

# **“New” Approaches to Rural Development in Latin America<sup>1</sup>**

by

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The last decade has seen the emergence of a new generation of rural development initiatives that differ markedly from the previous approach of integrated rural development. In this note, we characterize this new approach, review a set of “successful” case studies prepared under the sponsorship of CEPAL and FAO, and extract preliminary conclusions as to what these approaches have contributed that is new, in what aspects they seem to have been successful, and also what are some of their shortcomings. Because of a serious lack of impact assessment, conclusions about achievements are only preliminary. Current analyses have in particular not looked sufficiently into heterogeneity of impacts across communities and households in order to establish for whom the programs have worked better and why. We thus also conclude with suggestions for a research agenda to answer pending questions.

## **I. The new approach**

To assess the logic of the new approach and engage in comparative analyses across case studies, we need to place it in a framework that gives us analytical categories. The logical framework that we propose is presented in Figure 1. The objective of the framework is to explain the determination of rural household welfare as represented in the left-hand column of the figure. Households control a wide variety of private assets and use these assets in a context that includes both the broad economic structure, policies, and private sector strategies, and the more local context of public goods, institutions, and organizations on which they can call. Given assets and context, households choose strategies to maximize their income.<sup>2</sup> The overall welfare of households combines their private income and the basic needs directly supplied to them from social public goods or social services. As rural development programs cater to the welfare of rural households, they include interventions that can affect households’ asset positions, their context, or the direct provision of basic needs, as reported in the center column of the figure. Finally, the right-hand column specifies the development agents who support the rural development programs.

We start by observing a number of structural features of rural households that determine the logic of the “new” approach to rural development. The first is that households are characterized by a great degree of heterogeneity in their control over assets and in the contexts where they can give economic value to these assets. As a consequence, they follow a wide variety of income strategies that need to be accommodated by rural development interventions. They typically choose strategies that involve pluriactivity, combining sources of income that cut across economic sectors but are integrated through the geographical dimension where they occur. The second is that there are complementarities in the use of the assets they hold. As a consequence, the return to any single asset largely depends on the full portfolio of assets that they control, and on the institutions and public goods of the context where they operate. This implies that rural development interventions need also consider the complementarity of assets to ensure their full positive effect. Third, households and local organizations control information that is private or only locally public. As a consequence, agents external to the community do not have direct access to this information, and need go through intermediaries to access it. Local institutions, eventually integrated with broader national and international institutions, thus have an important role to play in a new approach to rural development. Finally, households engage in strategies that are both individual and collective. The collective dimension of these strategies may come from access to common property resources, but mainly

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<sup>2</sup> This is a simplified structure that disregards the fact that when there are missing markets, households provide goods and services directly for their own consumption in a way that cannot be exactly equated to an equivalent income. In that case, their income generating behavior is also influenced by their consumption preferences and the availability of basic needs. This is referred to as a welfare or livelihood strategy rather than an income strategy.

from the quest for economies of scale, market power, and political advocacy that can be achieved through associations.

These features of household income strategies dictate a number of the characteristics of the “new” approach to rural development that make it differ from integrated rural development. They can be classified in the following six categories:

1. National coordination

To avoid contradictions and replications, a particular rural development initiative needs to be coordinated with the broad policy-making process, with other rural development programs, and with initiatives originating in the private sector. Coordination becomes all the more important as the dimensions of new rural development programs become more comprehensive to accommodate heterogeneity and complementarities, far exceeding the agricultural focus of integrated rural development. As exemplified by the case studies, there exists a multiplicity of institutional alternatives to achieve this purpose.

2. Subsidiarity and territoriality

Major advances have been made in efforts to decentralize governance following the subsidiarity principle. For activities that imply economies of scale and regional externalities, optimum decentralization is at the regional level. For many other activities, it is at the municipal level. These levels of decentralization in principle allow to better cater to the specificity of the target population and to take a territorial approach to rural development that transcends a sectoral approach, and hence to accommodate heterogeneity and pluriactivity.

3. Program complementarities

Successful use of the productive assets held by poor households requires access to complementary assets, (economic) institutions, and (economic) public goods. Following structural adjustment and state contraction, rural areas have been left with institutional gaps where services formerly delivered by parastatal agencies have been discontinued and where the private sector has not (or not yet) captured the opportunities left by state withdrawal. In many other instances, there are institutional demands that had never been serviced by the state, and where new institutions need to emerge. Public goods are important complements to private assets, and the type of public goods needed for the rural poor to extract value from their assets need to be in place. With state contraction, urban biases, and biases against the poor in the choice of public goods offered, this is frequently not the case. Rural development programs must consequently achieve a balance between investments in asset creation for the poor and investments in public goods and institutions to make these assets maximally productive.

4. Demand-driven approach

Due to heterogeneity (in assets and contexts) and to private information, households and communities are best placed to identify the components of rural development programs from which they could derive greatest return. For this reason, “new” approach rural development programs typically are organized to respond to demands for program assistance, with demands originating from households, grassroots organizations (GROs), and municipalities.

