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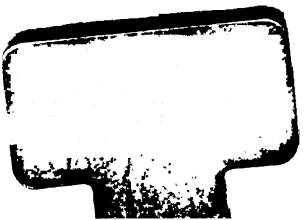
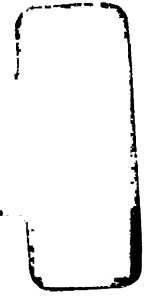
**Notes and Proposals
on the Design and Implementation
of War on Poverty Projects
in LATIN AMERICA AND THE CARIBBEAN**

**INTER-AMERICAN INSTITUTE OF AGRICULTURAL SCIENCES
GENERAL DIRECTORATE**

ASSOCIATE DEPUTY DIRECTOR GENERAL'S OFFICE FOR EXTERNAL COORDINATION

San Jose , Costa Rica

July 1979



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INTRODUCTION

Latin America and the Caribbean have experienced notable advances in the global growth of their economies during the last thirty years, as well as noticeable improvements in the fields of education and health.

However, when we focus our attention on the rural areas, we find that the Latin American and Caribbean countries have several million inhabitants whose per capita incomes are below \$ 50.00 and whose access to the basic services provided by the State is deficient or totally non-existent. The existence of these deprived areas, also referred to as 'poverty pockets', represent a social problem affecting large sectors of our society which justly deserve immediate solution.

Within this context, it is easy to understand the growing concern of the governments and the international community to adopt measures to improve the living conditions of these large population groups so affected by poverty and marginal conditions.

Let us not forget IICA's humanistic projection, which recognizes man as the subject of development. This philosophy has been generally shared by the countries of the Inter-American System, and by the financial organizations which have increased their support in these last years in the attack on poverty, especially rural poverty.

Within this context, IICA's general objective is to help the countries stimulate and promote rural development as a means for achieving general development and the population's welfare. This objective embraces both

tangible and intangible aspects of development and involves economic as well as social dimensions. A central point of the Institute's work refers to a specific instrumental objective of its General Plan: "to support the countries in their efforts to increase the participation of the rural population in development, reducing their marginality to a level that allows for a continuous and significant transformation towards a state of full opportunity for all members of the active rural collective".

This objective served as a framework for the recommendations drawn up by the region's Ministers of Agriculture at the VII Inter-American Conference on Agriculture.

VII Inter-American Conference on Agriculture

The Seventh Inter-American Conference on Agriculture, held in Tegucigalpa in September 1977, refers in its first recommendation to the "Mobilization of Resources for Designing and Funding Projects that Generate Income and Productive Employment in the Rural Sector of the American Countries".

The fundamental problem this paper deals with is presented in two basic elements in the 'Whereas' section of said recommendation. First, reference is made to the existence of a broad sector of the rural population which is marginated from the benefits of development and which lives precariously, receiving insufficient incomes for attaining adequate levels of nutrition, health, education, housing, etc. Reference is also made to a series of development programs and projects (stimulation of production and service delivery) which mainly affect commercial agriculture which does not suffer from problems of marginality and rural poverty.

The second basic element indicates that international and bi-lateral funding organizations have also primarily served the commercial agricultural sector. Despite the fact that these organizations have manifested their intent in orienting their actions toward solving the problems of marginal rural populations, great difficulties have been encountered in identifying, designing, planning for and executing projects to channel funds to these sectors.

The Ministers of Agriculture of the Institute's member countries issued the following mandate to IICA:

- "1. That a work group be organized, integrated by a representative from each group of countries that make up IICA's four operative zones, designated this time by the Institute's Board of Directors, and with representatives from the Inter-American Development Bank, the World Bank, the Inter-American Institute of Agricultural Sciences, and the Member State and extra-continental bi-lateral funding agencies for the following purpose:
 - a) To analyze the viability of establishing a funding line specifically for the kinds of projects described in the "Whereas" section, aimed at the marginal sectors of the rural population;
 - b) To carry out pertinent consultation with the international and bi-lateral funding organizations;
 - c) To design a mechanism that facilitates the operation of the funding line, particularly in what refers to:
 - i. project identification and preparation
 - ii. project analysis, selection and approval
 - iii. project funding conditions
 - iv. project execution
 - v. administration of external resources
 - vi. project evaluation
 - d) To prepare a report that includes a proposal for establishing the mechanism described in (c), and to take this report through the appropriate channels to be considered by the directive boards of the international and bi-lateral funding organizations.
 - e) To recommend new members to the directive bodies of the organizations which make up the Work Group, whenever deemed necessary.
 - f) To establish an accelerated work schedule that ensure that these activities be completed at the most, six months after the Work Group is constituted.

2. That the Inter-American Institute of Agricultural Sciences provisionally carry out the secretariat functions for the Work Group, until the Work Group's authorities and work procedures are established at its first meeting, and that IICA convene and organize the Work Group's first meeting.
3. At the request of the Work Group, IICA will submit the report mentioned in (d), paragraph 1, for consideration by the Member States of the Inter-American System.

IICA has prepared the present document in order to fulfill this part of the recommendation. It will serve as a basic reference for the inter-institutional Work Group which will be formed.

IICA's Purpose

IICA seeks to fulfill one of the recommendations made with the presentation of this document. At the same time, it proposes channels for discussing the problems of rural poverty.

For the purposes of this discussion, it recommends that all those interested in resolving the problem, carefully consider that:

- a) the problem of poverty and rural marginality have a real, human dimension that requires solutions as it affects basic ethical principles which are held in common by all the countries in the region and which are part of IICA's humanistic doctrine; and,
- b) without organized discussion as an operative counterpart to generating tangible success, the attack on poverty may become watered down as just one more effort which does not advance beyond circumstantial political recognition.

Objectives of the document

The document has three objectives:

- a) To provoke organic and continuous inter-institutional discussion on problems of the projects to tackle rural poverty in Latin America

- and the Caribbean, and their possible solutions,
- b) To indicate basic points, suggested by experience, which should be taken into account in the approaches used for resolving the problems of rural poverty.
 - c) To generate an analysis of the possibility of opening new options for the external funding of these projects and to simplify the corresponding operative mechanisms.

Contents of the document

The document has three chapters and an appendix.

The first chapter presents some general ideas on the definition, magnitude and tendencies of rural poverty, followed by a brief summary of the specific characteristics it displays in Latin America and the Caribbean. It presents a common frame of reference for recognizing the problem and the elements which:

- a) contribute to its existence, and
- b) indicate aspects needing resolution.

The initial references are included in this chapter with a conceptual framework which consists mainly in recognizing two points which are frequently overlooked when dealing with the problems of poverty. They refer to the fact that poverty and marginalization are not accidental but rather are the result of a particular form of economic development. Nor are they homogeneous, since they involve many different situations and possible solutions. Just as the poor and marginal have been regarded as being able to fulfill a function in the present socio-economic system, problem identification and the possibilities for resolving them must be seen within a given system. Successful action can and will be carried out only to the degree that the countries commit themselves to it.

The second chapter briefly summarizes the primary Latin American and Caribbean experiences in programs and projects that seek to redistribute opportunities. The approaches and experiences of external financial and technical support are also summarized. The variety of attempted approaches,

with their essential characteristics and some of the difficulties perceived in their application are described. Some conclusions are drawn on the types, magnitude and orientation of external support. Lastly, some suggestions are made on areas which might improve the results of projects that tackle poverty.

The third chapter deals with the section of the recommendation made at the VII Conference which solicits proposals for adjusting the mechanics of project preparation and the administration of external funds.

The chapter has three central topics:

- a) Based on the experience of the countries and of external support organizations, general guidelines are suggested for directing the next stage of these projects which include minimum conditions for improving their efficiency.
- b) As a corollary to these guidelines, some reasons for the variety of the projects is discussed, apart from those regarding the non-homogeneity of situations and the types of marginalization. Among the additional reasons are the guiding doctrines of the different organizations and their varying operative capacities.
- c) After reviewing the diversity of possible projects with fairly similar portfolios and objectives (even when they all reflect the minimum requirements), the suggestion is made that these portfolios be differentiated. This would facilitate the multifaceted attack required by this particular problem. At the same time, it is suggested that coordinated multi-national action be programmed for testing approaches and instruments for evaluating their usefulness.

The appendix contains quantitative information on external financial support for "war on poverty" projects.

1. THE PROBLEM

Rural poverty is a relevant problem for the Latin American and Caribbean countries. The magnitude of the problem is generating increasing unrest, partly as a result of the fact that the existence of a large number of rural poor produces harmful effects on the social body of Nations, which can be considered independently or together:

- it contradicts the principles of equal opportunity and of universal participation in the collective productive efforts;
- society suffers the loss of untapped intellectual and productive potential from a significant portion of the population;
- the expansion of internal markets is limited by insufficient effective demand, and;
- urban and rural populations become increasingly insecure.

Poverty can be defined generically as the absence of goods and services required for satisfying the basic needs for life in society. Cultural mores that orient the identification of problems binds determination of the level or degree of poverty to definite places and time, acknowledging variations from country to country.

Despite the recognition of this difficulty, various attempts have been made to arrive at working definitions of "poverty" (1). Income or costs necessary for satisfying basic needs can be adopted as criteria, as can an approximation identifying the rural poor in terms of their income

(1) Devronowski, Jan. Poverty: Its Meaning and Measurement. Development and Change (The Hague) 8(4):192-200. 1977

relative to the country's average per capita rural income. Obviously, the number of rural poor will vary per country according to the type of criteria used (2).

An inadequate data base and the relatively recent interest in this subject makes it difficult to determine both the magnitude as well as the exact tendency of rural poverty in Latin America and the Caribbean.

