productive alliance is represented by any collaborative arrangement between a small producer organization and an agribusiness firm, aiming at reducing technical, commercial, financial and/or social risks associated with its pursuit of potential income gains. These alliances are developed within particular value-chains, in a way that creates a win-win outcome for all participating parties.

In the last decade, the expression productive alliance has been more and more attached to a series of projects promoted and funded by the World Bank, in collaboration with various Governments of developing countries, especially in Latin America and the Caribbean. The first project started in Colombia in 2002, and it was followed by similar ones in Bolivia, Honduras, Panama, Guatemala, Peru, and Jamaica. Other projects in Brazil, Mexico and Haiti also share some of the key elements of the productive alliance model.

This document is intended to be a simple review of the status of the productive alliance projects in the region. The review is by no means comprehensive, as many aspects of the projects are left unexplored and much more analysis on them could be conducted in the future. In this sense, the review is intended to represent a living document that can be constantly updated and modified in the future, as the situation evolves. At this moment, what the document aspires to show, though, are the fundamental aspects of the productive alliances, illustrate some key data on their results, and shed some light on the success achieved so far. Also, the review will highlight some of the challenges faced and that still lay ahead in the design and the implementation of such interventions.

The review will cover a total of 19 projects, even though the more detailed analysis will be focused on the seven projects that are considered to represent more closely the original productive alliance model. The data presented in this review has been collected by the author, with the collaboration of the country implementation teams and the World Bank Task Team Leaders of the projects analyzed in the document. All the data refers to the year 2013.

The views expressed in the document, although informed by various conversations held with World Bank management, Task Team Leaders and Government implementation units, are solely those of the author and cannot be attributed to the World Bank as an institution or to anybody who has collaborated to the realization of the review.

The document will describe the basic model of the productive alliances in Section 2 and offer details on their cycle in Section 3. The status of the portfolio will be covered in Section 4, whereas Section 5 will highlight the differences in the specific focus of each of the different projects. Section 6 will offer some data on the cost of the productive alliance operations, and Section 7 will describe a bit more closely the beneficiaries of the projects. Section 8 will present some data on the financing of the productive alliances, whereas Section 9 and 10 will discuss their evaluation and sustainability, respectively. Section 11 will suggest some ideas for future design and implementation of new productive alliances and, finally, Section 12 will conclude.

Figure 1. Key Elements of a Productive Alliance.

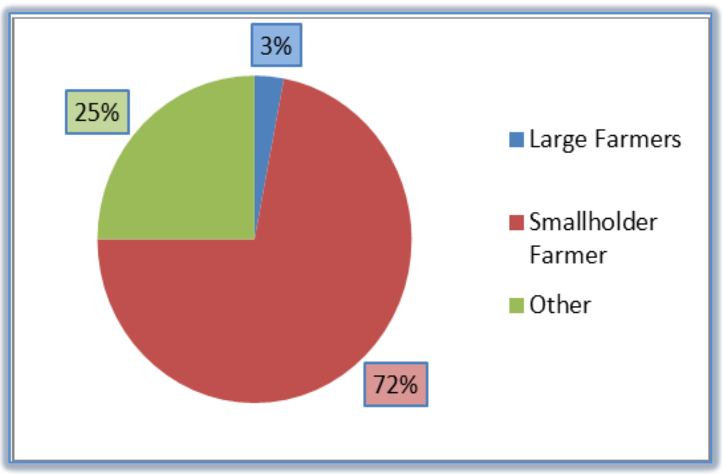
2. The Basic Model

A Productive Alliance, as usually defined in the projects co-financed by the World Bank in Latin America and the Caribbean, is a formal agreement between a group of organized farmers and a buyer, for the provision of a certain good, in a specified quantity and quality.

Four key elements define the nature of a Productive Alliance, namely: a group of organized producers, a buyer, an investment in production and marketing, and technical assistance.

2.1. Organized Small-holder producers

The term producer, instead of farmers, is used in this case to include individuals and households that dedicate themselves to livestock raising, artisanal fishing or forestry. Distribution of land in many Latin American and Caribbean countries is highly unequal and the vast majority of agricultural producers own small plots of land. In the region, the rural population is composed by a 72% of small-holder producers, a 3% of large producers and a remaining 25% working as agricultural laborers or involved in other non-agricultural activities.



Rural poverty rates in the region are higher than the urban ones, and small-holder producers represent the bulk of the poor population in rural areas.

Productive Alliances target groups of organized producers, usually ranging between 30 and 60 members. The organization of the group can take different legal forms (cooperative, association, benevolent society, etc.), depending on the specific requirements of the project and the legal framework of the country in which it operates. The formal organization of the group is a requirement in most Productive Alliance project, even though the specific rules governing it may vary from country to country, with some projects requiring the group to be active, others requiring at least two years of continued activity, and others being more flexible on the legal status of the producers' group.

The reason why the projects target only organized producers is that working through associations and cooperatives allows smallholders to face some of the constraints limiting their income generation capacity. Working in associations can help producers in accessing higher value markets, benefitting from economies of scale that would not be reachable on an individual basis. Also, working in association can facilitate the sharing of technical knowledge and production and marketing best practices within the group, enhancing productivity and reducing transaction and transport costs.

The experience accumulated on Productive Alliances indicates that organizations with a solid background of collective work and a strong social cohesion among members perform significantly better than associations that have a much weaker history and, in some cases, have been established just to fulfill the requirement of the project.

This evidence, though supported by common sense explanations and academic research on the functioning of collective business, exposes the Productive Alliances projects to a particular trade off: choosing between organizations with a stronger background and recently formed ones corresponds in many cases to a choice between groups of farmers with higher levels of productive assets, education and income and producers that are more isolated and have less opportunities to be linked with higher-value markets.

The choice on the specific socio-economic status of the beneficiaries of the Productive Alliance projects is in the end a public policy one. Whereas some countries and their government may prefer to focus their scarce resources on those farmers that have a clear potential to engage in modern and dynamic markets, others have used the Productive Alliance model to reach out to marginalized populations lacking the opportunities to evolve from subsistence production. The first approach is the one that was designed to be applied in most of the Productive Alliances project, and it is still predominant and more widely spread across the different countries. It has to be noted, though, that the second, more welfare-oriented, approach is adopted in some specific cases, especially when the Productive Alliance model is applied to areas that have been suffering from social and even armed conflict and the government has an intrinsic interest in combining their military presence with economic opportunities facilitated by the state. Another example of countries adopting the second approach are those that do not rely on agriculture as their main source of income and economic growth and tend to consider the agricultural sector and all those still employed in it as a side-sector worth some economic support from the state.