5. Based on local organizations

The formulation of demand for rural development initiatives cannot originate in a multitude of uncoordinated rural households, each with their own idiosyncracies. They need to be coordinated and conveyed by organizations. Because of economies of scale and externalities, these organizations are also the natural executors of projects, particularly if they involve local public goods, the construction of local institutions, and the internalization of regional externalities. New approaches have consequently focused on strengthening GROs and municipal governments and relying on them as agents of program definition and implementation.

## 6. Incentives for program objectives

There are situations where programs may have objectives that differ from those that households would have in response to market forces. This is the case if there are specific program priorities, or if there are positive externalities that are not captured at the level of the project. In this case, demand-driven projects need to manage their own demand through special transfers to households (e.g., to internalize the social benefits from educating the children of the rural poor), new institutions (for instance to pay for environmental services), and incentives to communities to deliver special types of public goods (for instance through formula matching).

The case studies reviewed for this research are the following programs:

PROGRESA (Programa de Educación, Salud, y Alimentación), Mexico  
PRONASOL (Programa Nacional de Solidaridad), Mexico  
FONCODES (Fondo de Compensación y Desarrollo Social), Peru.  
PRONAMACHCS (Proyecto Nacional de Manejo de Cuencas Hidrográficas y Conservación de Suelos), Peru  
IDR (Instituto de Desarrollo Rural), Nicaragua  
PDIC-DRI (Programa de Desarrollo Integral Campesino), Colombia  
RED (Red de Solidaridad Social), Colombia  
Previdência Rural, Brazil  
FOSIS (Fondo de Solidaridad e Inversión Social), INDAP (Instituto de Desarrollo Agropecuario), DAR (Departamento de Acción Rural), and AGRARIA SUR Ltda, Chile

These programs are summarized in Annex Tables 1 to 8 in terms of the six categories that characterize the “new” approach.<sup>3</sup>

## 2. Program types

We can classify the services provided by rural development programs into three categories according to the types of services they deliver. Most programs deliver more than one type of service.

### 1. Programs to improve households’ asset (K) positions

Households can control an array of assets that include the following:

Natural capital: land, irrigation, trees

Physical capital: tools, oxen, tractors, buildings

Human capital: education, training, experience (including knowledge of technologies)

Financial capital: liquidity, line of subsidized credit

Social capital: set of relations held with other households that can serve for information, insurance, barter and trades, patronage, reciprocities.

2. Programs aimed at improving the economic context for the valorization of assets through public goods (GE) and institutions (IE), and strengthening of municipal governments (Mun Gvt) and grassroots organizations (GRO).

Some of the important public goods that affect the value of assets held by households include infrastructure (roads, irrigation networks, electricity). Important institutions for rural development include financial services, and private firms for the delivery of technical assistance and integral management services. Important organizations that facilitate access to public goods, markets, and institutions for the households are local governance and different forms of producers’ organizations.

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<sup>3</sup> There are no tables for the Brazilian and Chilean programs.

3. Programs to deliver basic needs through social public goods (GBN) and institutions delivering social services (IBN).

These programs include education for children (as opposed to adult education which is a household asset), nutrition and health, housing, potable water delivery systems (GBN), and legal services (IBN).

These programs are complementary in helping households generate income and welfare (see Figure 1). Total income (YT) is composed of autonomous income (YA) and transfers (T). Autonomous income is derived from the joint productive use of household assets (K), transfers (T) that generate liquidity that can be used to generate further income (multipliers), economic public goods (GE), and the services delivered by economic institutions (IE) and organizations (OE). Hence, assets programs deliver K and T, while organization, institutions, and public goods programs deliver GE, IE, and OE.

Household welfare goes beyond income to include basic needs which is derived from social public goods (education, nutrition, health, housing, infrastructure) and social institutions (legal services, insurance through safety nets). Basic needs programs are the ones which deliver these services.

In the end, household welfare (W), and whether it will place a household out of poverty (broadly defined) or not, is the combination of total income and basic needs, again with complementarities between the two. Hence, basic needs can substitute for some cash income, but with decreasing returns. Basic needs satisfaction thus can only compensate for some income poverty. Failing to deliver on the income side, in spite of remarkable successes on the basic needs front, may thus still leave households in poverty.

The services delivered by each of the programs reviewed are classified in Table 1.

### 3. Some lessons

#### 1. The difficulty of raising incomes versus improving basic needs

As reported by those who developed the case studies (PRONASOL, FONCODES, Chile programs), the new approach seems to have been more effective at improving the delivery of basic needs services than at raising household incomes. By enhancing the voicing of local demands through the promotion of local organizations, pursuing a demand-driven approach to the allocation of program funds, and decentralizing the supply of basic needs, the new approach seems to have increased efficiency in the delivery of basic needs services and improved adaptation of supply to the heterogeneity of demand (PRONASOL, FONCODES, PDIC-DRI). By contrast, improving incomes is a harder task and projects report modest successes. While there may be longer lags in raising incomes than basic needs, this suggests that the income generation strategy of the new approach still needs to be refined. More attention also needs to be given to the heterogeneity of outcomes. Although this is not reported in the case studies reviewed here, other studies have shown that there are subsectors of households that were able to benefit from programs, while others were not (the survey of opinions of DRI beneficiaries does report disparities between men and women and across regions in the income effects of the program). Lessons need to be derived from identification of the causes of these differentiated outcomes.

