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Chapter 1

From Subsistence to Business

Ten thousand rural families in Bolivia overcame extreme poverty as a direct result of the buyer-led approach applied by a rural development project funded by the United States Agency for International Development (USAID). This book explains how this remarkable achievement came about—how the project helped small producers transform their lives from subsistence to business.

Regional Setting

The Rural Competitiveness Activity (RCA or the RCA project) had as its principal objective to increase sustainable economic activity in the Chapare of Cochabamba and the Yungas of La Paz—the two coca producing regions of Bolivia. Cochabamba and La Paz are departments (similar to states) with high plains and valleys in the Andean range stretching into the tropics to the north, where coca is grown. The tropical regions where the project worked are referred to as Chapare and Yungas. Exhibit 1.1 shows the approximate location of RCA regional and central offices.

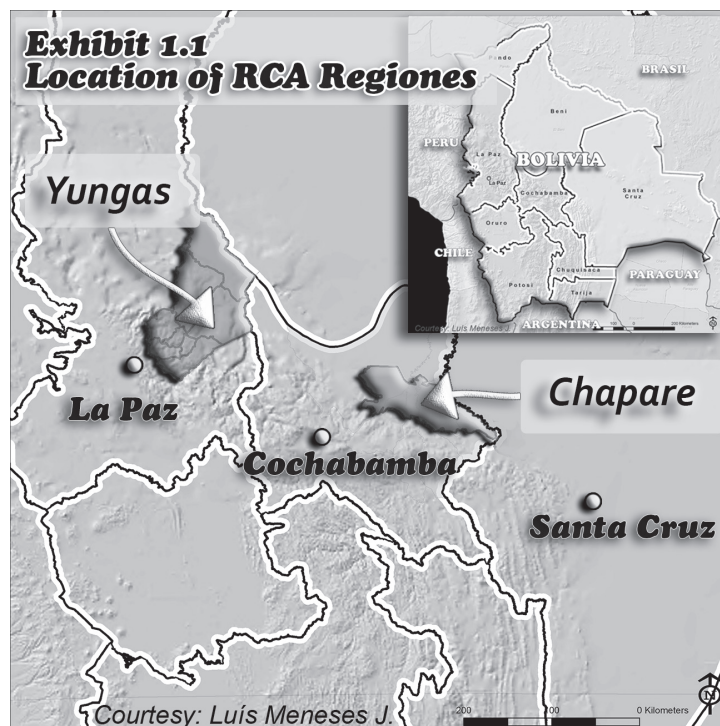
Buyer-led Approach

- Also referred to as demand-driven approach
- Involves identifying buyers, often in urban areas
- Links buyers with rural producer groups
- Positions buyers to be engines of rural growth
- Focuses on aiding rural suppliers in responding to market demands
- Emphasizes developing products of uniform quality that can command better prices

Because this book promotes the wide application of the buyer-led approach, it does not go into detail on the specifics of the country setting in Bolivia and the coca-growing regions. However, a brief description of the two regions is included to provide general context and facilitate comparisons with other countries and settings.

The Chapare

The Chapare was settled in recent decades by immigrants or “colonists” from the Andean valleys and highlands of Bolivia. The region lies along the main highway connecting the city of Cochabamba to the eastern lowland city of Santa Cruz. This route provides access for banana, pineapple, and other tropical products to national markets, as well as to Argentina and potentially other international destinations such as Brazil and Uruguay. Primarily through the efforts of USAID-funded projects, including RCA, the region has an excellent network of farm-to-market roads that connects more than 600 rural localities to the main highway system. In 2005 the population was estimated at just over 40,000 families, more than 30,000 of whom were living in rural communities.



When RCA began in 2005, most rural families cultivated very small tracts of coca to offset day-to-day family expenses. But the majority of family income was derived from subsistence farming, including banana, citrus, yucca, rice, chickens and cattle. Families typically sold a portion of their production to truckers, commonly known in Bolivia as *rescatistas*. Literally, *rescatista* means rescuer—a person who “rescues” the product for shipment to market before it spoils.

Before the RCA project began, commercial value chains for export of banana, heart of palm, and pineapple had already begun to operate. Many farmer associations had been formed and operated through the assistance of development projects.

The Yungas

The Yungas is accessible from the city of La Paz over the now famous “Death Road” used by adventure cyclists. The higher elevations of the Yungas were populated many decades ago and became the principal producer of coca for traditional uses within the country. Coca in this area was cultivated on bench terraces in small plots perched on steep mountainsides.