In order to illustrate the global existence and relevance of this problem, it is worth noting that when IICA's General Plan came into being at the beginning of the seventies, 45 million rural inhabitants in Latin America and the Caribbean received a per capita income below US\$ 50.00 (3). The general impression is that this situation is worsening relatively as well as absolutely. Although available data processing levels make it impossible to prove this assumption empirically, it is common knowledge that the economic achievements of Latin America and the Caribbean have not been of sufficient volume or nature to arrest the increasing number of marginal rural inhabitants.

Despite the specific nature of given situations and the inaccuracy of estimates, there is a general awareness in the region of the existence of a large number of rural inhabitants untouched by economic progress, IICA member countries recognize that a significant number of their rural inhabitants lack the very opportunities which IICA's General Plan establishes as important objectives.

Rural poverty is difficult to solve because it is not an accidental occurrence nor a homogeneous phenomenon.

It is not accidental because it results from the manner in which land was occupied and the models that were chosen for development that have prevailed historically in Latin America and the Caribbean. Poverty specific to a given area, reflected and perhaps still reflects the prevailing socio-economic system. This statement is based on theories that make

(2) In January 1979, an IDB internal work group made some tests of this type. They suggest that for purposes of several different types of definitions Latin America and the Caribbean have no less than 120 million marginals, the majority of whom are in the rural zones.

(3) World Bank. Rural Development (Washington D.C.): pp. 97 and 99, 1975.

poverty and marginal conditions necessary consequences of our systems, when viewed globally. It is also recognized by those that still trust the potential aptitude of different global systems to resolve the problem, and that consider the root of marginalization as a historically caused phenomenon or as the result of a particular productive process.

The reasons for poverty and marginal conditions can only be interpreted within the particular context of the economic, social and political system in which they occur. Moreover, it is within this very context that the concrete possibilities for resolving them must be determined. The fact that these situations are increasingly seen as "problems" indicates that, whatever their functional historical background, poverty and marginal conditions already represent non-desireable consequences which affect significant and increasing segments of our societies. This is the situation which will be confronted within the political objectives which define for each country and for each occasion, the desireable and possible.

We should point out in this brief analysis, that, to resolve the problem, comprehensive approaches will not work if they do not coincide with the particular rules of behavior governing the different systems and individuals that work within them.

If rural poverty and intents to resolve it are considered social and not accidental occurrences, it should be clear that it is necessary to carefully analyze what is trying to be corrected in each case and what possibilities there are for dealing with the problem.

Even when the undesirable situations resulted from similar historical models of land occupation and economic development, there exist socially complex regional and local differences within Latin American and the Caribbean which require that we formulate a complex typology of poverty and marginality.

It is not our intent to discuss here the various typologies that have been proposed in available literature on the subject (4). Nevertheless,

(4) See:

Scandizzo, P. El Análisis Financiero de los Proyectos de Desarrollo Rural In: Marzocca, A. (Ed.) Tecnología para el Pequeño Agricultor, IICA, Serie: Informes de Conferencias, Cursos y Reuniones No. 134, Montevideo 1977.

basic "types" are differentiated, such as the rural worker, the minifundist, the rural artisan, the characteristics of which vary from place to place. Needs, possibilities for resolving them and applicable instruments also vary. Therefore, the more exact the typology, the easier it will be to identify the services, organizational forms and production systems needed to resolve each case.

Rural poverty appears to be associated with a series of related manifestations, which would allow for the development of a composite poverty index, as long as they can be grouped into two or three sets of highly correlated variables. Empirical proof confirms the interaction of the elements associated with poverty and which have greater effect together than the sum of individual elements (5).

Some of these characteristics will be mentioned briefly, in order to expand on the concept of perceived or necessary income. This helps to understand the phenomenon of interest, but above all, suggest the type of restrictions that should be removed in order to fully incorporate today's marginal population into our societies.

These characteristics are not differentiated as causing or resulting from poverty. Neither is one "manifestation" stressed over another. This would be a theoretical attempt, feasible for dealing with the abstraction of specific situations, but which does not serve our purposes at this time. Neither will an exhaustive list of possible indicators be presented.

Insufficient employment opportunities

The prevailing productive specializations (6), the organization of the forms of production, increasing mechanization and the seasonal nature of a number of agricultural activities result in permanent or seasonal unemployment. Estimates are that agricultural under-employment affects more

(5) Kaminsky, M. "La Pobreza en América Latina: Análisis Cuantitativo Comparativo Multivariante con Indicadores Sintéticos Alternativos, Brasil, Chile, Costa Rica, México". CIDES-CIENES. Versión Preliminar. Bs. As. Marzo de 1979.

(6) Estimates indicate that 35% of the region's soils can be placed in soil-use categories I to IV, but that only 7% of these soils are cultivated. CEPAL-FAO. La Situación y la Evolución de la Agricultura y la Alimentación en América Latina. CEPAL Boletín Económico de América Latina N° 1 y 2:100. 1974.

than 7 million rural workers in Latin America and the Caribbean (7). Open rural unemployment is less common, but sectoral dynamics predict that between 1970-2000, less than 6% of the additional labor force will be absorbed into agricultural activities (8). The abundance of available man power in relation to the demand, the lack of specialization required in most of the tasks (9) and the absence of union activities necessarily result in low incomes. When these conditions are supplemented by the differences between rural and urban life, mass emigration results.

Access to land and water

The importance given to the control of these resources in numerous theories of rural development exempts our having to justify including it as a characteristic in this study. Essentially, the rural poor either don't have access to primary productive resources, or they use them haphazardly and in insufficient quantity and quality (10).

Tenancy problems are serious in some of the region's areas (11). Serious soil erosion can also be noted particularly from over-exploiting small plots.

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7. Kirsch, H. El Empleo y Aprovechamiento de los Recursos Humanos en América Latina. Boletín Económico de América Latina 18(1 y 2):53. 1973.
 8. IICA. 1975, Annual Report.
 9. Lederman, Esteban. Los Recursos Humanos en el Desarrollo de América Latina. ILPES. Cuadernos del ILPES. Serie II, N°9. p. 36. 1971.
 10. CEPAL. Distribución del Ingreso en América Latina (Chile) citado por: Van Binsberger, Albert. La Contribución de los Pequeños Agricultores y Trabajadores Rurales a la Producción de Alimentos y al Desarrollo en América Latina. FAO, Reforma Agraria (Roma) N°1:19. 1977.
 11. On this subject:
 BID. Progreso Económico y Social en América Latina, Informe 1977 (Washington D.C.) p. 129.
 Van Binsberger, Albert. Op. cit. supra nota 10
 Bouvier y Maturana. El Empleo Agrícola en América Latina, PREALC 1973, p. 11.

Physical and organizational dispersion of the rural poor

Poor accessibility to urban centers, caused by distances and inadequate systems of communication, and the usual scattered rural population patterns contribute to marginal conditions. Dispersion affects the possibility of delivering low-cost services, already aggravated by the lack of organization among the rural poor and marginal populations.

Except in the case of indigenous communities that have maintained some of their operating organizational schemes, the absence of united action is extreme and is clearly associated with the indifference that has prevailed in our institutions in regards to the service needs of low-income population groups.

The absence of primary syndical organizations (12) of producers and associatives in general, results in a lack of negotiating power for the rural poor and marginal populations to ensure their participation in the results of the technological process (13) and to improve the terms of exchange in the marketing processes.

Nutrition and health

Protein consumption of the region's rural poor at times is no more than 60% of the protein consumption of average income rural populations (14). In Central America, rural protein consumption represents 85% of that consumed in the urban areas. This difference would be greater if

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- (12) Chaparro, Alvaro. Participacion de las Organizaciones de Trabajadores Rurales en el Desarrollo de la Agricultura y de la Vida Rural en América Latina. FAO, Reforma Agraria N°2:66. 1976.
- (13) For a comparative study of participation in the benefits of the technological progress according to the degree of union organizations in the United States of America, see: Schmitz, A. and Seckler, D. Mechanized Agriculture and Social Welfare: The Case of the Tomato Harvester. American Journal of Agricultural Economics. Vol. 52, August 1970.
- (14) World Bank. Rural Development, Op. cit. supra note 3. p. 101.

the comparison was made by income levels (15).

The mortality of children under 5 years of age related to nutritional problems in many cases exceeds 50% of the total number of children's deaths in Latin America and the Caribbean (16).

Access to basic services

The number of urban teachers exceeds rural teachers by more than 90% in ten Latin American countries (17) and medical services are less widespread in rural areas than in urban. At the same time, rural areas often do not have access to drinkable water or efficient sewage systems (18) and as a general rule, the rural poor receive a minimum of these scarce services.

Similar situations are encountered with regard to direct supportive services to production, such as credit and extension. For example, it was estimated that in 1970 benefiting rural families varied from 0.2% to 27% in credit services (19) and from 3% to 19% in extension services (20).

Similar estimates could be made for services such as marketing of products and inputs.

Services in our countries have tended to discriminate against the agricultural sector in general and specifically against the non-exporting and subsistent sub-sectors.

(15) May, Jacques M. and McLellan, Donna L. *The Ecology of Malnutrition in Mexico and Central America*. 1972, cited in U.S. Department of Agriculture. *Agriculture in the Americas Statistical Data* (Washington D.C.) s.f. p. 217.

(16) U.S. Dept. of Agriculture, Op. cit. supra note 15 p. 218

(17) OEA. *América en Cifras 1974. Situación-Cultural: Education y otros Aspectos Culturales*, 1975. p. 60

(18) OEA. *América en Cifras 1974. Situación Social*, pp. 53-54, 1975.

(19) Franco, Alberto. *Desarrollo Institucional y Situación de Organismos Agrícolas en Algunos Países de América Latina. Desarrollo Rural en Las Américas* 7(3):237. 1975.

(20) IICA, based on reports by national organizations, cited in: *Desarrollo Rural en las Américas*, Op. cit. supra note 19, p. 230.