2.2. Buyers

Buyers have a fundamental role in the development of the Productive Alliance projects. As those who will purchase the produce of the producer organizations, their serious commitment to the success of the partnership is essential to provide the producers with a more reliable and stable market. In most cases, as for example in Colombia, Panama and Bolivia, the identification of a specific buyer is a requirement for the producer organizations that decide to apply for a Productive Alliance project intervention. In these cases, a formal contract is signed before the actual implementation of the investment and it is subject to certain specific conditions on quality, quantity and timing of the delivery. The more detailed the contract is from the beginning of the partnership, the higher the probability that it will be respected by both parties, as unclear arrangements are more likely to lead to misinterpretations and, in some unfortunate cases, fraud.

In some other cases, as for example in Jamaica, the strict identification of a specific buyer at the initial stages of preparation of the sub-projects is not necessary, but the criteria leading to the evaluation of a proposal create the incentives to identify the buyer in the proposal.

The buyers participating in the Productive Alliances are a diverse group of businesses: supermarket chains, agro-processors, hotels, exporters, etc. Their engagement in Productive Alliances might sound counter-intuitive at first: one could legitimate wonder why would a company start using as a provider of their inputs a heterogeneous group of small-sized, poorly educated and often not well organized producers. The explanation of the interest demonstrated by buyers relies mainly in the following three reasons:

- **Economies of scale and reliability of the delivery.** Some crops in Latin America and the Caribbean have been traditionally grown by small holders and their production continues to be carried out in small scale farms. This is particularly the case for crops like cocoa and coffee. For agro-processors and other buyers of these products who are interested in purchasing large quantities of these commodities, counting with a reliable and sizable supply is often a serious challenge. Productive Alliances promote and support farmers' organization and therefore offer an interesting opportunity for commercial partners eager to stabilize their input provision. For them, doing business with an organized group of small farmers is much easier than doing it with a plethora of individuals working in plots of land scattered across mountainous and difficult to reach geographical areas. The reduction of logistical costs due to economies of scale is often part of the benefits for the buyer, as well as the reduced risk on the reliability of the supply.

- **Quality of the products.** Productive Alliances invest considerable resources in technical assistance for the organized farmers participating in the projects. The effects of this technical assistance are reflected in the quality of the products produced within the Productive Alliance, which represents an advantage for buyers interested in commercializing high quality agricultural products. In many countries, Productive Alliances focus exclusively in high quality segments of the market for certain products. Examples are the production of specialty coffee beans or silk in Colombia. In many other circumstances, organic certification is an integral part of the business plan presented by producers' organizations and represents a particularly interesting feature for commercial partners.

- **Corporate Social Responsibility.** Working with small lholders, most likely poor and often belonging to indigenous communities, offers an undeniable opportunity to improve the reputation of any agro-processor as a socially responsible economic actor. Writing on the cover of a chocolate bar that it has been produced with the cocoa beans of the Sierra Nevada in Colombia helps marketing this product to socially sensible consumers around the world, justifying higher prices. This kind of incentives, broadly summarized here as the benefits of the corporate social responsibility of agricultural processors, should be underestimated.

2.3. Investment in Production and Marketing

Investment in production and marketing lies at the core of the productive alliance concept and it is an essential part of the business plan that is presented by producer organizations. Equipment, tools, machinery, seeds are examples of items that productive alliances invest on in order to enable producer organizations to adjust to the competitive conditions of national and international markets. In livestock sub-projects, veterinary supplies are often included in the investment plan.

In some cases, the projects finance small-scale investments in natural resource management, proposed and implemented by community and producer associations. These interventions include, for example, soil conservation measures such as terracing, land leveling and watershed treatments.

In the specific case of Jamaica, support is granted to both small scale agricultural and rural tourism enterprises. The sub-projects aim at improving agricultural and rural tourism marketing, assisting in the development of critical market-oriented small-scale infrastructure, marketing strategies and management.

Finally, some projects take a much more cross-sectorial approach and include rural infrastructure as part of their interventions (rural roads, bridges, etc.). This is particularly true in various projects in Brazil and in Guatemala.

2.4. Technical Assistance

Technical assistance is included in all the productive alliance projects financed in the Region. Usually, the projects offer it to the producer organizations as part of the public contribution to the business plan that is presented. Technical assistance is meant to increase access to technical and marketing innovation, business support services, and environmental skills development, including disaster mitigation and recovery training. Specific attention is paid to three areas that are considered particularly important for the linkage of productive alliances to higher-value markets:

- Information and communication technologies (ICT), including access to rural telephone and internet;
- Organic production and certification;
- Access to financial services.

3. The Productive Alliance Cycle[1]

Despite country-specific particular features and rules, the Productive Alliance projects follow a similar approach and process across the Latin America and Caribbean region and the various steps can be summarized as follows:

- **Outreach -** An information campaign is launched in order to disseminate the objectives, processes and rules for the selection and funding of Productive Alliances sub-projects. Outreach campaigns are designed to reach specific sectors of the rural populations, have often a focus on gender inclusion and are translated, when deemed necessary, into indigenous languages.

- **Call for proposals**- An official announcement is published so that producer organizations wishing to access project funding can present a proposal. Detailed rules for the submission of proposals are included in the call.

- **The business idea –** Producer organizations present a business idea based on market demand, often summarized into a simple, few page proposal.

- **Eligibility Criteria –** Eligibility criteria are applied to eliminate the applications that do not reflect the priorities or meet the requirements defined by the project.

- **Profiles –** Producer organizations whose business idea has been accepted prepare a profile, a document that describes their organization, the business to be developed, expected benefits and costs, activities and investments to be funded, the market to be accessed. Depending on the design of the Project, detailed information on the buyer can be added at this stage. Most projects provide assistance for the preparation of this business profile. In many cases, a service provider (an individual consultant or an organization) is linked to the producer organization at this stage.