The migration of “colonists” from the highlands continues toward the lower elevations farther north, including areas called Caranavi and La Asunta. Principal crops include coffee, citrus, mango, and other tropical fruits. Farther north in an area known as the Alto Beni, cacao and cattle are common. Aid projects had also attempted banana and tea in this area. Coffee cooperatives are dominant throughout the entire Yungas region, with Caranavi serving as the principal commercial hub. A central cacao cooperative that affiliates many small cooperatives was established in Alto Beni. The newest area of settlement, La Asunta, was dedicated primarily to the expansion of coca.

In 2005 the population of the Yungas was about 32,000 families, 28,000 of whom were living in rural communities. At that time, subsistence farming combined with sales of coffee, citrus, or other products, including coca, allowed families to eke out a meager living. Male household members in the Yungas commonly seek day labor off the farm, leaving wives to care not only for the family, but also subsistence crops. As children come of age they often move to

distant cities. Thus the size of rural families has dropped over time to an average of about four people. Many family units consist only of an aging couple.

The Rural Competitiveness Activity (RCA)

The RCA project began by taking over activities of previous US-AID-funded projects that encouraged non-coca productive activities in the two regions. Although funded under the USAID alternative development program, fortunately, the stranglehold of coca substitution was not applied, meaning that coca reduction was not a condition for receiving project support. The RCA project was able to operate just like any other development effort, practically without regard to coca control. Still, the political environment was sometimes in conflict with the goals of the project because the Bolivian government at the time took a pro-coca stance. These conflicts eventually led to the closing of project operations in Caranavi, the primary commercial center of the Yungas. Just as this limitation was surmounted, project activities were prematurely terminated in the Chapare. Also, the co-investment grants program was temporarily suspended, leaving various initiatives of small producers in the air. Finally, concepts such as value chains and private business were continually questioned.

Previous projects in the two regions dating from earlier decades—even before illegal coca gave rise to the narcotics trade—had introduced technology, installed infrastructure, and improved productive capacity, so the RCA project was not starting with a blank slate. However, successive projects over time created a heavy dependence on donor resources for technical assistance and funding. Virtually all principal farmer organizations depended on subsidies received from aid projects to maintain their competitive edge. For instance, in the Chapare, field operations and post-harvest handling were supervised largely by technical personnel employed directly by development projects. Project personnel were instrumental in maintaining contacts with buyers and monitoring conditions in distant markets. Relationships between farmers and buyers were passive, as projects took the lead in pushing supply. The structure of support focused on using resources to provide assistance to producers and strengthen farmer organizations. When projects ended,

beneficiaries often saw that nothing had really changed and consequently lost interest. Community and farmer association leaders, anxious to prove their worth to constituencies, depended on the next project to offer continued support.

RCA was given the mandate to seek out business opportunities for small producers in order to generate commercial sales. Sales would mean greater family income and increased employment. Additionally, the project would have to achieve a large coverage of rural families participating in businesses and an expansion of the area cultivated with crops other than coca.

RCA was encouraged to work with small producers, in part because of the mandate to reach out to a majority of the rural population in the regions with non-coca alternatives but also because of the rejection by the Bolivian government of supporting private companies. For some purposes, the RCA project further interpreted the concept of small producer to mean families cultivating less than five hectares of crops such as banana, cacao, and heart of palm. Although this interpretation was not applied as a hard and fast rule, the project generally prioritized families living in extreme poverty.

RCA Business Clients

- Were interchangeably referred to as clients, producer groups, business clients or client groups
- Averaged 36 families organized as suppliers in value chains
- Were usually located within a single locality or community
- Occasionally consisted of organizations that encompassed several smaller producer groups

In practice, most RCA clients consisted of producer groups organized by small farmers or rural families within a single rural locality or community. Some business clients were central farmer organizations that represented many smaller producer groups. Support to private companies was limited to opening market opportunities for products of small producers. (See Appendix A for a more complete typology of RCA business clients.)

Another expectation was that project activities should be sustainable. Regional economies should become more dynamic so that businesses and organizations could sustain their activities and reduce their dependence on subsidies from international aid programs.