Action has rarely been taken to explicitly identify a target group on the grounds that once a service offer is organized, it would, in theory, be equally available to all. Institutions especially created for low-income clients almost never attend to the most marginal sectors, and coordinated integral services are rarely offered.

Availability of technology

This particular form of service has never been oriented towards the neediest sectors and has resulted in the creation and adaptation of technology for commercial productive systems, with resource control and evolutionary stages vastly superior to those of low-income producers.

As indicated by Pastore (21), agricultural technology requires a reasonable availability of natural resources for its use. It is doubtful that a technology will be developed that increases income on minifundia holdings located in areas without relevant natural resources.

Despite the pessimism which may arise when considering the technological potential separately, it is worth noting that overcoming one isolated element will not contribute significantly to resolving the main problem and that it would be valuable to consider integral production systems (22), for at least a portion of the low-income rural population.

(21) Pastore, José. Agricultura de Subsistencia e Opções Tecnológicas In: Marzocca, Angel. (Ed.) Tecnología para el Pequeño Agricultor IICA. Serie: Informes de Conferencias, Cursos y Reuniones Nº 134. Montevideo 1977.

(22) Mesa Redonda del Consejo Técnico Consultivo, Vigésima Segunda Reunión, Santo Domingo, Rep. Dominicana, 1977. Sistemas de Producción Agrícola. Wortman, S. National Agricultural Systems - Presented to Conference of Agricultural Education in Developing Nations, Bellagio, Italy, 1974.

2. POLICIES AND ACTIONS FOR REDUCING RURAL POVERTY

The purpose of this chapter is to:

- provide an overview of economic policies followed by Latin American and Caribbean countries which have produced the undesirable distributive results that require that we focus our attention on the marginal populations. They have specific redistributive objectives, approached either globally or by making adjustments to the existing economic systems.
- describe the global approach, summarize some of its results and indicate its principal restrictions and difficulties.
- describe the commonly-used systems adjustment approach, in its various forms. Topics like development in areas or regions (poverty pockets and settlements) and functional adjustments will be briefly covered, specifically in terms of the institutional systems. Primary experiences and difficulties observed in the operation of the different forms of the adjustment approach will be discussed in each case.
- attempt to draw some conclusions on the type, magnitude and orientation of external financial and technical cooperation support which the countries can count on for dealing with rural poverty and marginalization.

2.1 Overview of the policies followed by the Latin American and Caribbean countries

This section briefly reviews the economic and social policies followed by the Latin America and Caribbean countries that deal with income

distribution. The region's recent economic achievements resulted in the existence of large rural population sectors untouched by the benefits of that progress. Consequently, the eradication of poverty and rural marginal conditions has become an explicit objective of most of the countries. This has been attempted in various times and places, either with the global approach for substantially changing the existing economic system or with the adjustment approach, which deals partially with the problem and can take many different forms.

2.1.1 General policies and their results

Until the beginning of the seventies, it was hoped that rural poverty would be reduced as a result of the programs and investments directed at increasing national income. Consequently, national policies for reducing the gap separating the various sectors of their populations, where they existed, operated principally through sectoral programs and projects.

In many of this period's National Development Plans, the bulk of the efforts made to reduce poverty in Latin America and the Caribbean were connected, at a policy and program level, with increasing agricultural production for exportation, and more recently, with increasing food production for internal consumption.

At the same time, significant efforts were made by the countries during the decade of the sixties, to extend and improve the quality of social services available to rural populations, particularly in the field of health and education.

In addition, prior to 1970, some of the countries began applying measures for improving the distribution of productive resources, particularly land, through limited agrarian reform programs or through the long-term leasing of fiscal lands.

Despite the unavailability of organized information on the subject, it was generally believed by the beginning of this decade that the approach being used was not producing the expected results. It became obvious, for instance, that the quantitative extension of services was

able in only very few cases to keep ahead of population growth.(1)

On the other hand, geographical population displacement continued without any substantial modifications in the living conditions of the rural populations. The economic success of some projects in lease or sharecropping zones appeared to either contribute to the displacement of the population, to replace the original producers with salaried workers or to reduce the use of manpower because of increased mechanization.(2)

The implementation of agrarian reform programs, on the other hand, demonstrated that their success was dependent on maintaining the political determination that originated them, on the continuous availability of resources during the consolidation of the reformed enterprises, and on the existence of coordinated programs for delivering services,(3) reflecting the priority given by public and private investment decision-making processes to agriculture and the rural areas.

As a whole, based on the countries' experiences, although a number of programs and projects are increasing agricultural production and considerably expanding services, an important portion of the problems of poverty are still unsolved. In his speech to the World Bank Board of Governors in 1973, Robert McNamara indicated that "... the rapid growth during the past ten years has been accompanied by even greater disparities in income distribution in many developing countries and the problem is even more severe in the rural areas (...) policies for accelerating economic growth have primarily benefited the most privileged 40% of the population in most developing countries". (4)

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- (1) Annual Report by country produced by the Inter-American Committee of the Alliance for Progress (CIAP) between 1960 and 1972 are valuable sources for information on this subject.
 - (2) Yudelman, Montague. Integrated Rural Development Projects. The Bank's Experience. Finance and Development. Washington D.C. 4(1):15-18, March 1977.
 - (3) Oliart, Francisco. "Reforma Agraria y Desarrollo Rural Integrado". In Desarrollo Rural en las Américas, Vol. VIII, No. 2, May-August 1976.
 - (4) McNamara, Robert S. Speech to the Board of Governors by Robert S. McNamara, President of the World Bank Group, (Nairobi) p. 12, September 1973.

It is increasingly clear that reducing poverty requires other kinds of actions, in which production and productivity increases must occur simultaneously with increases in the capacity to generate employment and the population's participation in the processes and benefits of development. (5) Moreover "Policies for improving the distribution of benefits and employment opportunities should be an integral part of every production plan. It is generally impossible to produce first and distribute later". (6)

2.1.2 Two principal approaches for combatting poverty

During the decade of the seventies, the Latin American countries have continued their efforts to reduce poverty and improve living conditions for the rural populations. They have received support from international, regional and bi-lateral financial and technical cooperation organizations for this purpose.

The countries' actions and the organizations' support have not been limited to developing policies and programs and executing specific projects. They have also been involved in experimentation and in the search for methodologies that reduce poverty. Two types of actions have resulted from this search:

- a) those that attempt to systematically and simultaneously modify the causes and manifestations of poverty; and
- b) those that treat the phenomenon partially by attempting to resolve it in selected geographical areas or by eliminating some of its manifestations.

Following is a quick review of how these practices have been carried out, what their requirements are and problems that were noted in their operative phases.

(5) IICA. General Plan, Official Document Series No. 1. p.5.

(6) Ul Haq, Mahbub. El Banco Mundial y el Mundo más Pobre. Finanzas y Desarrollo (Washington D.C.) 15(2):14 June 1978.

2.2 The global approach

The first of these approaches has only had limited application in Latin America and the Caribbean. It is defined by the substantial change it brings about in the existing socio-economic system. It is based on the assumption that it is possible to alter sufficiently and swiftly, at least the most important factors that create and preserve rural poverty, even though this requires introducing significant changes into the "style" of development. This approach visualizes incorporating the entire population into the production process, assuring more equitable access to all the benefits of development. Participation in the process by beneficiaries occurs in accordance with the global policy guidelines adopted by the country.

2.2.1 Requirements of the global approach

In the first place, this approach specifically involves the equitable distribution of productive resources, primarily natural and capital resources. This implies consolidating production units with the essential production factors necessary for achieving the economic and social objectives. In many cases, it also requires standardizing the tenancy and use of land which was hitherto exploited by low-income squatters. (7)

Actions carried out by the countries have provided extremely valuable experiences in this field, particularly in the design and execution of agrarian reform programs. These experiences include theoretical and methodological contributions on how to implement and carry out these programs, as well as a clear idea of the political, financial and institutional requisites for ensuring success. (8)

This global overview also includes a significant improvement in access to the different productive stimuli and services, and to social services in the field. In many cases, this may mean a profound change in the very

(7) Oliart, Francisco. Supra note 3

(8) Araujo, José Emilio (Ed.) La Empresa Comunitaria. Una Sistemática Reformista en el Proceso Agrario Latinoamericano. IICA 1975. pp.298-313.

nature of these services or in the way they are organized.

This approach requires that a set of actions be developed that concur at different sectoral levels, planned and organized in terms of their effect on reducing rural poverty. This, in turn, would provide a base for developing planning methods and techniques for institutional organization and management at institutional and project levels.

2.2.2 Some restrictions and difficulties of the global approach

The fundamental drawback of this approach is its need to be supported by a political decision that is maintained indefinitely and which can neutralize the resistance of organized social groups that attempt to impede the redistribution of economic and political power. According to one author (9) this political factor has at least three fundamental dimensions: budgetary, measured in terms of the resources that the State directs to this type of project, and to maintaining its relatively long-term recurrent expenses; the quality of the bureaucracy at a local level, which implies assigning high echelon personnel to administering local programs and projects with attractive conditions of service. Finally, the success of this type of project also depends on the economic incentives determined by fiscal and credit policies and relative prices.

Experience indicates that these measures can lead to a sustained increase in production in the medium and long term, but that they will probably test the strength of the political decision-makers with a short-term economic stagnation or even decrease in production. Experience also indicates that the political price paid for adopting certain measures in order to avoid this standstill, such as the expropriation of highly productive farms early in the agrarian reform process, would also have the effect of reducing production. Although the subject has by no means been exhausted, we can summarize by saying that this approach is only possible to the degree to which it is supported throughout its application

(9) Christoffersen, Leif. The Bank and Rural Poverty. Finance and Development. 15(4):18-22, Washington D.C. 1978.

by firm political decision of national authorities.

The main difficulty in maintaining this political decision is a result of the magnitude of investments involved, their subsequent long-term financial commitments (10), the transformation of production units and the development of a new institutional infrastructure for providing necessary services; all of which, in fact, imply transferring political and economic power to the emerging groups.