- **Selection of Profiles -** Profiles are evaluated and selected following the criteria established by the project. Different weights are given to the various criteria, depending on the specific priority of the project and/or the Government. At the end of the evaluation, the profiles obtain an overall score. An overall score cutoff is defined in some cases, and all profiles that get a score higher than the cutoff score pass to the feasibility study phase. Some other projects prefer to admit to the feasibility study a defined number of profiles, with no reference to a specific cutoff score.

- **Financial, Social, Environmental and Market Feasibility Study -** The profiles selected to develop a feasibility study have to demonstrate in a much more detailed document (business plan) that the partnership (sub-project) is feasible from a financial and market–demand point of view. The business plan has to show that if implemented, it will not have any negative impact from a social and

[1] This Chapter of the Review follows the structure and content of *M.H. Collion, 2012, Rural Productive Partnerships - An Inclusive Agri-business Model for Overcoming Small-holder Market Barriers*

environmental point of view. In case some potential negative effects are identified, the business plan must specify the mitigation measures to be undertaken.

- **Approval for Financing -** Proposals that are considered feasible are approved for funding. At this stage of the selection, many projects involve an external board in the evaluation process. This external board includes representatives of the Government, members of the private sector agri-business community, and academic professionals.

- **Signing of contract –** Once a sub-project is approved for financing, a contract is signed between the project and the producer organization. The contract specifies what the public money will actually fund (following a plan of activities), procurement arrangements, outputs to be achieved and their timing, as well as several other details on the implementation and the supervision of the sub-project.

- **Transfer of funds to a designated bank account –** This act represents the official start of the implementation of the sub-project. All the contributions to the business plan are paid into a designated bank account that the producer organization opens for the implementation of the sub-project.

4. The Status of the Portfolio

The portfolio of productive Alliance projects will be referred to in this review in two different ways: a broad portfolio and a strict portfolio. The broad portfolio of projects is composed by 19 projects and includes all the Brazilian projects and the Mexico Conabio project. At the same time, this definition of the portfolio considers different phases of a similar project in a country as separate projects. In the strict definition of the portfolio, the Brazilian projects are excluded and different phases of similar projects in the same country are counted as a single project. This definition of the portfolio will refer to only 7 projects (Colombia, Bolivia, Panama, Guatemala, Peru, Honduras, and Jamaica). Haiti is not considered as operations have not started.

The reason for the exclusion of the Brazilian projects from the strict portfolio (and therefore from most of the analysis) is that they usually have a different approach that does not completely reflect the basic model described in Sections 2 and 3. Basically, the Brazilian projects are often multi-sectorial, operate on a much larger scale, and usually do not stress the relationship with the commercial partner. They are still considered in the category, though, as they share the remaining features of productive alliances, especially in their attempt to prepare organizations of smallholders to access higher value markets.

Table 1 lists all the 19 projects included under the broad definition of productive alliances and indicates their implementation period. As it can be noticed, the majority of the projects are still under implementation, highlighting the fact that the portfolio is very active and still growing.

Table 1. List of Productive Alliance projects and their implementation period

Country	Project Name	Project Number	Year	
			Start	End
Bolivia	Rural Alliances I	P083051	2006	2014
	Rural Alliances II	P127743	2013	2017
Mexico	GEF Sustainable Rural Development (Conabio)	P108766	2012	2017
Guatemala	Support Rural Economic Development Program	P094321	2007	2014
Honduras	Rural Competitiveness Project	P101209	2011	2015
Brazil	Pernambuco Rural Economic Inclusion	P120139	2012	2019
	Sergipe Integrated Project: Rural Poverty	P110614	2009	2012
	Alto Solimoes Basic Services and Sustainable Development	P083997	2008	2013
	Parana Multi Sector Development	P126343	2013	2017
	Sao Paulo Sustainable Rural Development and Access to Markets	P108443	2010	2015
	Rio de Janeiro Sustainable Rural Development	P101508	2010	2016
	Additional Financing for the Rio Rural	P126684	2013	2018
	Para Integrated Rural Development	P082651	2007	2013
	Santa Catarina Rural Competitiveness	P118540	2010	2016
Colombia	Rural Productive Partnerships I	P041642	2002	2008
	Rural Productive Partnerships II	P104567	2008	2014
Panama	Panama Rural Productivity	P064918	2007	2014
Jamaica	Rural Economic Development Initiative	P105122	2010	2016
Peru	Sierra Rural Development Project	P079165	2008	2013

The broad portfolio of productive alliances reaches at the moment more than 100,000 families, or an estimated population of about half a million people. The target for the current projects is to reach almost 300,000 household, or an estimated population of 1.5 million people. There are at the moment almost 3,000 alliances implemented, with a target of about 5,000 to be reached by the end of the currently implemented projects. Table 2 offers all the details on the number of alliances implemented in the different countries and the number of households involved in the projects. It has to be noted that the data in the table is not complete, as some data were not available for the most recently approved projects or the data category did not apply to the nature of the project (especially in the Rio de Janeiro case).

Table 2. List of Productive Alliance projects, number of alliances and number of beneficiaries.

Country	Project Name	Number of alliances		Number of beneficiaries (households)	
		Target	Actual	Target	Actual
Bolivia	Rural Alliances I	675	779	33,700	29,451
	Rural Alliances II	645		25,000	
Mexico	GEF Sustainable Rural Development (Conabio)	919			
Guatemala	Support Rural Economic Development Program	200	106	30,000	12,384
Honduras	Rural Competitiveness Project	150	46	6,000	5,280
Brazil	Pernambuco Rural Economic Inclusion	150		10,500	
	Sergipe Integrated Project: Rural Poverty	350	153	20,000	16,583
	Alto Solimoes Basic Services and Sustainable Development	50	31	2,000	10,500
	Parana Multi Sector Development	210		21,000	
	Sao Paulo Sustainable Rural Development and Access to Markets	300	38	22,000	1200
	Rio de Janeiro Sustainable Rural Development			13,300	2,041
	Additional Financing for the Rio Rural			27,700	
	Para Integrated Rural Development	140	53	6,600	1,638
	Santa Catarina Rural Competitiveness	500	122		
Colombia	Rural Productive Partnerships I	100	136		
	Rural Productive Partnerships II	300	421	25,500	24,924
Panama	Panama Rural Productivity	60	71	5,000	2,908
Jamaica	Rural Economic Development Initiative	75	33		1,500
Peru	Sierra Rural Development Project	620	888	35,000	
TOTAL		5,444	2,877	283,300	108,409