To develop the market-driven approach, which was further interpreted as the buyer-led approach, RCA was able to draw from two previous USAID-funded experiences. First was the Poverty Reduction and Alleviation Activity (PRA) implemented by Chemonics International, Inc. in neighboring Peru. This project developed the concept of the market-driven approach, demonstrating that the rural development process must begin by identifying buyers, who are usually found in urban areas. Interaction between buyers and suppliers serves as the basis of value chains. In contrast, most development efforts are “supply-push” in nature, in that they provide assistance to improve production without first engaging the buyer and identifying opportunities for increasing value. PRA showed that the focus should be on commercial sales made by clients, rather than on project assistance. The model was extended to Kosovo, Paraguay, and other countries before being adopted by RCA in Bolivia.

In the second foundational project, Crimson Capital Corporation provided a model of purchase order financing from initial experiences in Macedonia, Kosovo, and Armenia. Purchase order financing allows small farmers to borrow from banks by using purchase orders as collateral. Loans are repaid by the buyer upon receiving the product.

USAID provided the funding and charged Chemonics and Crimson with implementation of RCA. But neither of the two previous models could simply be applied out of hand—not just because of the country setting, but also because the business approach implies constant evolution. The RCA experience, for instance, was developed through a process of innovation from the beginning through to the end, and indeed there are many more aspects left to be explored and further developed.

The RCA technical team consisted of a handful of local specialists in central offices and four regional offices. The central office had one or two specialists in business opportunities, environmental

management, social capital, and finance. Regional offices each had two or three business advisors, one of whom also served as office head. Therefore the entire technical staff consisted of ten people at the central level and ten in field offices. The technical team worked especially with the monitoring unit, which also stationed a person in each regional office, and with the grants management unit.

This book focuses on the central core of the RCA project in developing business plans with small producers. However, the project undertook many parallel activities—some of which were complementary to business development and others that were of dubious benefit. Some of the activities were picked up from previous projects and were re-oriented to the business approach. The following are among the most important activities carried out by RCA:

- Improve logistical procedures and infrastructure at the primary border crossing into Argentina for perishable products such as banana and pineapple
- Complete a study of fruit flies, as required by authorities in Argentina and Chile to continue accepting exports from Bolivia
- Obtain approval for a new form of organization called joint venture associations, so that producer groups could open savings accounts
- Conduct studies and training in purchase order financing for personnel of financial institutions
- Carry out the Cup of Excellence™ program to introduce Bolivian coffee into specialty coffee markets around the world
- Introduce tropical fruits such as banana and citrus to school breakfast programs of municipal governments

These complementary activities were sector-wide, rather than specific to implementation of any single business plan. Some were transferred to responsible government agencies and others to private organizations, such as the federation of banana exporters. A separate arm of RCA also continued to assist in improving farm-to-market roads, which is a responsibility of municipal governments. Although important to the success of business activities, these sector-wide topics are not directly discussed in this book.

Organization of Chapters

RCA boasts large numbers of families overcoming poverty as a direct result of the efforts of international aid—a statement that no other development project has been able to make. Because of the importance of this claim and its relevance to justifying the approach and focus of the project, the analysis quantifying the number of rural families overcoming poverty is presented at the beginning. Hence, the following chapter examines the question of poverty in the context of rural Bolivia, summarizes the analysis showing increases in income as a result of commercial sales, and arrives at the number of families rising above the level of extreme poverty.

Chapter 3 describes the origins of the “self-implementation” approach in Bolivia and the emerging notion that the small producer can undertake business activities. The approach taken to avoid displacing local service providers receives special attention. Chapter 4 explains how legal systems and administrative requirements limit the ability of small producers to organize and participate in businesses on the same footing as commercial companies. It describes how RCA worked with financial institutions to generate solutions that would allow producer groups in remote rural areas to organize and register under the law.

Chapter 5 shows how co-investment project grants were used to support farmer groups or business clients. Chapter 6 explains how business plans were prepared and implemented and provides a glimpse of life after project support had ended. Chapter 7 provides a down-to-earth view by summarizing examples of successful business ventures carried out by small producers.

Chapter 8 focuses on monitoring, laying out a series of indicators from inputs to impacts. Sustainability, dubbed the forgotten indicator, receives special treatment. Lastly, Chapter 9 considers the basic themes of this document, showing that the small farmer can undertake business activities and calling for a focus on the success of clients, rather than that of development projects.

