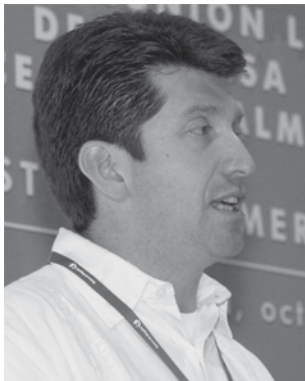


Palm Oil Cultivation with the Aid of USAID/Midas: an Example of Alternative Development in Colombia



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Summary



USAID's Midas is an alternative development program that seeks to generate and consolidate sustainable income and legal employment in, amongst others, communities where illicit crops dominate. The palm oil sector has supported the successful creation of productive alliances between small producers and big agro-industrial producers. Its biggest goal is to enable these alliances to become sustainable and certified as such.



The Midas program is an alternative development program that seeks to generate and to consolidate sustainable sources of income and legal employment in the private sector and, at the same time, to foster economic growth and productive sector competitiveness in the country. It works in partnership with Acción Social and the private sector to contribute to national government policies. The primary community it seeks to serve is urban and rural areas with low resources, vulnerable groups and the peasant population in zones where there are illicit crops.

Midas offers technical and financial support to projects which establish new businesses and works to strengthen existing businesses in these zones. Fur-



thermore, it is committed to the promotion of legal employment and income opportunities that improve the quality of life of its beneficiaries and its host communities, and it is also concerned with guaranteeing the sustainability of its projects.

Palm Oil Projects

In Colombia, especially in the palm oil sector, Midas has since its inception supported productive alliances, among which I wish especially to highlight the leadership offered by CI Tequendama, the Daabon Group, CI El Roble, Gradesa, Palmariguani, Palmeras de la Costa, Palma de Aceite, Frupalma, Hacienda Las Flores, Indupalma, El Pórtico, Palmeras de San Pablo y Simití, and Cordeagropaz.

All of these companies accepted the challenge to lead work with small producers to generate competitive economies and to seek sustainability in the regions concerned.

In the zones which have been identified and worked in by these companies, there are significant areas of illicit crops which need to be reduced. There are people occupied in illegal activities who have to be recovered for legal work. The country has to avoid the expansion of illegal economies.

By means of its different components, for example agro-business, Midas works in various sectors, including oil palm, cacao and fruit trees. The core objective is to generate opportunities to diminish the factors that provoke the growth of illegal spaces in many regions in Colombia, especially those related to the previous absence of the state, the presence of groups working outside the law, etc.

As a result of this, Midas intervenes through agro-business, forestry and small- to medium-size business projects, and in the reform of sector-wide policies to generate legal and competitive working environments, in alliance with private and small businesses.

The model used, which seeks to involve associations and organizations of small producers from vulnerable communities in the world of palm oil, has had good results. But there is without doubt much work still to do to honor the goals of sustainability as a norm in the RSPO brand certification in the future.

The initiative for these projects comes from business-people who feel social responsibility, with the long-term objective of creating strong and legal regional economies. To this end, several instruments are needed, some of which are still being designed.

The principal tool used for this purpose is the organization of open competitions led by private business-people and by producers' organizations which have begun to develop a business-like mentality, which understand the business dynamic, and which have joined together. Feasibility studies are also carried out by them economic, financial, environmental or technical. The contribution of Midas, which operates as the catalyst for alliances between the private sector and small producers, is to offer technical support, to ensure the availability of credit, to strengthen and to accompany the organizations, in such a way so that they have a business mission, adequate environmental standards, and the correct plant material they require at their disposal.

From the outset of each project, small producers are instructed on the theme of sustainability. For example, there is close study by the associations of the environmental guides and, in partnership with businesses, of the regulations of the United States which need to be complied with in order for these businesses to take off.

As has been mentioned in the conferences of this event, the subject of information is also critical for small producers. They must be informed about the market and be able to respond in kind with reports, which must be based on their principal tool, the commercialization agreement.

Orientation of the Midas Project

The program began in 2001 with some competitions which were repeated in 2002 and which were developed with the first resources that arrived with Plan Colombia, the co-operation plan with the United States. For Midas, it is a pleasure today to have with us José and Gustavo, two people who responded early on and who now are businessmen who form part of the well-developed organizations that are working in the field, changing a region in the Catatumbo area. They are present in this RSPO meeting to think about, and to analyze, the structure

of their associations as pertaining to the theme of their sustainability.

Midas has sought to support projects which have the following characteristics:

- Regional projects which promote productive development with a rural impact;
- Co-operation with the private sector, and strengthening of the core organizations;
- Initiatives which assure short-term well-being (income and food security), and which cement the prosperity of the productive project;
- Support for institutional reform to encourage a better insertion of the country into international markets.

Midas has had to do an intense piece of work on credit so that the banks understand how they can support small producers, with what type of guarantees, etc, and at the same time on institutional reforms to support them.

The work is the principal activity that the peasants have in the projects.

The entirety of Midas' projects (agro-industrial, forestry, and with small and medium-sized businesses) have generated 144,000 jobs and benefited approximately 435,000 families.

There exist today 74,000 sown hectares (which it is hoped will number 170,000 in 2010), 495 projects and 1.3 billion Colombian pesos committed (US\$650 million).