Beyond the numbers, it is also interesting to look at the governmental counterparts the World Bank is collaborating with for the implementation of the productive alliance projects. As it is shown in Table 3, in the vast majority of case the counterpart is the Ministry of Agriculture and/or Rural Development. A peculiar exception is represented by Guatemala, where the Economy and Planning Ministries are implementing the project with no institutional collaboration or coordination with the agricultural sector. A similar case is represented by Jamaica, where the implementing agency is the Jamaica Social Investment Fund, although in this case there is a relatively stronger institutional relationship with the Ministry of Agriculture. The information presented in Table 3 is only referred to the strict portfolio of productive alliances, as the Brazilian projects are multi-sectorial and the implementing agencies they are working with are several.

Table 3. Implementing Agency of the Productive Alliance Projects

Peru	Honduras	Panama	Colombia	Bolivia	Guatemala	Jamaica
Ministry of Agriculture and Irrigation (MINAGRI) - Presidency of the Ministers' Council (PCM)	Ministry of Agriculture and Livestock (SAG)	Ministry of Agricultural Development (MIDA)	Ministry of Agriculture and Rural Development (MADR)	Ministry of Agriculture, Rural Development and Environment (MDRAMA)	Ministry of Economy (MINECO) - Planning Ministry (SEGEPLAN)	Jamaica Social Investment Fund (JSIF)

As a further elaboration of the information provided in Table 2, it is also possible to calculate the average number of members for each alliance. As it is shown in Fugure 3, the project with the highest number of members per alliance is the one implemented in Guatemala (116), whereas the project with the lowest number of members per alliance is the Bolivia one (38). Of course, these numbers reflect the nature of the smallholder associations in the different countries and the historical and geographical conditions that shaped their creation and evolution.

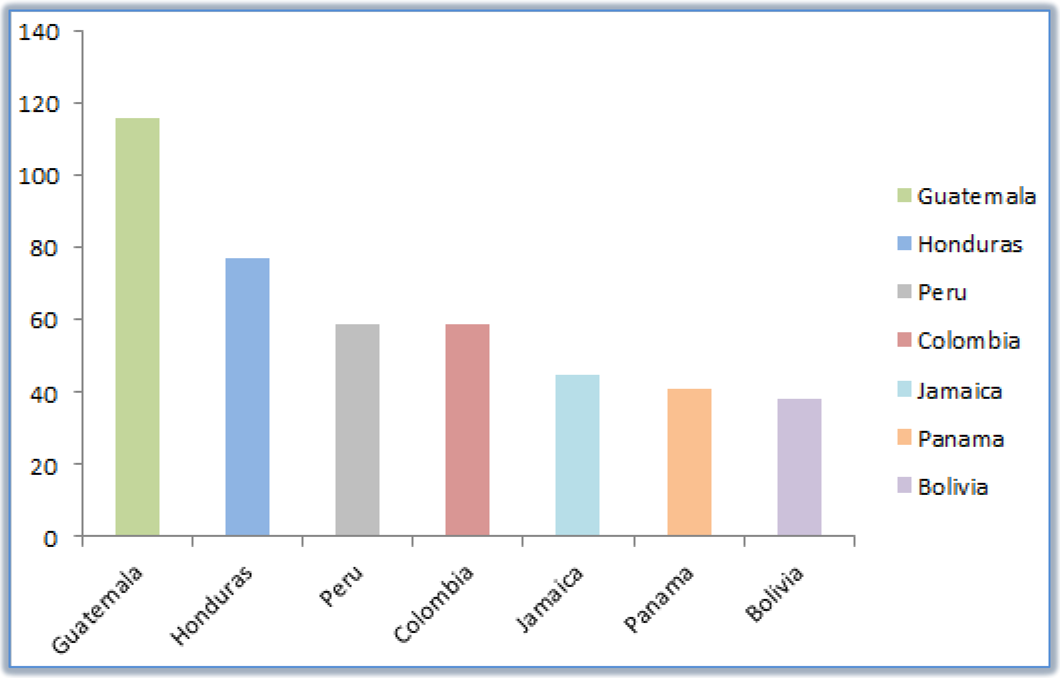
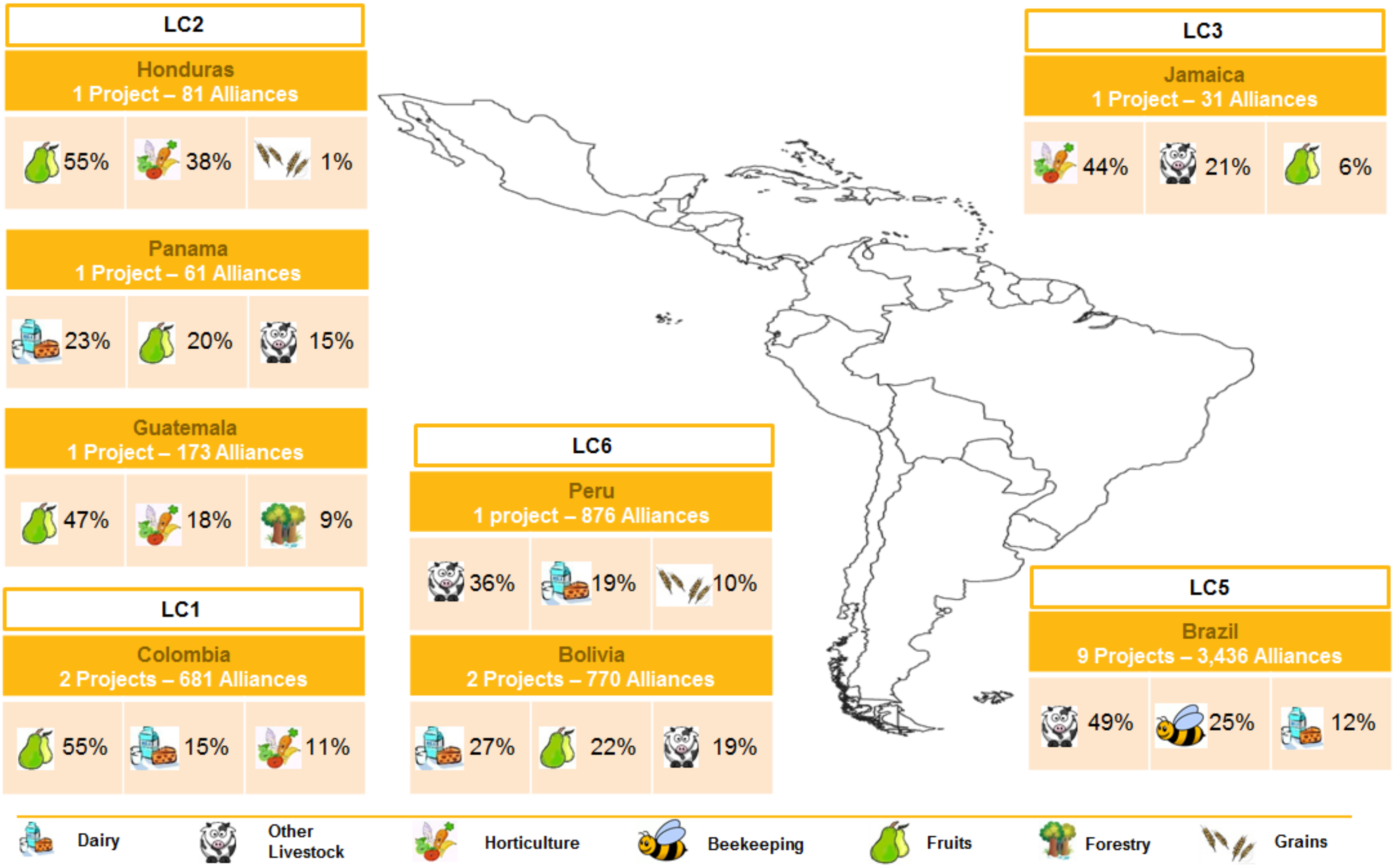