Chapter 2

Overcoming Poverty

It is unheard of for a development project to claim that thousands of families overcame poverty as a direct result of project efforts. Indeed, only after the demand-driven or buyer-led approach took shape in the RCA project the team saw that many rural families were generating enough sales and income to significantly change their economic well being. Only then did the author determine to test the assertion that an important number of families would overcome poverty because of the business focus promoted by the project.

Many readers will (and should) doubt a claim such as this and will want to examine the evidence. This chapter presents the case supporting the above assertion, starting with a determination of the poverty line based on rural family income in Bolivia. The second section explains the methodology applied in the analysis, and the third section calculates the number of families that rose above the poverty line because of project support.

Poverty Line

A dollar-a-day or less per person has been the most widely recognized estimate of poverty and certainly the most robustly applied from country to country around the world. This estimate was derived from a World Bank study and was updated to \$1.25 per day per person for 2005.

For the two coca-growing regions of Bolivia, \$1.25 per day per person translated into an annual family income of nearly \$1,800 for 2009. Of course families with annual incomes of \$1,800 would certainly be poor by the standards of high- and middle-income countries, and in that context, a dollar-a-day is sometimes referred to as the level of extreme poverty. In other words, the annual income level

that reflects extreme poverty varies throughout the world. In rural Bolivia, where annual family income averages only \$1,550 per year, surpassing an income of \$1,800 is highly significant. This level seems to mark the point of inflection that separates those families that are stuck in subsistence and poverty and those that increase incomes to achieve a new level of well being.

Rural family income in Bolivia is derived from home-grown crops and livestock products consumed by the family, the sale of agricultural products, non-agricultural activities, and off-farm employment. About half of rural family income comes from agricultural production, while the other half comes from off-farm work or non-agricultural activities (see Exhibit 2.1).

Subsistence income derived from home-grown production consumed by the family and occasional sales of products from the home plot plus sporadic off-farm, non-specialized work seldom generates enough for families to reach or surpass the poverty barrier. But with increased sales of commercially grown products as part of an organized value chain, together with income from the

Exhibit 2.1 Structure of Rural Family Income in Bolivia, 2002

Source of Income	Annual Income	Relative Weight
	(US Dollars)	(Percent)
Consumption from farm plot	249.60	19
Livestock sales	154.70	12
Sales of commercial crops	274.30	21
Non-farm income	505.70	39
Labor income	114.40	9
Total Rural Family Income	1,298.70	100

Source: Ronald Anzoleaga. Technical Recommendations for Impact Evaluation, RCA. Based on information from the Instituto Nacional de Estadísticas, MECOVI 2002 and UDAPE 2003.

farm plot, families can quickly reach and surpass the poverty level as defined by the World Bank. Roughly \$1,000 in commercial sales from business activities, together with \$1,000 in other income, puts family income above the poverty line. From that beginning, many families go on to achieve higher levels of income, often with sales of \$5,000 or more.

RCA's experience in the two regions confirmed the marked change in perspective in the lives of people who managed to overcome extreme poverty. To demonstrate, the project collected hundreds of testimonies from families trapped in poverty and others that had recently risen above the line of extreme poverty. Testimonies from families that achieved sales of more than \$1,000 of commercial products (which, combined with other family income, reached levels above the poverty line) contrasted with those of families trapped in extreme poverty.

Despair and lack of hope are common among families trapped in poverty and subsistence in rural areas:

- No, my income doesn't cover. We barely get by. We just subsist. Nowadays a hectare of crops is difficult.
- Of course we cannot earn enough to cover our needs. The tangerines don't produce. Sometimes avocado trees don't either.
- Our kids hardly ever come to help. They leave and don't come back.
- We spent all of our youthful years here, but we have not been able to accomplish anything. We are not better off.
- My parcel of banana is not enough. I have to look for day labor. Cutting trees also.
- We are no better off. I would like to find a good market that pays well for our products.
- I am 23 years old and am already thinking about leaving to start up some kind of business.
- Sometimes we think about planting coca, whatever turns out to be easier.
- My children have left. I have a cow and plant rice to live.
- The house has not improved. It is shameful.
- We plant rice and yucca to eat. Not enough to sell.

12 *The Small Farmer Can*

- Things stay the same, with just enough to eat and raise the kids.
- We have always lived like this.
- My kids have left for other countries. One is a medical doctor in the United States.
- We have just enough to get by—our daily bread.