2.3 The adjustment approach

More common in Latin America and the Caribbean have been attempts to reduce poverty with actions that seek to adjust the performance of the existing socio-economic system. They have basically been of two types:

- a) those directed at definite and limited geographical areas within the national territory, with actions similar to those of the global approach, but that can only deal with a part of the problem because of the inherent geographical restrictions; and
- b) those that attempt to reach a target population with one of more services: by promoting agricultural production (credit, technical assistance, agricultural research); agricultural marketing (providing production inputs, storage centers, warehouse, infrastructure and/or upgrading production aspects, retail distribution of foodstuffs and consumer goods) or social services (rural extension, education, health assistance).

2.3.1 Area or regional development

Projects that take this approach to the problem do not always identify a priori a target population of beneficiaries. Actually, "... the purpose of these projects is to develop entire areas, selected because of generalized below-average per capita incomes and low social indicators. The basic assumption of the area approach, typified by the introduction of infrastructure and rural services, is that most, although not all, of the benefits would go

(10) Yudelman, Montague. Op. cit. supra note 2.

to the groups we are discussing. The bulk of the population in areas with below-average incomes, that usually lack social infrastructure, generally tend to be poor". (11) This affirmation, though almost tautological, should not obscure the fact that much of what is invested in the zone would also favor the area's non-poor sector.(12)

These types of actions are usually multisectoral , whether "integrated" or not. (13) Multisectoral, in this context, simply indicates the programming and execution of actions by specialized public agencies. "Integrated" multi-sectoral actions form part of a coordinated regional planning network which encompasses various sectors using a similar approach, but which is limited geographically within the previously described 'global' definition.

This type of local action has been commonly used in two types of situations: when countries have decided to attack "pockets of poverty" in specific areas of their territory; and, in expanding the agricultural frontier, through settlement programs that move and settle groups of people in new areas.

2.3.1.1. Pockets of poverty. Some of the fundamental restrictions in dealing with "pockets of poverty" are the limitations of the physical base, which is usual in these areas; or the extremely uneven tenancy structure. These restrictions can only be overcome with actions that transcend the geographical area (population transference), by improving the physical base (through irrigation, for example, although its effects are limited), or by modifying the tenancy structure. The cost of establishing social services, except under extreme geographical conditions, would be similar to that in other parts of the country, and would only be limited by the amount of resources that the State would be willing to invest in establishing and operating them. The cost of production support services is fundamentally determined by the kind of production units

(11) Yudelman, Montague. Op. cit. supra note 2. p. 18

(12) Federal Republic of Germany. Report submitted by the Federal Republic of Germany to the World Conference on Agrarian Reform and Rural Development. Rome 12/21 July 1979. p. 28

(13) Yudelman, Montague. Op. cit. supra note 2.

that are established, and by the organizational model adopted for the service-delivery systems. (14) Even when these restrictions have been resolved, the success of the actions will depend to a large measure on the degree of beneficiary participation. Experience reveals (15) that their participation is critical because the performance of the production units and service delivery systems depends on their acceptance by the client populations.

2.3.1.2 Settlement. The fundamental difficulties of settlements, in which tenancy problems can be resolved simultaneously with the definition of the new type of production unit, and occasionally with the established natural resource base, have usually been expense, organization and institutional management and participation. (16).

Some countries have had some interesting experiences (17) when organizing social services in frontier regions, but it is unreasonable to expect that their costs would be less than for establishing equivalent services in other rural areas. Without an existing infrastructure, these initial costs could even be greater. Similar problems are encountered when setting up the infrastructure and production services in the area.

To avoid these initial investments, which may be a reasonable medium-term decision, does not eliminate the problem of their cost and can delay the moment when the new settlements can compete effectively in the market.

2.3.1.4 Area or region development and replicability

It is expensive to finance several different endeavors to eliminate or alleviate poverty pockets, or to create many settlements because of the variety and amounts of financial and technical resources necessary to ensure their success. This high expense is a fundamental problem for

(14) Christoffersen, Leif. Op. cit. supra note 9

(15) Fundación Interamericana. Ellos saben como.... Un experimento en Asistencia para el Desarrollo (Chicago) 1976.

(16) Carrera Andrade, H. Elaboración y Presentación de Proyectos de Reasentamientos Campesinos, Una Metodología, IICA-CIRA, 1966. pp. 110-126.

(17) Providing medical services in isolated rural zones in Panama is an interesting example.

governments and funding organizations.

The magnitude of rural poverty and marginal conditions forces us to think, test and evaluate new forms of beneficiary organizations and services, with a special attempt to substantially increase the efficient use of available resources.

Unconventional models for organizing and providing services such as 'off-campus' education, paramedical assistance, etc., can be attempted as much in the 'pockets' as in the settlements. These models, although perhaps transitional, distribute investments over longer periods of time and should be established with the intense participation of the beneficiaries in their programming and execution.

At the same time, they require the development of a highly autonomous local institutional organization with great managerial capacity and good human resources. Aside from their possible influence over the amount of resources necessary, the participation by the beneficiaries and the institutional organization are critical elements for the global success of the experience. (18)

2.3.2 Functional actions

One author (19) defines these actions as those "... that provide an input, or a 'technical package' for the target group, for instance, a credit program for producers. The target producers can be defined by the size of the property, by the value of their fixed assets and income (often expressed in multiples of the minimum wage)." Social or production services are usually added in order to reach the poorest population sectors.

"Functional actions" potentially involve modifying the institutions' products in order that they truly contribute to reduce the conditions of poverty in the target population, and to expand the range of population groups served.

(18) Fundación Interamericana. Op. cit. supra note 16

(19) Yudelman, Montague. Op. cit. supra note 2

The Latin American and Caribbean countries as a whole have begun to explore the manner in which their institutions can better the conditions of at least some of the poorest population groups. IICA has gathered some of these experiences in its Medium-term Indicative Plan for designing the operational objectives of their work programs.(20).

Following, we will discuss some general ideas on institutional adjustments and constraints hindering their complete success.

2.3.2.1 The requirements and possibilities of institutional adjustment

Agricultural research will be used as an example: Very little of the technology being produced by national and international centers is of any use to small-scale farmers, subsistence farmers, 'campesino' dryland farmers, hillside farmers (usually small-scale), or associative enterprises. There are several reasons why these kinds of producers, who form a significant segment of the population, have not been able to use this type of technology to date. In general, the technology generated cannot be adopted to the kind of productive system used by the small-scale producer. More specifically:

- a) they usually do not take the deficiencies of the physical base into account, i.e., soil-type, size of the plot, lack of irrigation, slope, etc.;
- b) most research is carried out without small-scale producer objectives in mind. These may include crop diversification for ensuring self-sufficiency and minimizing some of the risks and uncertainties of marketing, climate, etc.;
- c) technology depends to a large degree on the availability of specialized inputs, which are inaccessible to small-scale producers through regular commercial channels. He must depend on inadequate State services for receiving them.

Actions changing the direction of agricultural research institutions away from generating 'technological packages' related to specific crops

(20) IICA, Medium-term Indicative Plan, Official Document Series No. 15. pp. 31-68.

would be useful to the small-scale producer. This action could direct the institution to analyze the physical-biological and socio-economic environment of the small-scale producers' production systems, and, based on this analysis, generate the necessary technological support to help them increase their profit levels by maximizing the use of those factors.

Experience indicates that institutional adjustment could be a critical element for the success of the 'functional action' approach.

One author (21) notes that the World Bank had similar experiences with its credit program. The banking systems are organized to channel credit towards medium or large-scale producers, charging between 3 or 4 percent for administrative costs. Channeling loans to small-scale producers with the same system would cost between 10 and 20 percent. Any credit program to that sector could consequently only operate if its administrative costs were subsidized. Different successful innovations for reducing said costs can be summarized in the following quotes: "The experience of the (World) Bank indicates that (administrative) costs can be reduced when procedures are designed specifically for making loan operations available to small-scale producers". (22)

Institutional adjustments needed to ensure that the public services that stimulate agricultural production and productivity be delivered efficiently and effectively to the target group, that is small-scale producers; this is basic to IICA's action strategy and is detailed in its General Plan.(23)

2.3.2.2 Restrictions on the success of functional actions

There are basically two types of restrictions to the development of effective functional action.

On the one hand, these actions suffer problems common to any institutional adjustment or transformation. Operative inertia often determines

(21) Yudelman, Montague. Op. cit. supra note 2

(22) Yudelman, Montague, Op. cit. supra note 2

(23) IICA. General Plan. Op. cit. supra note 5.

that actions designed to assist the small-scale producer or the poorest population sectors end up benefitting commercial agriculture.

On the other hand, organizations created with the specific responsibility of executing this type of program may overcome this problem. However, if the change is not institutionalized to ensure its permanent existence within the system, the continuity of these actions may well be endangered.

In any case, the strength and continuity of the political decision that motivates these actions, the precision and clarity of these institutions' doctrines, correct administrative organizations and the availability of human and financial resources, will always be factors that are crucial to the success of a new or reformed institution.

2.4 External support on efforts to reduce rural poverty

The support of international , regional and bi-lateral funding and technical cooperation organizations for reducing rural poverty in Latin America and the Caribbean has been singularly important.

Particularly significant have been their orientation and the magnitude of the assistance provided. Nevertheless, problems of implementation at the beneficiary country level have resulted in resources not always being allocated exclusively for purposes of satisfying the needs of the target population.

2.4.1 The orientation of external support

The orientation of external support agencies has moved from analyzing absolute growth of the national product and the means and instruments needed for achieving it, to considering the ultimate goals of the countries' economic and social development. "Development for whom?" has become the central question in the international community's efforts.