#### 2. The need for national coordination

Most programs attempt to achieve national-level coordination, either by placing the program at the level of presidency (IDR, FONCODES, RED DE SOLARIDAD SOCIAL), or by informal coordination (PROGRESA, PRONASOL). Most programs, however, fail to achieve effective coordination. Location at the level of presidency per-se does not guarantee coordination, and may in fact isolate from sectoral programs (IDR). In other cases (RED DE SS), coordination may be effective among components of rural development programs, but not necessarily between rural development and the other dimensions of regional development. Other programs remain attached to ministries of agriculture (PDIC-DRI, PRONAMACHCS) or to ministries of social welfare (PRONASOL) with weak inter-sectoral coordination. Inconsistencies and duplications (e.g., FONCODES and PRONAMACHCS) are then common. This

suggests that, in spite of attempts at different institutional formulas, a major effort needs to be made to insure national coordination between rural development programs and macroeconomic policies and other regional development initiatives, both rural and non-rural. To this date, successful coordination has not been achieved, and this appears to have high efficiency costs on rural development initiatives.

### 3. The need for a territorial approach that integrates sectors

Taking a territorial, as opposed to the traditional sectoral (agriculture) approach to rural development, is likely to be the most important contribution of the new approach. This has materialized in decentralization toward state and municipal entities, as for example in the case of PRONASOL, PDIC-DRI, and RED DE SS since 1999. There are, however, still few institutions effectively integrating at the regional level the many components of successful rural development, and integrating rural development with regional development. The organization of Regional Councils in Mexico is still in its infancy. Deconcentration of activities (PRONAMACHCS, FONCODES) does not substitute for true regional integration. The unit over which territorial integration is achieved is often not appropriately defined. It should allow to capture economies of scale and internalize externalities. Watershed management should thus include the downstream areas over which positive externalities are generated, unless there are inter-regional transfer mechanisms to pay for these services. Secondary towns, with activities linked to agriculture and decentralized industries, are major loci of non-agricultural employment, and enhancing their dynamics is a fundamental dimension of successful regional development. A large effort is thus left to be done to seek integration of the dimensions of rural development at the regional level, and in coordinating programs with a comprehensive regional development strategy that integrates the roles of government, the private sector, and civil society.

### 4. The special problem of program ownership in small/low-income countries

There is a major difference in organizing rural development following the “new” approach in large/medium-income countries such as Mexico, Colombia, and Peru, versus small countries like Nicaragua. In the latter, most rural development efforts are funded through foreign assistance, with minimal national counterparts funds. These projects come from a wide number of donors, each with different priorities and constraints. Under these conditions, national ownership is typically lacking, inviting opportunism, political capture, and lack of accountability. Efforts at coordination are consequently both essential and daunting (IDR). For these efforts to work, strong national coordination guided by a comprehensive rural development framework, strong municipal governments for the decentralized management of funds, and strong GROs would be needed. Foreign assistance to rural development should consequently be used to help put these conditions into place, instead of continuing to fund separate rural development initiatives without investing in establishing the overall conditions for the new approach to work.

### 5. Rural development to supply environmental services

Most new-approach rural development programs are addressing the issue of environmental sustainability with programs of reforestation, soil conservation, and small waterworks (PRONASOL, DRI, RED DE SS, IDR, PRONAMACHCS, FONCODES). Some of the benefits of these programs are directly captured by the households and communities that undertake these activities. However, a large share of the potential benefits created by these programs are positive externalities captured by economic agents outside the farm and the community. Typically, the employment offered by public works creates incentive to participate in the replanting of trees, but lack of sufficient benefits from the forest itself do not insure incentives to maintain the forest, which is the purpose of the program. Hence, externalities need to be internalized for the reforestation to be sustainable. This requires solving two problems. One is to calculate the value of the environmental services rendered by the project through externalities; the other is to devise institutions to tax the benefits from these externalities and transfer enough compensation to the providers of environmental services to create the correct incentives for the purpose of the program. These two functions are still missing in the case studies. As a consequence, rural development programs that focus on issues of sustainable management of natural resources only perform at a fraction of their potential. These

institutional mechanisms need to be added to the new approach as a vital source of funds for rural development initiatives.

#### 6. Emergency funds as ex-ante social insurance

Social funds have been introduced to reduce the costs of economic (RED DE SS) and environmental (PRONASOL) shocks on the poor. An instrument used for this purpose is public work employment to provide relief and develop infrastructure useful to the poor (RED DE SS). These programs are part of the institutional reconstruction to provide households with access to insurance. If organized on a permanent basis, they have the value of offering insurance services to the rural poor, enabling them to take greater risks in economic activities and thus achieve higher expected incomes. Hence, these programs should not be organized when adversity strikes, but maintained on a permanent basis, making them also more immediately effective when adversity strikes. Social security has been successfully extended to rural areas in Brazil on a sustainable basis (Providencia Rural). The insurance services and the transfers have increased not only the consumption of durable goods, but also the purchase of inputs for agriculture, creating income multipliers.