The interesting aspect of these results is that their success is due to an important fact, namely the understanding that the corporate social responsibility inherent in working between big and small producers does not begin due to the lack of peasant and small-holder associations, but rather from valuing the active participation of these same actors.

In this exercise, when 1.3 billion pesos are referred to as having been generated, the effort of small

producers is that which is most valued; in the two sections there are 426 million pesos (US\$200 million) that includes the daily valuation. This is to say that work is the principal activity that the peasants have in the projects. Furthermore, the credit variable has been included, because the exercise of individual and group credit permits the sustainability of the projects.

Why the palm oil sector?

Why has palm oil become such an important effort by USAID-Midas and the national government?

- From the perspective of alternative development and the substitution of illicit economic sources for legal ones, palm oil is found to be a dynamic productive chain, competitive and prioritized by the government;
- It has been found that the sector generates sustainable and adequate income by comparison with other possibilities in the field, and that it ensures legal occupation of the territory;
- There exists, as this same RSPO meeting demonstrates, a solid and recognized institutional structure (associations and centers of research and technology), and strong businesses;
- Colombia has a competitive advantage in developing this industry;
- The possibility exists to create alliances between small producers and agro-industry.

The strategy of the national government, supported by the private sector and by international cooperation, has generated the necessary conditions to establish alliances between small producers by means of the following mechanisms: institutional arrangements (financial, business-related, and organizational), financial instruments and development of new markets.

The government strategy has made viable palm oil plantations of between 10 and 20 hectares, thereby facilitating the involvement of producers hitherto disconnected from these markets. When one looks at the evolution of the concept of corporate social responsibility in the palm oil sector, one concludes that these alliances are not merely an investment exercise that the private sector is practicing with a handful of social



projects, but that it is actually the small producers and the vulnerable population groups that can function within the business chain, some as providers and the others as clients.

In 2007, there were 328,000 hectares sown with palm oil in Colombia; the resources of USAID and the Midas program are now supporting the sowing of a further 51,300 hectares of palm oil cultivations, owned by approximately 4,800 agricultural families, who live in zones where there is a strong influence of illegal crop cultivation, and who can now call themselves businesspeople.

Overall, the palm oil portfolio consists of 24 projects. As I mentioned earlier, here there is an important initiative by the businesspeople of the sector and a response from those involved, in their understanding that they are building links of mutual confidence. The total cost of the portfolio is US\$194 million, of which US\$20 million comes from USAID.

Conclusions

- With regard to palm oil, the strategy of USAID/Midas, which represents an effort at cooperation between the United States and Colombia, has managed to link up with the private and official sector for the transformation of deprived rural areas by means of the consolidation of a legal business culture and the formation of social capital. This has been an immense goal, and of course there are still many things to achieve in terms of strengthening the field, of working with the organizations, and the projects' sustainability.
- The anticipated production, when the plants are producing at full capacity, will exceed 1.3 million tons per year of palm fruit, equivalent to 250,000 tons of palm oil;
- The consultation for the plantations which is now being implemented with the support of USAID ensures good planning and execution of the technical assistance necessary to produce the anticipated quantities;
- USAID directly supports 4,809 families in agriculture in zones likely to contain areas of illegal crop cultivation. Today there are 69 small producers' associations which have a high business per-

formance. An improvement in small producers' incomes has been attained by the factor of a minimum of one or two minimum wages, and up to over seven minimum monthly wages.

- There is now a network of strengthened associations which, beyond being productive, have created an enormous amount of social capital in regions previously abandoned by the state, in which irregular groups cultivating illicit crops abounded. Today they are a multiplying factor, not only in terms of their productive projects, but in terms of their attraction of private and, indeed, public investment to improve roads, health centers, etc.
- The model is competitive, attains significant sector-wide impacts, promotes regional development and provides employment and legal, sustainable livelihoods to the rural population.
- The private sector linked to these kinds of models gains in competitiveness and exercises corporate social responsibility in a more complete way.
- Palm oil allows for an economic impact, the generation of employment, the development of a business culture and of legality in zones affected by violence.

Challenges Facing Sustainability

The theme of technical assistance to small producers has been especially worked on in the support schemes elaborated by donors, so that it is the business people themselves which provide the technical assistance. But the implementation of the Principles and Criteria of the RSPO obliges one to follow and accompany closely and in a demanding fashion the small businesses involved, because there has been such a significant effort to link the two together, an effort which is not to be lost. In this way, some pilot certificate programs are being prepared with Indupalma to certify sustainable palm oil, to teach these to the small associations as part of their learning process.

One of the other goals is to establish how to continue strengthening these core organizations, so that they become involved in the process of continuing improvement in such a way that they do not perceive

this to be a burden, but rather as a mechanism which will enable them to improve their quality of life and to strengthen their relationships with their strategic allies.

It has been that the experience has transformed the life of regions such as Catatumbo, the Magdalena Medio and indeed Tumaco, despite the enormous difficulties present in the municipality. There, legal

economies are being created, transforming the lives of local people. In this context, the goal is agreement between the government, international development agencies, large businesses and those of us who work in this sector to ensure that, in this new effort and in these new steps forward, the palm oil sector is going to take in the process of sustainability and thereby allow the associations of small producers to truly benefit.