The list could go on, seemingly forever, with the same comments repeated over and over. In contrast, comments from families that have overcome poverty express motivation and emphasize savings and investments:

- When we began to sell for export, the people began to believe and gain confidence. We expanded plantations and improved the quality of fruit. Now we have formed a group to produce for export.
- The companies that market our products provide incentives. Besides, the competition among them to buy our products motivates us to plant more heart of palm.
- We can now even save part of our income. I bought a small truck.
- When we began weekly shipments, enthusiasm quickly rose. Demand among buyers continues to be strong.
- Fish culture does not require heavy work. Production cannot meet demand.
- We do not produce just to get by, but for increased savings and investment.
- In the future we are planning to export banana. That is why we are consolidating plantations into organized blocks with cableways and packing sheds.
- Now I have four hectares and I want to increase to ten. Then I will be able to enjoy greater income and increase savings.
- Develop a bit, improve conditions, improve production, quality, all that, right? That way we can sustain and improve our lives, above all.

Both lists above are typical of hundreds of testimonies received from rural families in the two regions.

Meanwhile, families still in the process of transitioning from subsistence into commercial production for the first time commented differently, sometimes expressing frustration and anxiety and sometimes expressing hope for better times in the future:

- Coffee goes for \$150 per hundredweight because this year we are exporting. We need to continue expanding so that there is more production.
- Some neighbors do not trust producer groups, so they do not invest to increase production.
- In 2002 we began with a small patch of pineapple. Now I have nearly two hectares. In 2005 we began exporting.
- My pineapple plantation is small so I can barely support my family and maintain the parcel. I sell 150 boxes for export and more for local markets to earn \$540 a year.
- Camu camu [a plant native to Amazon that produces a red berry high in Vitamin C] generates additional income. I use the money to plant heart of palm and plantain.
- I plan to use my savings to buy a parcel with better soils. Meanwhile I have to continue subsisting on this plot of land.
- I am planning to increase to ten ponds with 1,000 to 1,500 fish each. This land is not good for anything else.
- I learned carpentry as a means of making a living. At first I did tables and chairs using only a chain saw. Little by little I have added better tools, as you can see. All this is from my earnings and savings.
- We should produce what we can sell best.

Based on the evidence from national statistics and testimonies from families in the two regions, for the purposes of this analysis we consider \$1,000 annually in commercial sales as the level that opens the door to overcoming poverty. One thousand dollars in sales of products in formal value chains together with other forms of income allows rural families to surpass the poverty line of \$1,800 yearly in family income.

Methodology

RCA officially began in March of 2005 but, like many development

efforts, encountered serious challenges at the beginning and was not able to operate effectively until the end of the year. The current analysis was carried out with data available up to December 31, 2009, well before the project closed in 2012. Because of the short time frame between the point when RCA began to effectively apply the buyer-led approach and the conclusion of data collection for this analysis, the study tracks the histories of producer groups over only a few short years.

To identify rural families that overcame the poverty line, the analysis began with client groups in the project database (SIS-AR-Co) for which complete data were available, particularly regarding sales, for three years. Therefore, the analysis begins with the 201 producer groups for which there were complete data, out of the total of 365 that had developed business plans approved by the Bolivian government and USAID officials to receive support of the project.

The time frame for the analysis includes a base year and two more years and is specific to each client or producer group, depending on when each began working with the project. For instance, 120 families formed a group called Santa Lucia to produce banana in the Chapare and signed a business plan with the project on January 7, 2006. Therefore the base year was from January to December, 2005. Direct project support to this business client lasted 17 months, taking up year one and nearly half of year two. Another 35 families in the Yungas formed a group called Pocitos to grow and market cacao (i.e., chocolate). The group signed a business plan on November 16, 2007, and received its final disbursement 18 months later, on May 6, 2009. The base year for this client went from November 2006 to October 2007. The two successive years for the analysis of increased sales ended in October 2008 and October 2009. Therefore, the base year and following two years were defined according to the date of initiation in each case. Some of the basic information for these two examples is shown in Exhibit 2.2.

Among the 120 banana producers in Santa Lucia, average sales income per family increased from \$300 to \$2,589 in just two years—enough to raise those families above the poverty level. Cacao producers in Pocitos had no commercial sales before the project but achieved sales of \$547 per family in two years—a significant amount

Exhibit 2.2 Examples of Producer Groups–Business Clients

Producer Group	Total Sales		Average Sales per Family		
	Base Line	Year 2	Base Line	Year 2	Increase
	(US dollars)		(US dollars per family)		
Santa Lucia	36,000	310,659	300	2,589	2,289
Pocitos	0	19,145	0	547	547

Source: RCA data base (SIS-ARCo)

for very poor families but not enough to rise out of poverty.