#### 7. Demand-led approaches and social incorporation

Rural development programs have often been poorly targeted, thus not reaching the poor to whom the programs were initially intended (IDR). In other instances, targeting rules have been kept hidden, creating doubts about who has the right to benefit, and hence inviting political claims by local authorities and creating a source of tensions in the community among beneficiaries and non-beneficiaries (PROGRESA). The approach has, on the other hand, allowed to put the program in place speedily, and avoided local political capture in communities that would not have been able to target the poor through the forces of the local political economy. When decentralized at the municipal level, funds are allocated according to the forces of the political economy internal to the community. Extensive analyses of the resulting allocation of funds show that results are highly uneven, with funds sometimes more exposed to capture by the non-poor than at the national level. Results show that the quality of democratic processes within the community is fundamental for progressive outcomes (Faguet in Bolivia). Finally, when demand-led at the community level, targeting is focused on marginal communities, and then left to self-targeting through demands within the community. This demand-led approach is one of the major hallmarks of the new approach. Whether the poor will benefit depends on their ability to organize projects that can be funded or to join successful groups. To assist the poor, FONCODES funds project preparation. Most programs (PDIC-DRI, IDR, PRONAMACHCS, FOSIS, INDAP) have allocated funds in support of the development of local organizations and institutions. A concern with the new approach, however, is whether sufficient efforts are made to induce incorporation of the poor. Vouchers can be assigned to targeted poor to contract private assistance in formulating projects (INDAP). An important issue is how to create incentives for the non-poor or the less-poor to incorporate poorer members in their group projects, thus stretching social incorporation toward poorer households.

#### 8. How to improve the income generation capacity of the new approach

Limited success with income generation suggests that programs need to prioritize their efforts toward the easiest approaches to income generation. Income generation through self-employment is perhaps the hardest road out of poverty due to the universally high mortality rate of new enterprises. This indicates the need to look into other approaches. Experiences with the new approach suggest the following:

##### i) Seek employment by others

Analyses of sources of income have shown the fundamental importance of rural non-farm employment (ERNA) as a source of income for the rural poor (Berdegue and Reardon). This requires assistance on both the supply and the demand sides. On the first, public incentives to promote successful regional growth by locating industries (e.g., maquilas in Mexico and the Dominican Republic) and services (tourism in Costa Rica) in secondary towns have been effective. Regional governments have an important role to play in taking these initiatives. On the demand side, secondary education and access to places of

employment (requiring infrastructure and communications) are essential for the poor to seize ERNA opportunities. Promotion of employment in these activities remains insufficiently explored, in part due to lack of an integral regional-territorial approach to growth that includes rural development.

ii) Joint ventures with the non-poor

In some situations, the poor can be attractive to the non-poor if they help them reach economies of scale or provide factors (such as cheap labor and supervisory capacity) that the non-poor do not have. In this case, mixing poor and non-poor entrepreneurs into projects can create mutual advantages, following the “leader-firm” approach, allowing the poor to ride on the coat tails of the non-poor (e.g., agroexport cooperatives in Petrolina, Brazil, see Damiani).

iii) Subcontracts with agroindustry

Some of the most successful experiences of smallholder farming have been through subcontract arrangements with agroindustry and agroexporters. Examples abound (see Schejtman and Flores). New forms of contracts that share risks and overcome market failures for the rural poor are left to be explored. While the welfare dimensions of rural development programs are relatively well attended, high quality professional assistance to business entrepreneurship is sorely needed. Private firms that deliver to their clients integrated services for business development urgently need to be mobilized in support of rural development.