Figure 3. Average Number of Members per Alliances

Finally, it is interesting to explore what kind of products the productive alliances are supporting. This information is summarized in Figure 4. As it can be notices, there is a strong prevalence of fruits (including cocoa and coffee in this category) in Central America and Colombia, whereas dairy products are much more supported in Andean countries like Peru and Bolivia. Brazil has an obvious bias towards livestock and a surprising strong support to beekeeping. In Jamaica, the first category is instead horticulture.



Given the data used for the elaboration of Figure 4, it is possible to calculate the product category concentration of the different projects. Figure 5 shows the Herfindahl–Hirschman Index (HH) calculated for the productive alliance projects. It has to be noted that the index is higher for high concentrations. As it can be noticed in Figure 5, the Honduras projects is the most highly concentrated, whereas the Panama one is the least concentrated.

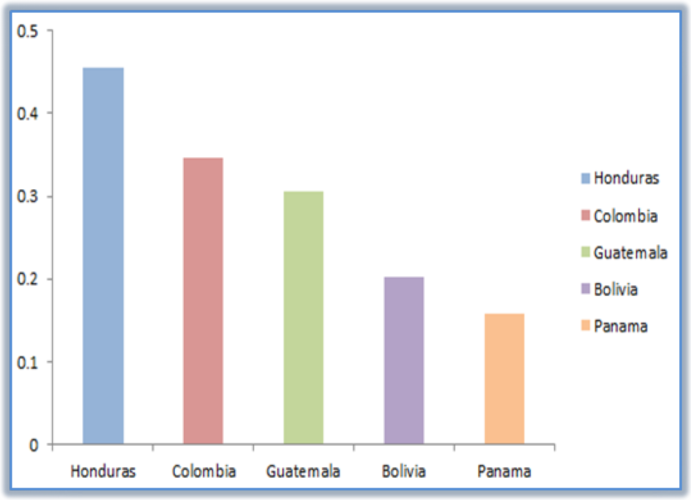


Figure 5. Concentration of Alliances on specific products. HH Index.

5. The Focus of the Projects

The model and the cycle described in Sections 2 and 3 are the basic common ground of the productive alliance models, but there are significant differences between the specific focus of each of those projects in the various countries where they are implemented. Figure 6 tries to reflect the different degrees of attention that the productive alliance projects devote to a series of themes. Namely, the themes that have been included in the analysis are the following: Access to Market, Competitiveness, Social Inclusion, Organizational Strengthening, Environment, Technical Assistance, and Public Goods.

A particular mention is due to the public good dimension of the analysis. It is evident from Figure 6 that most of the Brazilian projects show a strong focus on public goods: this can be explained by the fact that most of them are multi-sectorial and focus a lot on small-scale infrastructures and interventions in health and education. A similar high focus on public good is shown by the Mexican project, given its specific attention to the protection of biodiversity.

Figure 6. The focus of the different productive alliance projects. * = Strong Focus, ** = Medium Focus, * = Weak Focus.**