2.4.1.1 The World Bank. Robert S. McNamara's speech in Nairobi marked an important landmark for the Bank's group credit policy, when he called attention to the limited effect of development investments on low-income rural populations.

Following that statement, the World Bank and its group adopted a "functional coordination strategy" by means of which it sought to increase the quality and volume of facilities, services, technical inputs and institutions considered by them to be essential for increasing productivity and rural income levels. This strategy stresses a change in investment patterns and increases the volume of loans to multi-sectoral and integrated projects that are relatively inexpensive, replicable and designed to generate benefits for a large number of rural poor, as well as to increase the productive capacity of small-scale agriculture and industry. (24)

2.4.1.2 The Inter-American Development Bank

One of the objectives of the Inter-American Development Bank is to "promote balanced development, as much in the national sphere as in the regional. At a national level it emphasizes projects that improve living conditions in zones where per capita income and fixed social capital lag behind the economy as a whole". (25) Its president, Antonio Ortiz Mena, states that the extreme poverty in some parts of the developing world demands that external aid be granted under highly favorable terms, and that a considerable portion of this aid be devoted to humanitarian, rather than just developmental objectives.(26)

1973 was also an important date for IDB's international technical co-operation policies because that year "a new program of technical cooperation and funding for intensifying the institution's efforts to improve the living conditions of the neediest population sectors of Latin America and the Caribbean". (27) was put into action. It is important to point out

(24) Rondinelli, Dennis A. and Ruddle, Kenneth. Urban Functions in Rural Development: An Analysis of Integrated Development Policy. Prepared by: Office of Urban Development, Technical assistance Bureau, Agency for International Development, U.S. Dept. of State, 1976.

(25) IDB. The Inter-American Development Bank (Washington D.C.)pp.5-6

(26) IDB. Ortiz Mena requests International Collaboration for the Developing World. IDB News (Washington D.C.) 4(4) May 8, 1977

(27) IDB. More than 700 Health Services Financed by IDB in Rural Areas. IDB News. (Washington D.C.) 4(40):4 December 1977.

that this objective is actually being re-emphasized, as it was fundamental to the Bank's orientation since its beginning in 1961.

2.4.1.3 The Agency for International Development. According to one author (28) the USAID program emphasizes the problems of income redistribution and unemployment, by designing and supporting projects that benefit the largest number possible of rural poor, integrating technical, financial and nutritional assistance into development programs and projects. One of USAID strategy's basic assumptions is that income redistribution and production and employment increases are interdependent variables, and that the objectives of economic growth and social equality are compatible. AID asserts that in order to increase food production, increase employment and improve income distribution, aid must be directed towards small-scale farmers so as to improve their access to production inputs, technology, marketing and financial resources and to create and/or support the planning and administrative capacity of local institutions.

This orientation is supported by the 1973 Foreign Assistance Act and fortified in 1975 by the approval of the International Development and Food Assistance Act.

2.4.1.4 The United Nations System. The strategy of 'rural modernization' adopted by the United Nations System (29) seeks to increase food production, to change attitudes and to create a diversified economic base capable of improving standards of living and of transforming rural areas into modern agricultural production communities.

The agencies of the United Nations System have identified the potential beneficiaries of rural development projects as 'low-income campesinos'.

2.4.1.5 Similarity of approaches. Despite the differences that emerge upon analyzing the different documents produced by each of these agencies on the phenomenon of poverty and the manner in which to fight it,

(28) Rondinelli, Dennis A. and Ruddle, Kenneth. Op. cit. supra note 24

(29) Rondinelli, Dennis A. and Ruddle, Kenneth. Op. cit. supra note 24

there are more similarities in approach than differences. They all consider low-income rural populations as their primary target. Anticipated differences in strategies based on these documents are less noticeable when potential areas for project development are selected, and practically disappear when projects are implemented since they all serve the population sectors that are subject to credit. There is also a general consensus that the participation of the target population in all phases of the projects is crucial to their potential success.

One should keep in mind that the support actions of banks and bilateral or national technical organizations should be conscientiously adjusted to the institutional will and capability of the public organizations with which they work. This restriction could be one of the sources of discontent frequently noted in the self-criticism of these kinds of organizations, especially when one takes into account the countries' already mentioned institutional difficulties.

Banking organizations have also found it difficult to reach the poorest sectors. When available funds are compared to the magnitude of the problem, it is understandable that bankers emphasize the careful disbursement of funds. This is reflected in statements like: "this situation cannot be approached from the point of view of humanitarian assistance ... projects for improving the conditions of poverty in Latin America should be compatible with the global needs of the recipient countries' development, which will eventually have to pay back the resources provided by the Bank." (30) It would be enough to state that the objective of eradicating poverty be "compatible with the global needs of development", without adding a warning. But the fact that caution is advised makes us think that more of less conventional criteria of profitability are involved, besides the mere recuperation of funds. Current approaches in project design, conventional criteria of profitability and the expectation that a project guarantee the generation of funds for repaying the loan excludes the lowest income segment of the population as credit customers. On the other hand, massive fund transferences without

(30) IDB. Proposal for Increasing the Resources of the Inter-American Development Bank. Report to the Governors' Assembly. December 1978 p. 51.

transforming the productive possibilities or developing savings and investment capabilities only tend to perpetuate the problem.

This dilemma, faced by banks and countries, should be explicitly acknowledged as it signals the low real capacity for resolving the problem. Consequently, any intellectual effort that designs and executes non-conventional projects in the field should be rewarded.

In order to attack poverty efficiently and effectively through technical cooperation and financial projects, multi-level innovations would have to be introduced into on-going procedures.

Technical cooperation should assist in the definition and formulation of specific policies. National organizations as well as international agencies of technical and financial cooperation should adjust their methodology for the identification and preparation of projects aimed at resolving the problems of poverty. At the same time, program and project implementation should contemplate any institutional adjustments necessary for effectively reaching the target population. The administration of programs and projects should be sufficiently flexible and dynamic to be able to rapidly incorporate adjustments considered necessary for assuring their success.

The implementation of the most ambitious and complex projects should be institutionalized in such a way as to allow committed funds to be flexibly allocated according to the priorities established by the nature of the projects as defined by their beneficiaries, whether it be to productive activities, investments in infrastructure, the provision of services, and so forth.

Lastly, it is worth considering the diversification and specialization of the credit portfolio as a function of the diversity of poverty conditions which should be resolved and based, as suggested, on their typification.

2.4.1.6 Foundations and affiliated organizations. It is important to note the collaboration provided by numerous private organizations for attacking poverty in developed as well as in developing countries.

These, as opposed to banks and international or bi-lateral organizations, channel their support directly to private low-income groups.

An outstanding characteristic of these organizations is their strong emphasis on beneficiary participation and their willingness to deal with highly original projects without subjecting them to the types of rules and standards demanded by the banking systems.

This varied group of organizations works with relative informality, accepting informal associations, churches, etc., as loan or grant recipients and only rarely deal with formal intermediary organizations. It is also common that they fund operations that promote simple experiences of mutual assistance that will eventually enable the target population to be trained to identify and carry out more ambitious projects.

2.4.2 The magnitude of external support

The volume of available external resources for executing rural development projects in Latin America and the Caribbean has grown substantially in the last decade. The Appendix contains some information on World Bank, Inter-American Development Bank and USAID resources directed towards these kinds of projects. It also describes the manner in which their allocations have evolved.

Despite the increase, the total amount represents only a relatively small percentage of the resources assigned by the countries themselves to rural development, when investments for developing agriculture (infrastructure and production services) and for maintaining social services are taken into account.

It is difficult to establish which of the resources directed at agricultural and rural development has had any significant impact on poverty and on the living conditions of the poorest sectors, of the rural population. As previously mentioned, each organizations has developed a strategy to guide their investments. Some operative difficulties for making them fully effective have been recognized some of which are associated with identifying the specific clientele or target group, designing new kinds of projects and the institutional organizations needed for

implementing them, and the lack of operative agility and flexibility for allocating available funds according to the priorities determined by the conditions which prevail during the projects' implementation.

According to a report by the Federal Republic of Germany, experience indicates that "the planning and execution of rural development projects do not in general include measures that exclusively benefit small-scale farmers or the poorest sectors of the rural population". (31)

Finally, it still is not clear what role external resources have played in mobilizing public and private local funds and to what degree all these resources have influenced the global reduction of poverty.

All national and international organizations interested in this subject agree that funds available for international support are really scarce. Given the range of poverty and rural marginal conditions in Latin America and the Caribbean, it is easy to agree with this impression. However, not only is there a limit to external and internal funds; equally or even more severe is the lack of decision on what to do and how to do it.

It will surely be necessary to increase external and, above all, internal funding. But unless new ways for dealing with the problem are encouraged, unless project testing and evaluation is made more flexible, there will be few guarantees that an increase in funds will not result in increased frustrations.

2.5 Instruments of possible usefulness

In its technical cooperation efforts with the Latin American and Caribbean countries, IICA has completed a number of activities and has developed some perceptions on possible solutions to the problem that concerns us. Without attempting to judge the relative importance of these different instruments, IICA feels that the analysis and evaluation of their efficiency and effectivity, for perfecting them and for defining the possibilities and requirements for their general application should be

(31) Federal Republic of Germany. Op. cit. supra note 12

considered foremost among actions to be carried out in the immediate future by the countries and the international agencies of financial and technical cooperation.

Following is a summarized description of these instruments:

2.5.1 International commerce and employment

The vulnerability of the external sector is of general concern to the region's countries, even when there have been some cases in which commerce has evolved favorably for some export products.

Several Latin American and Caribbean countries have demonstrated negative reactions to industrialization based on substituting imports with highly protective mechanisms. The generation of inefficiencies through waste, and the loss of comparative advantages in primary production have been attributed to this process. As a consequence, the need for increased agricultural exports is emphasized.