9. Balance between programs that increase control over assets and improve the context where assets are valorized

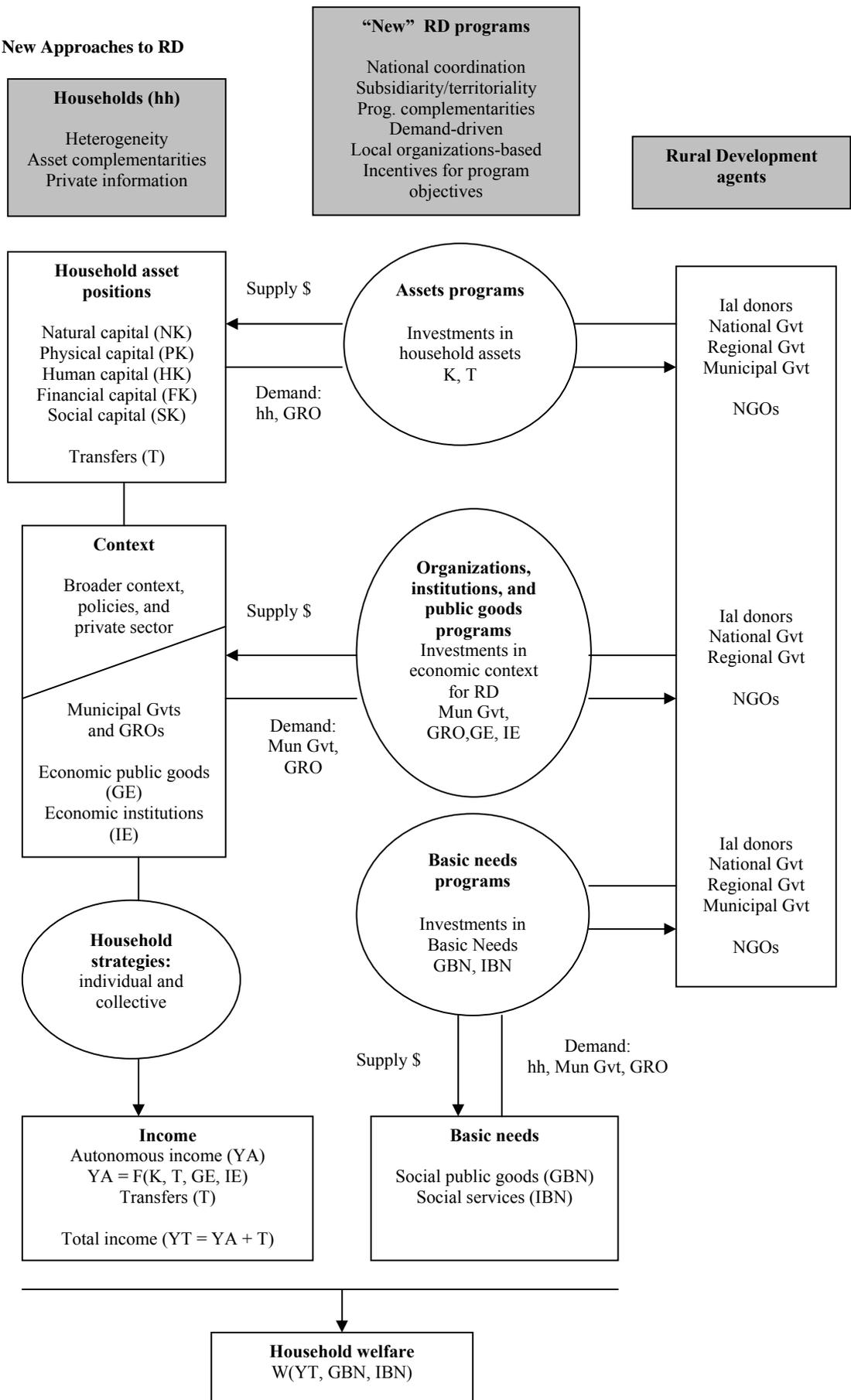
Investing in enhancing the asset position of the rural poor can be good business, but only if assets creation programs are complemented by programs that set up the context for profitable assets use (programs in support of organizations, institutions, and public goods) are in place. In general, however, it appears from the case studies that there has been insufficient complementarities between these two categories of programs. Most programs have stressed investments in household assets, particularly natural, physical, human, and financial capital (see Table 1). Significant efforts have also been made to provide economic infrastructure such as roads, electrification, and irrigation in response to local demands. Finally, on the side of organizations, efforts have been made to consolidate GROs, particularly cooperatives and producers’ organizations, which are essential for the success of a demand-led approach. Much weaker efforts have been made to construct the rural institutions necessary to enhance the productivity of assets held by the poor and secure their competitiveness as entrepreneurs. PRONASOL in Mexico and IDR in Nicaragua have focused on the delivery of credit, but access to financial services remains elusive for most rural households in these two countries. Efforts at institutional construction thus remain underdeveloped relative to the provision of assets, the delivery of public goods, and the promotion of organizations.

10. The urgent need for impact assessment

The case studies of new approaches to rural development are informative in describing how programs have been organized. In almost all cases, however, impact evaluation is missing (exceptions are the Chile study, but cross sectional results do not control for selectivity biases; the Brazil social security study that uses a double difference approach, but does not control for non-program influences on results; and the PDIC-DRI study where qualitative results from opinion surveys are reported). Hence, we still do not know how effective the new approach to rural development has been in reducing rural poverty. Also missing is household level analyses that identify the determinants of heterogeneity in outcomes, and extract lessons for program design so benefits reach a higher share of targeted households, particularly income gains. To engage in meaningful impact analysis, programs need to be designed ex-ante to identify what comes from the program and what comes from other influences. PROGRESA (and PRAF in Honduras) are major departures in this direction, using randomization of access to program services to identify impact. Without necessarily going that far, proper experimental design, where the rules of access to programs are explicit ex-ante, allows ex-post impact assessment. In some circumstances, even when only ex-post information is available, comparison of recipients and non-recipients paired according to defined matching

rules allows to evaluate the impact of the programs. Monitoring and evaluation leading to impact assessment has been an important part of DRI. As a consequence, the program has been able to reinvent itself several times in its long history, adapting its approach to changing circumstances. Major efforts remain to be done, however, to formalize these methodologies. Impact assessment implies costs, and program managers are often reticent to incur them as results have a strong international public goods character. However, as a collective good, programs should all be required to include reliable procedures for this purpose.