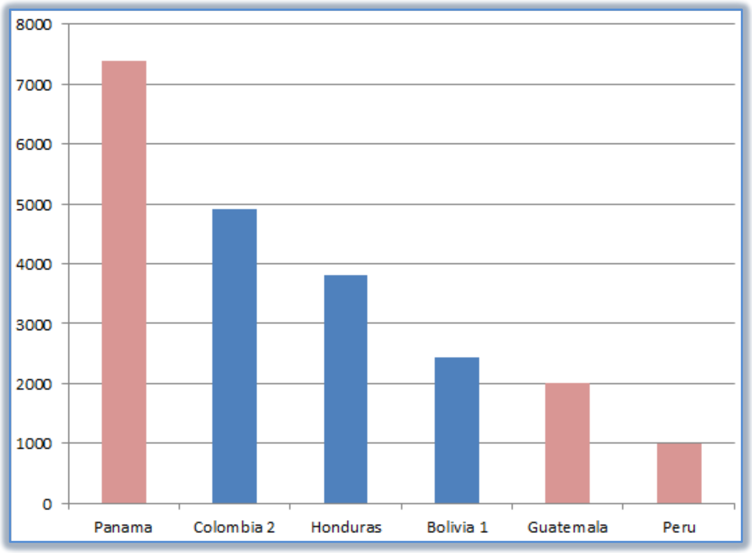
Country	Project Name	Focus						
		Access to Market	Competitiveness	Social Inclusion	Organizational Strengthening	Environment	Technical Assistance	Public Goods
Bolivia	Rural Alliances I	**	*	***	***	*	**	*
	Rural Alliances II	**	*	**	**	**	**	**
Mexico	GEF Sustainable Rural Development (Conabio)	**	*	*	*	***	**	***
Guatemala	Support Rural Economic Development Program	***	**	***	*	*	**	**
Honduras	Rural Competitiveness Project	***	***	**	***	*	**	*
Brazil	Pernambuco Rural Economic Inclusion	**	***	**	*	**	*	***
	Sergipe Integrated Project: Rural Poverty	**	**	***	*	*	*	***
	Alto Solimoes Basic Services and Sustainable Development	**	**	***	**	***	*	***
	Parana Multi Sector Development	*	*	**	**	**	**	***
	Sao Paulo Sustainable Rural Development and Access to Markets	***	**	*	**	**	**	**
	Rio de Janeiro Sustainable Rural Development	*	*	**	**	***	**	**
	Additional Financing for the Rio Rural	**	**	**	***	***	**	**
	Para Integrated Rural Development	**	**	***	**	**	**	***
	Santa Catarina Rural Competitiveness	*	***	*	*	**	**	***
Colombia	Rural Productive Partnerships I	**	**	**	***	*	**	*
	Rural Productive Partnerships II	***	**	**	**	*	**	*
Panama	Panama Rural Productivity	***	**	**	*	**	**	*
Jamaica	Rural Economic Development Initiative	***	**	**	*	*	*	**
Peru	Sierra Rural Development Project	**	***	**	*	*	*	*

6. Cost of the operations

Productive alliances have sometimes been identified as expensive public intervention. Of course, the judgment on the cost of a public intervention can't be decoupled from the analysis of its benefits and this is the type of analysis that will have to be undertaken by the evaluators of productive alliance projects (see Section 10 for more on this topic). What this sections intends to show is a measure of the cost of the productive alliance projects per beneficiary. It is a very simple exercise which consists in dividing the total cost of the operation by the number of beneficiaries reached or planned to reach. This is of course an overly simplified indicator, as different projects might have different hidden costs that might not be included in the original estimation. On the other hand, indirect beneficiaries, whose benefits can be extremely relevant in the evaluation of the intervention, are not included either in this calculation.

It is however important to determine a first approximation of the cost of the productive alliances, as no more accurate measure has been so far calculated. More analysis on this dimension of the projects is clearly needed.

Figure 7 shows that the cost per beneficiary is estimated to oscillate between the USD 1,000 spent in Peru and the more than USD 7,000 used in Panama.



7. Beneficiaries

The beneficiaries of the productive alliance projects are mainly low-income smallholders, but in some cases they can include rural day laborers without land and displaced families. It is worth clarifying that productive alliance projects don't usually target the poorest of the poor (targeted by different kind of social programs). The rational of this choice is the need for productive alliances beneficiaries to show some kind of potential to engage in commercial markets and offer a competitive product.

A common requirement among all projects across the region is the formal organization of the farmers. They do not need to be organized in any specific form of organization, as any kind of legally recognized association, cooperative, union, benevolent society or any other form of representative organization of civil society is usually eligible for funding.

The size of the land owned by individual members of the beneficiary organizations oscillates between 1 and 5 hectares, depending on the country. It is also important to mention that various projects devote particular attention to farmers whose land is clearly under-utilized.

Projects that are particularly focused on agriculture (instead of other rural economy opportunities) might require specific features for their beneficiaries. The first productive alliance project implemented in Colombia in 2002, for example, required potential beneficiaries to be poor producers, heads of households with at least 75 percent of income derived from agriculture, earning no more than two minimum wages per month and between 18 and 60 years old. These beneficiaries also needed to be literate and demonstrate willingness to participate in trainings. Finally, they had to have specific agricultural experience in the production of the crops they proposed to work on.

In other countries, as for example in Jamaica, the project is open to agriculture and tourism micro and small-scale businesses. These businesses need to have an asset base (excluding land and buildings) not exceeding the equivalent of US$ 10,000 (for micro) to US$ 100,000 (for small-scale) and an annual turnover of less than the equivalent of US$125,000.

The productive alliance projects never target specific population groups, but they usually accommodate the special conditions and needs of indigenous people, afro-descendants and internally displaced populations. In some cases, as for example in Colombia, a certain level of participation of afro-Colombians is a specific target of the project. Also in Colombia, particular attention has been devoted, especially in recent years, to areas of the country that have been affected by internal conflict.

Gender-wise, the projects explicitly encourage the participation of both women and men, including tailored targets of women inclusion (usually between 30 and 40 percent of the beneficiaries are expected to be female producers) and, in some cases, selection of women-led organizations. Cases of organizations run only by women are also found in many countries, although they represent an exception rather than the rule.

Similar rules apply in some countries for the participation of young people (as for example in Jamaica, for people below 30 years of age), but the age dimension of the beneficiaries is less addressed than the gender one.

8. Financing of the projects

Productive Alliance projects are usually co-financed by World Bank (IBRD) and the Governments of the countries where they are implemented. The private sector, either through producer organizations or through their commercial partners, can also finance part of the projects. In some countries, World Bank funds are channeled through IDA (in Bolivia), whereas in others the Bank is working in direct collaboration with the Inter-American Development Bank (in Guatemala). Figure 8 summarizes the different sources of funding of the productive alliances across the region.