Although poverty is not directly related to foreign commerce in the sense that the poor and marginal are not expected to have direct access to exportation, it is worth noting that policies that seek to increase agricultural exports are generally regressive from the point of view of income distribution, and:

- a) on occasion they are combined with price policies that attempt to reduce food consumption in order to increase exportable surpluses, which particularly affect the lowest income groups;
- b) export products are generated by commercial agricultural enterprises which have access to productive technology that tends to replace manpower by capital without considering more efficient combinations of capital and labor in terms of relative prices, and consequently are limited in their capacity to generate employment;
- c) energetically increasing the productive dynamics of the agricultural sector and accepting that important reorganizations must take place in the production process are not enough to solve the basic agricultural production problems we are discussing;

- d) in the absence of policies to assure the redistribution of income, export benefits go to the social groups connected to the international trade of goods and services and does not reach the poor and marginal;
- e) the instability of export prices generates significant fluctuations in national incomes. Their impact on public budgets in the recessive phases and existing price stabilization mechanisms only serve to penalize low income groups while benefitting those in the higher income brackets;
- f) the agro-export economy monopolizes most of the productive resources and public services for stimulating production;
- g) the liberalization of trade regulations between the countries penalizes marginal agricultural producers who produce at higher prices and are not able to compete on that market.

The displacement of agricultural export products by synthetic products, as a final consideration, tends to relatively decrease the size of the agricultural markets.

Small-scale agricultural producers will take advantage of marketing opportunities, and the poor and marginal will benefit from an increased agricultural supply only if and when existing marketing systems and the guidelines of agro-industrial development are improved.

2.5.2 Agricultural marketing and poverty

Available empirical evidence indicates that the lowest income consumer groups pay the highest prices for goods and that small-scale agricultural producers receive lower prices for their products than do commercial agricultural producers. Modernizing the food distribution system has affected income distribution regressively.

This situation is critical in almost all the region's countries since most food for internal consumption is produced by small-scale farmers. They market their produce through longer and more inefficient channels than commercial agricultural producers do. Moreover, the rural as well as the urban poor receive their food through inefficient food distribution centers which have high percentages of loss and an excessive number of

intermediaries in the marketing channels.

The marketing of agricultural products and inputs in rural areas is frequently dominated by monopolies and monopsonies.

An analysis of agricultural production and food marketing systems suggests that existing distribution systems are differentiated by the size, orientation and income levels of their target populations.

Increased purchasing power in urban marginal populations can generate a more effective demand for the potential supply of small-scale agricultural producers. Nevertheless, in order that the potential demand and supply become effective demand and supply, it is necessary that certain institutional adjustments be made in the distribution system, creating if necessary, specific channels for the supply of products by small scale farmers. IICA is testing a marketing strategy "for rural development" in some countries in these terms.

Conclusions indicate that projects for improving agricultural marketing systems which are specially designed for resolving the problems of small-scale agricultural producers and low income rural and urban consumers can have a significant impact on the problem of poverty.

Nevertheless, the inefficiency of food distribution systems, the result of too many retail merchants, is caused by the economy's inability to generate productive employment and particularly by the economic and social policies that stimulate the process of rural-urban migration. New employment opportunities, particularly in the rural sector of the economy must be created in order to deal with the excessive number of commercial intermediaries.

2.5.3 The agro-industrial and employment processing model

The fact that the primary sector has been unable to generate sufficient opportunities for productive, salaried employment during most of the year for available 'campesino' manpower suggests that the primary industry be located in rural areas. This should be complemented by a training component and the generation of a demand for services.

In their attempt to improve their access to markets, the countries' efforts to better organize commercial channels and the more complex processing that accompany them, should alleviate unemployment and the limited use of the population in production.

The Institute shares and cooperates with the countries in the recent emphasis on agro-industrial projects and the organization of adequate channels whether or not in relation to foreign trade. But, as in the case of export policies, an observation should be made concerning the exploration of these aspects together with interested countries.

This observation refers to the fact that prevailing agro-industrialization and channel organization models maintain guidelines that do not necessarily lead to dealing with unemployment and marginalization. In effect, the suggested processing channels are organized without focusing priority on the problem of poverty. They frequently reproduce models from developed countries, which can significantly boost economic growth, but rarely create sufficient employment. If the additional processing required by primary exportable production follows these commercial standards, with the further aggravation of the existence of transnational enterprises, they will only serve isolated pockets of poverty, (32) and will not resolve the problem of poverty as a whole.

There is little concrete information on how to organize these processes in order to serve the rural and marginal poor, but we see this as the opportunity to develop projects that respond effectively to these social questions.

A balance can be achieved between costs at market prices and their equivalent at social prices without having to subsidize enterprises that employ family or associative manpower, by means of technology suited to available resources and without charging for the use of patents. However, temporary subsidies may be required. In any case, an evaluation will have to be made of the real possibility that these kinds of enterprises have

(32) Araujo, José Emilio. La Acción de la Banca de Fomento en la Adopción de Tecnologías Adecuadas y su Impacto sobre el Empleo. ALIDE. Ninth Ordinary Session of the Assembly General. Santo Domingo, April 3-6, 1979.

to adjust to the parameters of the existing market in terms of financial commercial accountability.

The Institute anticipates undertaking concrete efforts with the countries to generate and evaluate experiences on this urgent subject.

2.5.4 The expansion of the agricultural frontier

This subject is not new. It is obvious that an essential condition for increasing the well-being and improving the living conditions of the poorest sectors of the rural population is to increase their access to natural resources.

Distributive or redistributive measures can constitute an expansion of the agricultural frontier "within the frontier" of any country that takes such action.

Other measures that encourage the net expansion of the frontier in order to incorporate areas that have hitherto been marginal should also be taken into account. Technology for better managing tropical ecosystems (humid and island tropics) and arid and semi-arid zones must be developed for this purpose. Besides the very complexity of this task, it also involves the serious responsibility of conserving natural renewable and non-renewable resources.

Some areas of key importance in which IICA will concentrate its resources, are: regionalizing the humid tropics; developing appropriate production systems, including plant domestication; and, identifying and systematizing successful settlement experiences.

2.5.5 Typification of customers for more efficient delivery of services

One problem is that services that stimulate production, marketing and social assistance are delivered as if all clients were a homogeneous group. They therefore do not reach a significant number of small-scale producers and rural poor who do not have access to these services or cannot make use of them for various reasons. On the other hand, services provided are not always those most needed by the recipient clientele because they do not take into account the existing differences between types of rural units

which produce goods and services.

Even within the generic category of "rural poor", there are different conditions of quantity of available resources, of support needs, of reactions against proposals for associative action, and definitely, in the demand for services and the anticipated response to general policies or specific services.

The typologies that abound in literature have been based on categories necessary for developing general theories of rural development and are rarely tested for their validity. IICA will continue to increase its methodological cooperation with national organizations that wish to define useful typologies in order to organize client-appropriate services. (33)

This methodological support requires that relevant variables be identified, that information be gathered and processed, and that the validity of typology hypotheses be tested. In order for this methodological support to be truly useful, viable strategies must be determined by IICA and the responsible national organizations for reaching the different groups of rural poor with specialized services. In this respect, IICA will continue its cooperative actions in the fields of the creation and transference of technology systems, associative organization, redesigning marketing channels, and special credit and insurance, defined according to the needs of the most marginated sectors.

This line of cooperation is considered to be instrumentally associated to the doctrinal and operative strengthening of sectoral institutions.

2.5.6 Associative production enterprises

The different instruments which have been discussed can be applied to family enterprises of individually-owned property, or they can be

(33) IICA. Report on: Reunión Técnica sobre Tipificación de Empresas Agropecuarias. IICA-Ministerio de Agricultura y Pesca. Serie de Informes de Conferencias, Cursos y Reuniones No. 136. Montevideo, Mayo 1977.

IICA. Report on: Seminario sobre Métodos y Problemas en Tipificación de Empresas Agropecuarias. IICA Serie de Informes de Conferencias Cursos y Reuniones No. 92, Montevideo, December 1975.

directed at community production enterprises, existing associative enterprises or those yet to be created.

When the advantages of both alternatives are weighed, channeling resources towards small family enterprises of individual private property presents a series of disadvantages: (34)

- a) it requires high fixed costs per unit of permanent employment;
- b) it presents limited possibilities for large scale cropping systems (in the case of agricultural production) and for adopting new technology;
- c) it presents obstacles and difficulties for delivering social services (medical, educational, and others);
- d) it encourages property sub-division and may aggravate the situation of minifundias.

A possible instrument for eliminating these difficulties and for increasing the number of beneficiaries of the new kinds of projects is to channel the resources (in the case of production projects) towards existing agricultural or craft community production enterprises. Resources could also be used for creating this kind of enterprise, with more attention paid to the form they take.

"The movement from individual to associative forms of production... facilitates community orientation and the consequent change in attitudes and consciousness of the community". (35)

The existence of a group of people that share objectives and common goals facilitates the participation of all members in all phases of the decision-making process. Production factors would be put to better use, and there would be greater access to inputs. These production forms would also facilitate the processing and transformation of products

(34) See:

Araujo, José Emilio (Ed.) *La Empresa Comunitaria: Una Sistemática reformista en el Proceso Reformista de América Latina*. La Empresa Comunitaria. IICA. 1975.

(35) Rodríguez Bernal, Adolfo. *La Empresa Comunitaria. Enfoques Colombianos, Temas Latinoamericanos. Formas Asociativas de Producción*. Fundación para la Nueva Democracia. Bogotá, 1976. p. 151.

(increasing their aggregate value) which could increase employment opportunities and favorably affect income levels.

The concentration of a large number of producers would encourage greater efficiency in technical assistance programs "requiring that they respond to the needs and interests of the producers". (36)

The Institute has stepped up its cooperation with the countries in this field, and anticipates increasing the scope of the next stage of projects devoted to resolving the problem of rural poverty.