**Figure 1. New Approaches to RD**



**Table 1 - Components of RD programs**

**Investments in household asset positions**

Natural capital

- PRONASOL (Programa de Apoyo a Productores Forestales)
- PDIC-DRI (Microcuena)
- RED DE SS (Programa de Empleo Rural: Cuencas y Microcuencas)
- IDR (Ambiente y Desarrollo Forestal)
- PRONAMACHCS (Soil conservation, reforestation)
- FONCODES (Reforestation)
- INDAP (Recuperación de la Productividad de los Suelos, Forestación Campesina))

Physical capital

- PRONASOL (Apoyo a la Producción: machinery to coffee producers)
- IDR (Maquinaria y Equipo)
- PRONAMACHCS (small irrigation projects)
- FONCODES (Riego y Drenaje, Rehabilitación de Tierras)
- INDAP (Riego Campesino)

Human capital - training and technical assistance

- PDIC-DRI (Desarrollo Tecnológico)
- PRONASOL (Fondos de Solidaridad)
- RED DE SS (Programa de Empleo Rural: Asistencia Técnica, Capacitación para el Trabajo, Talentos Deportivos y Artísticos)
- IDR (Extension Rural, Apoyo a la Producción Agropecuaria)
- FONCODES (Asistencia Técnica en Proyectos Productivos)
- FOSIS (Generación de Capacidades)
- INDAP (Asesoría Técnica)
- DAR y AGRARIA SUR Ltda. (Asistencia Técnica)

Financial capital

- PRONASOL (Crédito a la Palabra, Fondos de Solidaridad (diversification in agriculture), FONAES (micro-empresas), Apoyo a la Producción for coffee producers, Programa de Apoyo a Productores Forestales)
- PDIC-DRI (Comercialización, CESPAs for fisheries, Acuicultura)
- IDR (Apoyo a la Producción Agropecuaria)
- FONCODES (Proyectos Productivos)
- FOSIS (Apoyo a la Microempresa, Microempresas de Asistencia Cerditicia)
- INDAP (Financiamiento a Proyectos Asociativos, Bono de Articulación Financiera, Créditos de Enlace Organizaciones)
- DAR y AGRARIA SUR Ltda. (Crédito de Producción)

Transfers - Cash transfers

- PROGRESA
- RED DE SS (Revivir: Auxilio para Ancianos Indigentes)

**Investments in the context for household assets use**

Economic public goods - Infrastructure

- PRONASOL (roads)
- PDIC-DRI (water aduction and sewage; rural electrification, roads)
- RED DE SS (Programa de Empleo Rural: Acueductos, Vias Rurales, etc.)
- IDR (Infraestructura)
- FONCODES (roads, electrification)

Economic institutions - governance and GROs

- PRONASOL (Fondos Municipales, Acopio y Comercialización and Corte y Accareo for coffee producers' organizations)
- PDIC-DRI (Organización y Capacitación, Fortalecimiento Institucional, Mujer Rural)
- IDR (Organización y Fortalecimiento Institucional)
- PRONAMACHCS (Peasants organization for the management of warehouse)
- FONCODES (Locales Comunales, Locales de Apoyo a la Producción)
- FOSIS (Fortalecimiento de Organizaciones, Apoyo a la Gestión Territorial))
- INDAP (Constitución de Cooperativas Campesinas)

Economic institutions - financial institutions

- PRONASOL (Cajas Solidarias)
- IDR (Intermediarios Financieros no Convencionales, Banca Convencional)

**Investments in basic needs**

Social services - Education

- PROGRESA
- PRONASOL (Escuela Digna; Infraestructura Educativa, Niños en Solidaridad, Escuelas en Solidaridad)
- RED DE SS (Apoyo a Mujeres Jefes de Hogar con Hijos en Edad Escolar)
- IDR (Intervenciones Sociales)
- FONCODES (Centros Educativos, Proyectos Especiales)
- FOSIS (Educación a distancia)

Social services - Nutrition - Health

- PROGRESA
- PRONASOL (Niños en Solidaridad, Salud, IMSS-Solidaridad)
- RED DE SS (Programa de Atención Materno Infantil, Apoyo Alimentario a Niños en Edad Escolar, Bono Alimentario para Niños Rurales)
- IDR (Intervenciones Sociales)
- FONCODES (Comedores Populares, Desayunos Escolares, Puestos y Centros de Salud)

Social services - Housing

- RED DE SS (Vivir Mejor)
- FONCODES (Desagué y Letrinas, Agua Potable)
- FOSIS (Vivienda Rural)

Social services - Insurance - Social Security

- PRONASOL (for relief: Emergente de Heladas for coffee producers)
- RED DE SS (Programa de Empleo Rural de Emergencia, Revivir: Auxilio para Ancianos Indigentes)
- PREVIDENCIA RURAL

Social public goods - Electrification and water supply:

- PRONASOL
- RED DE SS (Programa de Empleo Rural: Acueductos)
- PRONAMACHCS (water supply for communities)

Social public goods - Legal services

- PRONASOL (Alcantarillado: regularization of urban property)
- IDR (Tenencia de la Tierra)

## **Annex Table 1 - PROGRESA (Program for Education, Health, and Nutrition), Mexico**

### **Objectives and components**

Induce demand for education among the rural poor. Cash transfers to rural poor women conditional on sending children to school, use health facilities. Cash for food.

### **Supply side**

#### 1. National coordination

No formal national coordinating mechanism. Ad-hoc coordination with education, health, welfare (SEDESOL), and food subsidies (DICONSA)

#### 2. Decentralization: subsidiarity

Not formally decentralized: targeting of marginal communities and poor households within these communities defined by central office, with small margin for local adjustment.