To determine the number of families that overcame poverty as a result of project support, those families that reported sales of more than \$1,000 per year as a baseline before they began working with RCA were excluded from consideration. Because these families were already above the poverty line through their ongoing business activities before receiving support, their success cannot be attributed to the RCA project.

From there, families that were below the poverty level at the time they began working with the RCA project were divided into three categories:

1. Those who increased family income to a level above the poverty line within the period of the analysis
2. Those who were well on their way to raising their income above the poverty line, as demonstrated by growth in sales and the recent success of other families working in the same subsector
3. Those who were able to improve their income but not enough to ensure passing the poverty barrier

The sum of items 1 and 2 above generates the portion of families overcoming poverty as a direct result of the business model supported by the project. By December 2009 the RCA project had

helped 17,707 families develop business plans. Most of these—9,470—had begun the process early enough to be able to report sales and other data for three years—two years after the base year.

As mentioned above, a first step was to exclude families whose baseline sales exceeded \$1,000, because they were already above the poverty threshold before working with the project. The 785 families in this situation represented eight percent of the total. A majority of these—543 families—produced bananas and pineapple, primarily for export to Argentina, and 94 families were poultry producers. The rest were involved in papaya, mango, cacao, citrus, and live-stock production.

The analysis, which is summarized in Exhibit 2.3, focuses mainly on the three categories of families that began developing business plans with RCA when they were still in poverty. The 3,145 families in the first category saw sales rise \$1,000 or more by the second year. These families attained this new level of commercial sales in record time, by the second year after developing their business plans. They clearly overcame the barrier of extreme poverty during the time period of the analysis.

The second category of 2,728 families had not yet attained \$1,000 in sales per family by year two. However, from all indications these families were in the process of increasing their commercial sales, and their incomes could be expected to surpass the poverty barrier in one or two more years. This was evidenced by current com-

Exhibit 2.3 Families According to Perspective for Overcoming Poverty

	(Number of families)
Total families	9,470
Over poverty line before working with Project	785
1) Overcame poverty within life-of-project	3,145
2) Solid growth in sales	2,728
3) Improved incomes, but unable to break barrier	2,812

Note: Data are for families in SIS-ARCo with complete sales records for three years (base line plus two more years as of December 2009).

mercial sales of more than \$250 per family derived from economic activities that offer promise for the future.

Finally, the 2,812 families in the third category did not appear to be in a position to break the poverty barrier. Despite efforts to improve production through a business approach, gains were still modest, with annual sales of less than \$250. Nearly 750 recent entrants into heart of palm production head this list because the severe economic downturn of 2008 affected prices just as their newly established plantations were coming into production. Other subsectors showing low sales included amaranth, flowers, and fish, plus new ventures in tourism. Buyers of crops such as organic black beans and camu camu closed operations after having difficulty sourcing sufficient volumes of high-quality product at reasonable cost. New buyers for some of these products were located, but supply problems persisted.

Still, it was feasible for many of these marginal subsectors to turn around and become economically viable. For example, at the time of the RCA project, fish culture and tourism were new and rapidly expanding activities. Growers of paprika continued to have high aspirations because of the ongoing demand for their product. Still, at the moment of the analysis it was not clear that these activities would necessarily offer sufficient opportunities to increase sales. Therefore families engaged in these activities were classified as being unable to break the poverty barrier.

The analysis did not end with the examination of project data. Applying the results from SIS-ARCo data alone would have suggested that 68 percent of families who began the project in poverty could be successful in overcoming the threshold of \$1,800 per year. However, SIS-ARCo data are not from individual families, but rather from 201 business clients or producer groups. Sales per family are averages for all the families in each group. But averages can be misleading. What if a few families in a given producer group or business generated most of the sales, while the majority still remained in poverty?

To investigate this question further, the analysis was extended to sales records from buyers—i.e., companies, cooperatives, exporters, and others who purchased products from small producers. Buyers record specific amounts of products received from each

family, along with payments made to them. Not only are these records specific by family, they are reliable virtually to the penny. Purchase data were obtained from 25 companies that obtained products from 6,815 growers or families in 2007, and again from 53 buyers for 8,049 families for 2008.