Country	Project Name	Amount (USD Million)					
		IBRD	Government	Local Government	Private Sector	Other	TOTAL
Bolivia	Rural Alliances I			1.23	12.32	58.4 (IDA)	**71.95**
	Rural Alliances II			1.04	13.5	50.0 (IDA)	**64.54**
Mexico	GEF Sustainable Rural Development (Conabio)	21	1.2		16	11.69 (GEF)	**49.89**
Guatemala	Support Rural Economic Development Program	30	0			30 (IDB)	**60**
Honduras	Rural Competitiveness Project	0	21.2			4 (COSUDE)	**25.2**
Brazil	Pernambuco Rural Economic Inclusion	100	35.25				**135.25**
	Sergipe Integrated Project: Rural Poverty	20.8	3.83	2.42			**27.05**
	Alto Solimoes Basic Services and Sustainable Development	24.25	10.75				**35**
	Parana Multi Sector Development	350	363.24				**713.24**
	Sao Paulo Sustainable Rural Development and Access to Markets	78	52				**130**
	Rio de Janeiro Sustainable Rural Development	39.5	39.5				**79**
	Additional Financing for the Rio Rural	100	40				**140**
	Para Integrated Rural Development	60	40				**100**
	Santa Catarina Rural Competitiveness	90	90				**180**
Colombia	Rural Productive Partnerships I	32	20.32				**52.32**
	Rural Productive Partnerships II	30	12.4	27.1	43	9.9	**122.4**
Panama	Panama Rural Productivity	39.4	1.9		5.6		**46.9**
Jamaica	Rural Economic Development Initiative	15	0.5		2		**17.5**
Peru	Sierra Rural Development Project	20	7.83		7.1		**34.93**

Figure 8. Financing of the Productive Alliance projects.

9. Financing of the business plans

The business plans that are presented by producer organizations are financed by a variety of actors. The funds invested by the organization itself are always matched by a grant provided by the Government (and usually financed by the World Bank). Other entities financing the business plans can be regional Governments or the commercial partners selected by the producers organizations. Usually, though, the contribution offered by commercial partners is in kind, and often represents some form of logistical support to the producer organization (transport for their products, for example). Table 4 shows the amount that producer organizations contribute to the business plans in the different countries.

Peru	Honduras	Panama	Colombia	Bolivia	Guatemala	Jamaica
30% in cash	10%	10%	61%, including labor costs.	30% in cash and up-front	15%	10%

Table 4. Average contribution of producer organizations to the business plan financing

9.1. Access to Credit

Access to credit is one of the key areas in which productive alliances could contribute to broadening development opportunities for smallholder producers. By offering a grant for the improvement of their productive capacity, their link to higher value markets and their productivity, productive alliance projects have an unparalleled advantage in leveraging private sources of finance and credit in support of the selected business plans. It is therefore interesting to see to which extent productive alliances have reached out to the private financial sector and if matching grants have actually been coupled with credit coming from financial institutions. Looking at seven projects, it is evident that linkages to credit have been extremely limited in the design and implementation of the productive alliance projects so far. As it is summarized in Table 5, most of the productive alliance projects under scrutiny have little or no linkage at all with the financial sector. The only considerable exception is Honduras, where a 30% co-financing coming from a financial institution is strongly suggested and is considered a de facto requirement for admission of the proposals that are presented.

Peru	Honduras	Panana	Colombia	Bolivia	Guatemala	Jamaica
There have been some cases. But it is not necessary to include credit in the proposal.	It is de facto required that associations present business plans financed for at least 30% by a credit institution.	Not required by the Project. Very limited in practice.	The Project promotes the link with credit institutions, but there is no formal requirement in this respect.	An attempt to connect organizations with the financial sector was made under the first project, but failed. The second project does not provide grants to associations that have already received them. These associations	The Project has no link with credit.	Not required by the Project. Very limited in practice.

				receive assistance to access credit.		

Table 5. Productive alliance projects and access to finance.

9.2. The case of Honduras

The Honduras Productive Alliance project is considered the most advanced in terms of establishing a link with financial institutions for the financing of the Productive Alliance business plans. To date, 85 Business Plans have received credit from the formal financial system, with average maturity of 3.3 years and an average interest rate of 16%. 10% of these loans have already been paid back.

The private financial partners active in the project include private banks (involved in 80% of the business plans), financial cooperatives, and private organizations of financial development. In addition to the 28 private financial institutions, business partners and input suppliers are also co- funding the business plans.

9.3. Use of the rotational fund

In some cases, productive Alliance projects support the creation of a rotational fund within the producer associations that they are supporting. A rotational fund is a financial tool designed to give the members of the organization the opportunity to reimburse the funds received as a grant at the beginning of the project. Depending on the country and the rules of the specific organizations, the repayment into the rotational fund can be more or less strictly required. The rotational fund mechanism allows the organization to continue to finance other members willing to embark in a productive investment, following the same modalities over and over again. This mechanism can serve as a peer-pressure tool to induce responsibility in the investment behaviors of the association members. As Table 6 shows, the instrument is mainly used by the Colombia and Panama projects.

Table 6. Use of the Rotational Fund

Peru	**Honduras**	**Panama**	**Colombia**	**Bolivia**	**Guatemala**	**Jamaica**
No	Not necessarily. Some form of capitalization is suggested by the Project.	Not necessary. It is suggested and monitored by the Project. Many organizations have set one	Strongly supported by the Project. 47% of the Alliances have set up one. Out of these, 67%	No	A few of the organizations have it. It is proposed.	No

		up.	are considered to be functioning satisfactorily.			

10. Evaluation

Evaluation of the productive Alliance projects has so far been limited, given the fact that many projects are still under implementation. Out of the seven cases that are included in the strictly defined portfolio, only the first Colombian project has produced an Implementation Completion Report (ICR) so far.

This ICR (published in 2009) emphasized the role of the external economic environment, which remained a critical factor for the success or failure of the partnerships. The report states that favorable domestic agricultural prices in 2007/8 helped partnerships in the traditional agricultural value chains (food crops, grains). However, the report also stresses that partnerships linked to the export market suffered from the steadily appreciating value of the local currency. As a consequence, several commercial partners had to give up exporting, hurting the prospects of some producer organizations linked to them.

According to the ICR, the Government introduced the matching grant scheme to help overcome market failures of the rural financial sector. Nevertheless, producers were also encouraged to obtain complementary financing from the financial sector, but this only materialized in a few cases.

Through different methods of measurement (in-depth surveys, financial and economic analysis and beneficiary assessment), the ICR concludes that the project shows a significant impact on family income and employment. The project is reported to have had powerful institution building results and spillover effects as well (an unintended impact was the significant spillover effects of the partnerships to neighboring producers).