(36) Barahona, Francisco. Reforma Agraria y Organización Campesina. Estudios Sociales Centroamericanos. Costa Rica. January-April 1979. p. 212.

3. FRAME OF REFERENCE AND SOME PROPOSALS FOR ACTION

This chapter outlines a series of proposals which encourage coordinated action between the countries and the international financial and technical cooperation agencies concerned with combatting poverty.

- A frame of reference is briefly outlined which takes into account the points necessary for successfully completing the next stage of this type of project, based on the experiences summarized in the previous chapter. A list of minimum requirements to be fulfilled by these projects is also discussed.
- The great variety of possible situations to be resolved must be recognized. This, in combination with the doctrinal and operative diversity of participating organizations requires that portfolios and technical support also be varied. A coordinated framework for analyzing and exchanging experiences should be prepared in view of the variety of possible approaches.
- Suggestions are made within the specific context of these "war on poverty" projects on new ways to deal with the usual phases of identification, preparation, execution and evaluation and on simplifying the mechanics of negotiating and administering external funds.
- Preliminary suggestions are made on how to coordinate actions between the different organizations in order to operate and evaluate different types of projects and instruments, and to serve as consultants to the countries for formulating and executing policies, programs and projects that tackle poverty.

3.1 General framework and minimum requirements for projects that tackle poverty

Some authors (1) have identified "new style" projects as all those that have been created to tackle poverty - usually with the financial and/or technical support of externally funded organizations. The term seems to be generically associated with two basic characteristics:

- a. They are specifically aimed at changing the living conditions of a segment of a country's population. Their results and effects should consequently be measured in terms of the changes experienced within that population, and not necessarily in the usual profit-indicating terms; and,
- b. Their design and execution, especially in the case of externally funded components, makes it difficult to employ the usual format for approving the funding of sectoral actions.

The preceding chapter presented a summary of rural poverty project experiences attempted by the countries and by bi-lateral financial and technical assistance organizations. Some outstanding points emerge from this summary, that should be used to guide the next stages of these projects.

The magnitude of poverty and marginal conditions, the countries' resolve to improve distributive aspects of their development process and the commitment of support by the agencies of external assistance suggest that the on-coming years will offer new opportunities for fulfilling those objectives that IICA has maintained since the beginning of the decade.

This opportunity, however, will only be maximized if certain aspects of the accumulated experience is recognized. The Institute therefore proposes some points for guiding the next stage of "new style" projects, which are the result of combined regional and international experiences.

(1) Yudelman, Montague. Integrated Rural Development Projects, The Bank's Experiences. Finance and Development. Washington, D. C. 4(1):15-18. March 1977.

Ul Haq, Mahbub. El Banco Mundial y el Mundo Más Pobre. Finanzas y Desarrollo. Washington, D. C. 15(2):14. June 1978.

Christoffersen, Leif. The Bank and Rural Poverty. Finance and Development. 15(4):18-22. Washington, D. C. 1978.

The following general frame of reference should be considered for improving the results of projects dealing with poverty and rural marginality:

- No plan has been developed for dealing with the problem that is accepted by all governments and concerned organizations;
- It is impossible to generate standards that all are in agreement with in view of the different specialties and doctrines involved;
- It will be difficult to find an approach that can be shared by all the concerned countries because situations vary from country to country, and the perception of the problem will depend on existing cultural values at a given moment;
- It is to be expected that most countries will not be working with global approximations, but rather in geographical or functional problem areas.

Whether a global approximation, an integrated approach by geographical area, or a partial approach by geographical or functional area is attempted, external sources of financial or technical cooperation can lend effective assistance if the following minimum requirements are fulfilled:

- a. There must be a firm commitment by the national authorities to solve the problems of the poor and marginal populations;
- b. National and foreign organizations must work from a common, clearly established and similarly conceptualized doctrinal base;
- c. Projects must clearly typify their target groups in terms of their characteristics and needs;
- d. Procedures that ensure beneficiary participation must be developed and should include active participation in the definition and administration of the projects;
- e. Greater attention should be paid to identifying the conditions of poverty which can be eliminated, and to mobilizing the target population against them;

- f. The usual stages of preparation, evaluation, negotiation and project administration should be simplified;
- g. Countries should be offered alternative policies of foreign support which are flexible and dynamic and easily accessible, as a counterpart to the countries' commitment to act on the basis of concrete goals.

3.2 Project differentiation, portfolio specialization and research

Several topics emerge for discussion from the proposed frame of reference and the minimum requirements for "war on poverty" projects in relation to the action of external assistance organizations. Particularly worth mentioning is the possibility of defining specialties, if not by organization, then at least by funding portfolios, and of planning different types of projects for their comparison and evaluation in a coordinated fashion.

If funding sources were specialized according to well-defined target populations, it would be easier to organize actions with or without external assistance and to test the validity of different instruments in the field. As mentioned in the previous chapter, difficulties have recently been noted in adjusting general objectives (which are quite similar as a whole) to operational realities. This is partly because there is little recognition of the fact that poverty and marginal conditions need more than aspirations and available funds for their solution. Another reason is the fact that the phenomenon has been considered homogeneous in nature and has been tackled without any clearly defined doctrine.

With the acceptance of different doctrinal, perceptual and operative capabilities between countries as well as organizations, the development of alternative policies becomes a truly viable option. Any such alternative that includes the already mentioned minimum characteristics should be accepted. The acceptance of these differences is crucial for considering funding options in order to avoid the countless frustrations generated to date by the misconception regarding the apparent homogeneity of circumstances and the subsequent financial and operative policies.

In order to understand the exact nature, possibilities and limitations of the different approaches, it is indispensable that a coordinated scheme be organized for following up on and evaluating the different experiences.

It will be necessary to ensure that this research mechanism be consistent with project execution aspects in various situations and in various forms of instrumental design. Above all, it will have to be conceived of as another instrument of an intermediary nature, in order to continuously improve the effective capability of reaching the target population with external support.

3.3 Guidelines for project methodology and the administration of external funds

In order to comply with one of the points in Recommendation No. 1, this section will suggest some new guidelines for dealing with the different phases of the projects and for administering external funds.

When considering the following, it is important to remember what has already been mentioned about the heterogeneous nature of poverty and marginal conditions. It is also important to keep in mind that national and external support organizations should prepare differentiated funding portfolios for the different types of populations. The concrete operative version of the suggestions that follow will vary according to the size of the project under consideration and to the relative ease with which they can be completed.

3.3.1 Project identification and preparation

This section deals with three topics, referring specifically to recommended norms and to suggestions for identifying and preparing projects to combat rural poverty.

Project Identification

The identification stage should identify the target population and refer specifically to three very important elements:

- a. It should identify the causes of poverty and marginal conditions in the given situation and should clearly state how and to what degree the problem will be resolved;

- b. It should indicate the government's interest in resolving the problem and the instruments it intends to use;
- c. Mechanisms for ensuring the participation of beneficiaries in all stages of the process should be precisely defined.

Once the target population (2) and the corresponding actions to be carried out have been identified, it is possible to draw up a preliminary document. Some of the lines to be followed by the project can be described therein, such as: the type and number of possible beneficiaries, its geographic location, activities to be carried out, the manner in which beneficiaries will participate in the project's different stages, the type of support to be offered by different state agencies, a preliminary estimate on the size of the investment required, an explanation of how the project's viability will be analyzed and what portion of preparation costs can be financed with external pre-investment funds.

The identification phase can result in a more or less conventional funding request for preparing the project. However, some unconventional possibilities should also be included. For example, a description of what portion of the pre-investment funds may be used to initiate particular aspects of the project, such as the beneficiaries' participative action.

(2) -Ruppecht, E. Basic Needs Information Network (no date)

- USAID-PERU: The Peruvian Poor. A Geographical Analysis. Peru, August 1976.
- La Academia de Centroamérica. Poverty in Costa Rica, Methodological Problems in the Determination of some of its Characteristics. San José. January 1977.
- USAID. Progress Indicators for Measuring Changes in the Level-of-living in El Salvador. Washington, D. C. June 1978.
- Fernández Hugo. Consideraciones Metodológicas sobre Variables Sociales y Planificación del Desarrollo. Reunión Técnica Internacional sobre Utilización de Variables Sociales Rurales en el Proceso de Planificación, 2a. San Salvador, 1974. IICA. Informes de Conferencias, Cursos y Reuniones No. 56. 1974. pp. 49-65.
- Scott, Argalias and McGranahan. The Measurement of Real Progress at the Local Level: Examples from the Literature and a Pilot Study. United Nations. Geneva. 1973.

Specific standards for guiding project identification and preparation

a. Identifying the target group

The projects should be aimed at a clearly defined clientele. The target population, its characteristics, needs, geographic location as well as possible alternatives for resolving their problems should be described.

When the for whom is stressed, the need arises for developing the appropriate methodology for identifying the population groups that live in poverty. This will be dealt with more specifically further on, when project methodology is discussed, with some proposed indications.

b. Beneficiary participation

Projects should clearly describe beneficiary participation, which is vital to the success of these projects.

This must be accepted from the start, and mechanisms must be developed and perfected that assure beneficiary participation in all stages of the project. For this to occur, it is necessary to pinpoint who participates what and how.

c. Precision of objectives, realism of goals, appropriateness of instruments

A project should clearly state the fundamental problem it is tackling, and which goals it should have fulfilled within a reasonable amount of time in relation to the instruments that will be used within the socio-politico-economic system in which the particular poverty situation to be dealt with has involved.

d. The effectiveness of intermediary organizations

If a pre-existing intermediary organization is to be used, a determination will have to be made as to whether it is sufficiently capable of dealing effectively with the target population. Similarly, the capacity of new or reorganized organizations proposed for the on-going institutional system will also have to be examined.

e. Operative rationality of the entire process

The preceding points should be seen as reasonable requirements, and should not be used to complicate the process or to divert technical and financial resources earmarked for the target population.