Management not decentralized (state level).

Role of municipality: no explicit role, but importance of autonomous municipal initiatives to coordinate with other programs (SEDESOL, DICONSA) and to complement with municipally funded initiatives (supply of health and education; reallocation of benefits from other programs to non Progresá beneficiaries)

#### 3. Complementarities: institutions and public goods

Narrowly focused. Little explicit management of complementary investments and institutional developments.

### **Demand side**

#### 1. Demand-driven

Little flexibility for communities to influence the definition of the program and the targeting.

#### 2. Based on organizations and social capital

Role of community promotoras, but individualistic.

No explicit use of local organizations.

Does not help build social capital, and may divide communities among beneficiaries and non-beneficiaries.

#### 3. Creation of incentives toward program objectives

Yes, main feature of Progresá: contract between state and parents to send children to school.

Minimum payment necessary to create incentive unknown.

### **Evaluation and impact analysis**

Program implementation designed for impact evaluation, with randomization of the incorporation of communities in the the program. Census of all households of all communities done prior to the program. Regular follow up surveys on a selected number of communities in teh program and control communities. Complementary surveys on special issues and on the supply side for schooling and medical facilities. Results on participation show high degree of participation. No impact results yet.

## **Annex Table 2 - PRONASOL (Programa Nacional de Solidaridad), Mexico**

### **Objective and components**

Complementary efforts on welfare, support to income generation, and regional development.

Welfare: Investment in housing; education and health; water supply and electrification.

Support to productive activities: credit, diversification in agriculture, microenterprises, financial services

Regional development: infrastructure and municipal funds.

### **Supply side**

#### 1. National coordination

With other welfare programs within SEDESOL, but not formally beyond.

#### 2. Decentralization: subsidiarity

Decentralization of resources and decisions to state and municipal levels. Coordination between national and state levels and attribution of responsibilities (in Convenios de Desarrollo Social), following the subsidiarity principle. States and municipalities are each in charge of collecting demands from the lower level (social, productive, and regional development), select the projects, and execute the program.

#### 3. Complementarities

Wide range of actions within PRONASOL itself.

Coordination with other federal institutions (e.g., Conasupo and Diconsa for the supply of food; Social Security for health services; INI for the construction of boarding school).

### **Demand side**

#### 1. Demand-driven

All projects need to be formulated and requested by municipalities or groups of beneficiaries.

#### 2. Based on organizations and social capital

Role of groups in placing a request for funds.

Role of groups in managing projects (e.g., school committees involving parents and teachers).

#### 3. Creation of incentives toward program objectives

### **Evaluation and impact analysis**

**Annex Table 3 - FONCODES (Fund for Compensation and Social development), Peru. Started 1991.**

**Objectives and components**

Social fund to reduce poverty among both structural and transitory poor using social infrastructure, economic infrastructure, productive projects, and direct transfers.

**Supply side**

1. National coordination

No national coordination mechanism for rural development interventions.

Program located at level of presidency.

Very weak coordination with other public and private entities.

2. Decentralization: subsidiarity

Deconcentration: regional offices set project priorities and receive community demands for projects.

District Development Committees for regional coordination discontinued.

Little use of municipal governments.

3. Complementarities: institutions and public goods

Little attention.

**Demand side**

1. Demand-driven

Yes: projects demanded by, developed by, and maintained by Nucleos Ejecutores within the community, addressing heterogeneity of needs and creating ownership.

Project preparation funded by FONCODES; infrastructure projects developed with small labor contribution of community.

Highly successful for local public goods: infrastructure, especially schools.

Little success with productive projects (income generation) due to lack of information, expertise, and complementary investments.

2. Based on organizations and social capital

Role of organizations through Nucleos Ejecutores for each project. But these groups are ad-hoc and ephemeral, creating problems for sustainability and project maintenance.

3. Creation of incentives toward program objectives

Through supply side: FONCODES program priorities.

**Evaluation and impact analysis**

Evaluation ex-post of projects since 1995, but with neither base line data nor control groups. The exercise cannot measure impact, but it gives the beneficiaries' perception on the project management that serves for adapting FONCODES. Base line survey started in 1999.

**Annex Table 4 - PRONAMACHCS (National Program for the Management of Water Basins and Soil Conservation), Peru. Started 1991.**

**Objectives and components**

Watershed management in poor communities through reforestation, soil conservation, and small irrigation projects.

**Supply Side**

1. National coordination

No national coordinating entity for rural development.  
Located within the Ministry of Agriculture.  
Weak coordination with other sectors and programs.  
Overlaps with FONCODES projects.

2. Decentralization: subsidiarity

Deconcentration: 110 provincial agencies  
Uses a territorial approach through micro-watershed as the unit of operation, including several communities.  
Weak coordination with local governments; weak inter-communal coordination.  
Lack of adaptation to local heterogeneity  
Geographical unit often ill defined to internalize externalities: does not include downstream beneficiaries.  
Community makes free labor contributions.

3. Complementarities: institutions and public goods

Lack of complementary rural development interventions: small irrigation projects often not complemented by roads, technical assistance, credit, and information for marketing.  
Lack of focus on households and pluriactivity

**Demand side**

1. Demand-driven

Role of community participatory planning from which emerge demands for investments by the community.  
But local demand often led by program technicians; projects only partially managed by the community.