The project economic IRR as a measure of efficiency was calculated to be about 20 percent including Project management costs and pre-investment support.

Besides this ICR, there have been few complete evaluations of the projects implemented. A first impact evaluation was conducted for the first project implemented in Colombia, but its results have never been disseminated to a wide public as the evaluation was affected by some technical, econometric problems that biased the conclusion of the study. At the moment, there is high and growing attention to the evaluation of the productive alliances, as many projects just came or are soon coming to an end in the next couple of years. Many projects are defining or fine-tuning their evaluation strategy and close support is offered by the various World Bank teams in order to conduct these evaluations. A South-South exchange was organized in Cali (Colombia) in May 2013 in order to share different evaluation experiences and approaches among the implementation teams of the various countries where productive alliances are implemented. A report summarizes the main conclusion of the exchange[2]. It is worth mentioning that the main common indicator for the evaluation of the productive alliance is related to the income increase that productive alliance interventions generate for the smallholders. This indicator is by no means exhaustive, as different projects have different specific objectives and their intervention can determine a wide range of alternative effects. Income increase, though, is considered a good common denominator that could be easily applied to all the productive alliance projects in the region.

Table X reflects the status of the evaluation strategy in the different countries. As it is clear from the table, the work to be done remains considerable.

Peru	Honduras	Panama	Colombia	Bolivia	Guatemala	Jamaica
Unsuccessful applicants to the second project will be used as control group. The first project is conducting an economic evaluation, as data do not allow for an impact one.	There is a baseline, a methodology and a monitoring system in place. Data are being collected.	There is a baseline (its quality is still being discussed) and a monitoring system in place. A plan is being finalized for an impact evaluation. Candidates excluded for administrative reasons might be used as a control group.	For the second project, impact evaluation funds are allocated to 2014. Preliminary work is being conducted this year. CIAT and Ford Foundation are collaborating for the impact evaluation, which will be especially focused on marginalized areas.	The evaluation for the first project is expected to be completed by March 2014.	There is no adequate baseline. The project is starting to retrieve one, which will be based on a survey and some case studies.	There is a monitoring system in place. Details on the impact evaluation are being discussed.

Table 6. Status of the evaluation of Productive Alliance projects.

11. Opportunities for Future Design

This section tries to highlight some critical areas that could be better exploited for the design of future productive alliance projects.

11.1. Access to Finance

As it has been described in Section 9.1, access to private sources of credit has been extremely limited during the first decade of implementation of the Productive Alliance projects. Access to private credit is

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considered to be an indicator of the credibility and probability of success of the business plan. A healthy level of exposure to private debt would therefore strengthen the sustainability of the productive alliances, as it would critically contribute to the selection of the most profitable proposals. An enhanced relationship with financial institutions in the different countries, and especially with those institutions operating in rural areas, is essential in order to facilitate their contact with producer organizations.

The World Bank, through the projects it is financing, could play a critical convening role in shaping a relationship between these organizations and financial institutions willing to expand their lending portfolio in rural areas. Credit to small agricultural business has often been considered risky and poorly profitable for financial institution, but starting a relationship with them as partners could attract their collaboration on the same basis of the collaboration established with numerous commercial partners across the region (as explained in section 2.2.). The case of Honduras, described in section 9.2., represents an example that could be taken as a model by several similar projects in the future.

11.2. Green Alliances

In the productive alliances projects promoted so far, the prevailing environmental approach that has been adopted is the compliance with the existing national rules and environmental safeguards defined by the World Bank. This approach aims at avoiding the negative effects of agricultural activities on natural resources and the environment, through the analysis of the environmental impact and the preparation of a mitigation plan, when necessary.

A much more pro-active approach would be possible, and in some cases, desirable. Possibly through collaborations between the Agriculture and Rural Development and the Environment Units, the World Bank would be able to discuss with partner Governments the implementation of interventions that aim specifically at combining linkages to markets for smallholders with a reduction of CO_2 emissions or the use of organic fertilizers, for example. Some successful examples exist across all the projects in the region. The task would be therefore to identify them specifically, and invest resources in their scaling-up and replication.

The FIRCO project implemented in Mexico, although it cannot be included in the productive alliance category, offers some interesting hints for the implementation of financial schemes that can benefit producers and the environment at the same time.

Investing in environmental sustainability is particularly important for productive alliances, as the private subsidy conceded to farmers needs to be justified by some public good provision, which could benefit the whole community.

11.3.Post-Conflict Areas

Post-conflict areas represent a conspicuous proportion of rural areas in some of the countries where productive alliances are active. These areas have been increasingly targeted by the project in Colombia, which is the most affected country in this respect. Other examples could be Guatemala, El Salvador, and possibly others.

In the case of Colombia, the Government is willing to use productive alliances in rural post-conflict areas because this is a way to reaffirm the presence of the state through a kind of intervention that is clearly non-military and productive. The potential for increasing the presence of productive alliances is high and the World Bank, given its experience with the tool, can have a relevant comparative advantage in this area for partnering with Governments.

11.4. Nutrition

An important opportunity for productive alliance projects is given by the link that they can develop with nutritional programs and the way they can align their objectives with the objectives of other public initiatives aiming at the improvement of nutritional standards in Latin America and the Caribbean. The creation of the Nutrition Beam in the World Bank, and the collaboration with colleagues in the Human Development Department can be excellent channels for the strengthening of the nutritional profile of the Productive Alliance projects.

In some countries, where nutritional standards are extremely low and the Government is particularly interested in nutritional improvement as one of their key development objectives, these opportunities would have to be considered with great attention. The most outstanding example in this case is obviously Guatemala.

As for practical ways to operationalize this linkage between Productive Alliances and nutrition, it can be interesting to look at examples coming from Brazil. In these cases, productive alliances partner with local schools in the communities where they operate and provide fresh and healthy fruits and vegetables for their children. These partnerships are a simple but effective way to connect farmers with a reliable buyer, improving nutrition for children at the same time.

12. Conclusions

- **Focus on public goods (green, nutrition, conflict)**
- **Sustainability to be assesed by evaluation**
- **Access to market**