The three data sets—SIS-ARCo and the two years of buyer records—contain roughly similar numbers of families. Although many of these undoubtedly are the same families, it proved impossible to track individuals by name and location. Suffice it to say that the three data sets derive their information from the same population (albeit at different moments in time) and therefore represent the same universe of producers. Based on interviews with people familiar with the two regions, including the principle buyers of products, the universe of producers supplying products in formal value chains was estimated at 14,906 (see Exhibit 2.4).

The procedure used for the SIS-ARCo data set to determine the number of families emerging from extreme poverty was then applied in a similar manner to the data sets from buyer records from 2007 and 2008. Whereas analysis of the SIS-ARCo data suggested that 68 percent of families were successful in raising their income above the poverty threshold, the data set from buyers in 2007 put the estimate at 63 percent. The results from 2008 showed a somewhat lower success rate of 56 percent. This cross check with data from an external source verified that sales income is distributed relatively evenly among participating families within each producer group. Therefore, the results verify the validity of the analysis based on the RCA project database, although using this data source exclusively would slightly overstate the impact of the project.

The estimate from 2008, the lowest of the three, was adopted for this analysis for two reasons. First, the results from 2008 appear to already reflect the severe downturn in the global economy. Immediately after the economic crash, orders for heart of palm virtually ceased. This curtailment in sales directly affected thousands of small suppliers whose crops were just coming into production. Sales of some other products were similarly affected, but less dramatically. Second, climate change seemed to be taking its toll in some areas, causing havoc through severe flooding.

**Exhibit 2.4 Universe of Suppliers Compared to
Three Samples**

Subsector	Universe of Suppliers	SIS- ARCo	Buyer Records 2007	Buyer Records 2008
	(Number of rural families)			
Coffee	5,591	1,545	879	1,126
Heart of Palm	2,250	1,236	2,246	2,441
Cacao	2,046	1,856	1,205	2,300
Banana	1,261	1,082	1,014	959
Pineapple	670	522	316	299
Citrus	600	306	581	87
Honey	562	619		186
Beef Cattle	306	495		82
Fish Culture	256	238	46	22
Papaya	222	305		135
Paprika	216	163	110	
Poultry	164	107		31
Amaranth	162	258	51	189
Stevia	127			
Mango	101	61	53	143
Beans	75	171		
Rice	72	53		17
Tea	60		214	
Passion Fruit	50	100		
Plantain	32	38	12	
Flowers	30	38		
Wood Products	28	28		16
Handicrafts	25	15		16
Camu Camu		84	88	
Tourism		56		
Turmeric		40		
Tomato		30		
Agricultural Services		14		
Clothing		10		
TOTALS	14,906	9,470	6,815	8,049

Ten Thousand Families Overcome Poverty

As a final step in the analysis, the results were expanded to the total of families receiving project support. This figure stood at 17,707 by the end of 2009 and was expected to reach 20,000 soon after. In fact, the final RCA report presented to USAID cited a total of 25,300 families reached by the end of the project in 2012. For simplicity, the results were expanded to an even 20,000 families.

Applying the same rates of success dictated by the estimates resulting from the 2008 data set, more than 4,700 families out of 20,000 would rise above the poverty line as a result of the business approach within the period of this analysis, and another 5,500 would likely pass this barrier within a short time. The RCA project can therefore boast a total impact of more than 10,000 families lifted out of extreme poverty through the business approach to rural development (see Exhibit 2.5).

By reaching 20,000 families when the universe of formal suppliers was estimated at less than 15,000, the RCA project placed itself ahead of the curve, involving an increasing number of subsistence families that had never been part of commercial production and value chains. This confirms once again the priority of the project to reach out to marginal families stuck in subsistence and poverty. The RCA project carried out an exhaustive appraisal of rural communities and families to track its progress in achieving the widest possible coverage of the rural population.

**Exhibit 2.5 Expansion to Projected Total
of 20,000 Families**

Detail	Families
	(Number)
Total projected number of families	20,000
Over poverty line before working with project	1,660
Improved incomes, but unable to break barrier	8,128
Have overcome poverty or are in process	10,212

* * *

The following chapters go on to demonstrate how these remarkable results were achieved, beginning with the process of learning to listen to small farmers and unlearning many of the standard practices traditionally applied in rural development.