2. Based on organizations and social capital

Program works attempts to strengthen peasant organizations.

3. Creation of incentives toward program objectives

No mechanism to pay for environmental services: benefits from positive externalities largely not internalized. Hence, incomplete incentives.

**Evaluation and impact analysis**

No impact evaluation. Ex-post survey just started.

## **Annex Table 5 - IDR (Rural Development Institute), Nicaragua**

### **Objectives and components**

Achieve national coordination of all rural development programs in Nicaragua, mainly funded through foreign assistance.

### **Supply side**

#### 1. National coordination

Attached to presidency, thus benefiting from political support  
No national framework for rural development on the basis of which to coordinate projects.  
Lack of coordination with ministry of agriculture (MAGFOR) and with non-agricultural activities.  
Projects largely funded through foreign assistance, creating problems of ownership and accountability.

#### 2. Decentralization: subsidiarity

Departmental and municipal local development strategies abandoned.  
Weak coordinating capacity of municipalities, not used by IDR.  
Centralized management with low accountability.

#### 3. Complementarities: institutions and public goods

Little focus on the development of complementary institutions, such as financial services for smallholders.

### **Demand side**

#### 1. Demand-driven

Goal of managing resources for rural development as funds not achieved.  
Weak participation of beneficiaries to program definition and evaluation.  
Focus on farm instead of households and pluriactivity.

#### 2. Based on organizations and social capital

Promotes new organizations, but mixed record.

#### 3. Creation of incentives toward program objectives

No strong focus on poverty.

### **Evaluation and impact analysis**

## **Annex Table 6 - PDIC-DRI (Programa de Desarrollo Integral Campesino), Colombia**

### **Objective and components**

Capitalization of rural economy, with focus on income generating activities and development of management capacity of local entities.

Organization and institutional development: elaboration of diagnostic and formulation of projects, peasants' organizations, and women.

Productive projects: technical assistance, commercialization, aquaculture, and watershed.

Infrastructure: roads, water supply, and electrification.

### **Supply side**

#### 1. National coordination

Rural development = subsecretary within Agriculture

Program of DRI (Fund of Co-financing for Rural Development)

Coordination with other funds in the National Committee for Co-financing

#### 2. Decentralization: subsidiarity

Administrative responsibility given to municipalities.

Coordination at departmental level of demands emanating from municipalities.

Program priorities implemented through co-financing rule, whereby shares supported by the municipalities varies with the type of investment and with the development level of the municipality.

#### 3. Complementarities: institutions and public goods

Limited number of actions within the program itself (no credit, health, education)

INCORA for access to land

Caja Agraria for access to credit

### **Demand side**

#### 1. Demand-driven

Demand from municipalities

#### 2. Based on organizations and social capital

Mechanism of participation, planification, and concertation in project definition

#### 3. Creation of incentives toward program objectives

Co-financing by municipalities with variable shares.

### **Evaluation and impact analysis**

A system of follow-up and evaluation of the program is in place. Considered not satisfactory but efforts to improve and systematize it.

Evaluations of the programs with workshops and surveys of opinions done in 1996 indicate: high efficiency in disbursement mechanisms; high level of satisfaction on participation of beneficiaries but mediocre results on program completion (63% of projects are unfinished because of lack of resources or technical difficulties).

## **Annex Table 7 - RED DE SOLIDARIDAD SOCIAL, Colombia**

### **Objective and components**

Social protection in response to crisis and development of participation to society. Both rural and urban, with focus on most vulnerable population, notably displaced by violence.

Income generation: employment for crisis relief, training (17% of budget).

Social protection: health, schooling, old population, youth (40%).

Housing and recreation (43%).

### **Supply side**

#### 1. National coordination

RED is a coordinating agency at the national level, under the Presidency. Its directorate includes the ministries of planning, health, education, labor, development and agriculture, the commission for peace, and the presidential councils for social and economic affairs and for competitiveness.

It coordinates and executes many social programs from other institutions (DRI, Caja Agraria, Inurbe, etc.).

Good own coordination scheme, yet no formal coordination with activities outside RED.

#### 2. Decentralization: subsidiarity

Program definition rigid and centralized.

Decentralization in the allocation of resources from the state to municipalities: The overall budget is first allocated by program and department at the central level, then each department allocates the funds by program and municipality, and then municipalities allocate funds to localities. At each level, allocation prepared by technicians. Allocations done by the "Mesas de Solidaridad".

Execution at local level done by an assembly of beneficiaries.

Change in 1999: Regional decentralization of the program

#### 3. Complementarities: institutions and public goods

### **Demand side**

#### 1. Demand-driven

Not demand driven until 1999.

Change in 1999 to make the process more demand-driven: elimination of the allocation of resources, social organizations to present project at the departmental level, and then departments will aggregate them and put the request to the national level.

#### 2. Based on organizations and social capital

Not until the 1999 change. Was focusing on individual beneficiaries.

#### 3. Creation of incentives toward program objectives

Program exogeneously defined.

### **Evaluation and impact analysis**