Project Preparation

The preliminary document represents the government's intentions for promoting a certain group of poor rural inhabitants. In order to assure the project's viability, it must be accepted by and involve the potential beneficiaries.

The project must be analyzed in terms of its viability and its capacity for improving the beneficiaries' living and working conditions which means decisions must be made concerning, the mobilized resources and instrumental alternatives.

It is essential that those concerned (the beneficiaries and the local and regional authorities) understand all elements of the feasibility analysis. In the end, their involvement in the project will depend on this understanding.

When the possibilities of a project's success have been reasonably assured, it will be necessary to design control and follow-up mechanism (3) so that deviations that occur during its execution can be identified and appropriate correction actions can be taken. The viability analysis culminates with the project document which is then presented for consideration to funding organizations.

(3) Deboeck, Guido J. "Guidelines for Monitoring and Evaluation of Rural Development Projects". Agricultural and Rural Development. An exercise along these lines is presented by: Veras, Arnoldo, Raidan, Gregorio, Morales V., Rubén y Páez, Gilberto et al. Esquema de Evaluación de Resultados del Proyecto Integrado de Desarrollo Agropecuario del Paraguay. Seminario Internacional sobre Metodología de Evaluación de Proyectos de Desarrollo Agropecuario. Ministerio de Agricultura y Pesca. IDB-IICA. Uruguay. 165-190 pp. February 1976.

It is not easy to analyze the projects from the point of view of the potential beneficiaries and the reality of their living and working conditions. Favorable conditions must be developed for creating a participation and organization process that facilitates self-analysis and decision-making.

One way to increase the population's self-confidence in their ability to effectively deal with the conditions of poverty is to organize activities that solve specific problems either prior to or simultaneously with the viability analysis process. Mobilizing the concerned groups around the resolution of an important but relatively simple problem provides a base for accumulating and analyzing experiences and prepares them for participating in the decision-making process with regard to more complex problems which will arise during the course of the project. This kind of "training" requires financial support from the pre-investment budget.

The rationality which has been proposed as a specific standard for guiding the entire process will be tested when beneficiary participation is attempted within the framework of projects that involve large numbers of beneficiaries. In effect, what appears simple in relatively small projects is not so easily managed within expanded geographical areas because inter-institutional action becomes more complicated and many more rural inhabitants are involved. This problem requires that we create, test and analyze the results of different participative mechanisms. A significant percentage of the complex typology on projects for marginal populations consider beneficiary participation to be mandatory for their success and an important outcome which will increase the flexibility of their future options.

3.3.2 Project analysis, selection and approval

Ex-ante evaluation

This point is of methodological importance, and may be of special interest to funding organizations.

The social evaluation of projects consists essentially in determining the relative merits of a proposal in light of the objectives of a particular society. This determination presupposes an estimate of the

cost-benefit relationship of the project. Great advances have been made in this area, especially through the services of United Nations and World Bank technicians (4). Operatively, however, it has been difficult to find evaluative mechanisms that measure cost-efficiency while also reflecting the social values of the target population.

The theoretical development of evaluative mechanisms that deal with multiple objectives (5) is sufficiently advanced to undergo experimentation and testing for their operative viability.

Since there are less viable projects for resolving the problems of poverty than indicators for comparing the merit of alternatives, it would not hurt to put well-established theoretical options to practice. Another option would be to prepare projects with short-term objectives where a measure of cost effective relationships would suffice or even to entirely alter the prevailing concept of the ex-ante evaluation.

This suggestion is particularly important when related to the differentiation of funding portfolios for the poor. With the recognition of different causes and manifestations of poverty, it can be deduced that different population strata in different situations may require different evaluative mechanisms.

The evaluation of a project for purposes of funding should take into account some limitations which this kind of project faces, such as: the technical-economic rationality that reigns at the level of the beneficiary

(4) -Dillon, John L. *Objetivos Múltiples en la Evaluación Ex-ante de Proyectos. Metodología de Evaluación de Proyectos de Desarrollo Agropecuario. Seminario Internacional, Ministerio de Agricultura y Pesca. IDB-IICA. Uruguay. 83-106 pp. 1976.*

-McGaughey, S. S. *Measurable Investment Criteria for Rural Development Projects. Preliminary Draft. 1978.*

-Lal, Deepak. *Employment, Income Distribution and a Poverty Redressal Index. IBRD. Economic Staff Working Paper No. 129 (mimeo). Washington, D. C. 1972.*

-United Nations-ONUUDI. *Guide to Practical Project Appraisal. Social Benefit Analysis in Developing Countries. New York. 1975.*

(5) Dillon, John L. *Op. cit. supra note 4* and McGaughey, S. E. *Op. cit. supra note 4*

population, the nature of the processes to be promoted and the degree of marginality to which a good part of this population has been subjected.

Since many of these beneficiary groups have been permanently marginal, investments made in their favor do not develop efficiently due to prevailing conditions and the precarious nature of the social capital available to the project's target population.

The population groups being dealt with in this document have traditionally accepted the economic, technical and social conditions associated with poverty and have had extremely limited experience in decision-making. The project's actions attempt to modify these conditions. The possibility of projecting the outcome of these actions, however, is limited by the amount of experience and the absence of adequate information on the subject.

Proof of viability should only be required during the first stage of the projects, with following stages being evaluated at later dates. The evaluation for viability and profitability of later stages are more reliable than those of the first stages, since they are based on the experiences acquired during the first stage, use variables that have evolved with the project and are consequently better understood.

Negotiation

A common problem faced by all projects is the excessive length of time for negotiating necessary funding: this creates frustration and discouragement among national technical teams and beneficiary organizations because of the urgency of the problems.

This is why a proposal has been made to include a margin in the pre-investment funds for continuing activities aimed at satisfying immediate needs in the project area. It will maintain the dynamism and interest of the project team and the beneficiary groups, during the negotiation period. It will also cover the period of the process for improving the mechanisms for involving and organizing the beneficiaries to better face the project's implementation stage.

Communications should be kept open between the project's local organization and the international funding organization so that local participants can be involved in discussions on possible project modifications during

the course of the negotiations.

3.3.3 Funding conditions

This document has indicated that investments in the rural sector by international funding organizations have been substantial, and that within the recent past these organizations have been orienting part of their resources towards the poorest sectors of the population. The magnitude and nature of the rural problem seems to require more vigorous efforts, however, than have been attempted to date.

Channeling resources to the most depressed populations means that these projects are considered different from projects aimed at other groups within the society, or at the society as a whole.

Funds earmarked for these projects should be used exclusively for that purpose. This means that potential beneficiaries and the problems that affect them have to be accurately identified. It also requires clear identification of the existing institutional intermediaries in order to assure that the funds will reach their destination effectively.

It is also suggested that projects be more flexible in order to accommodate necessary adjustments. As long as the results and objectives of the project are well defined, cases that do not explicitly define a combination of instruments to be used can also be accepted, thereby assuring this flexibility.

Conditions on loans for projects aimed at decreasing poverty should take into account the fact that maturation periods will generally be longer and the grace period should consequently take this into account.

3.3.4 Project execution

The funding organizations, their technicians and national professionals acknowledge the existence of discrepancies between objectives described in the project documents and their actual achievements.

Various reasons explain the discrepancies between what is programmed and what is executed in these projects, among which are: the lack of

beneficiary participation, inadequate program design, use of inappropriate technology, insufficient communication between beneficiaries and intermediary organizations, etc.

a. Project beneficiaries

The target population is usually not included in any part of the decision-making process. The fact that the beneficiary population is not conscious of the problems that affect it or the ways to solve them makes it difficult for project administrators and executors to develop feasible and appropriate strategies.

b. Design

Because of the lack of participation, project designs are unable to clearly define the steps to be taken for their execution. Such designs are consequently generally inadequate as models for guiding decisions for project execution.

c. Technology

The selection of appropriate technology which can be understood and handled by the beneficiaries is essential for promoting change. Many instances exist in which technical modernization has not responded to available resources and in which beneficiaries have not been adequately prepared to operate and maintain them.

The ability to operate or use manual technology was proved positive in ten cases to every one that responded negatively to the question. On the other hand, among those surveyed only one of every four responded positively on the ability to handle high-level capital technology (6)

It seems reasonable to suggest that marginal groups may not be able to make use of high investment technologies at least in the initial stages of the projects. However, this does not mean that only low-investment technology is appropriate. Sophisticated technology may well be used as long as it responds to a felt need of the community, is profitable and assures fairly rapid net benefit for the community as whole.

(6) Fundación Interamericana. Ellos Saben Como ... Un Experimento en Asistencia para el Desarrollo. Chicago. December 1976.

d. Insufficient communication

Deficient communication has been noted between beneficiaries and intermediary organizations during the execution phase. This can be because available information is inadequate, because the clientele is not prepared to receive it, because of problems of the intermediary organization itself, or because of problems with the agents of change. In regards to this last instance, it is advisable to select agents of change whose methods, customs, language, etc., are compatible with the environment, preferably from the community itself, and with experience in recognized productive activities. Poor communication is also directly related to the degree of participation by the target population, a problem which has already been discussed.

e. Institutional adjustment for project execution

Institutional adjustment is critical for the successful execution of these kinds of projects, especially when the functional action approach is used.

Institutional adjustments should be considered:

- for research organizations, in order that they generate technology and/or production systems that reflect the needs of small-scale agricultural producers;
- for technical assistance, rural extension, settlement and agrarian reform organizations, for identifying and preparing projects to tackle poverty, promote "campesino" and social organizations, encourage greater participation in the activities and decisions of development, and for reducing the expense of technical assistance and rural extension services;
- for credit organizations, for reducing the administrative costs of rural credit and to ensure that they effectively reach the target population;
- for marketing and supply organizations, for reducing the costs of their services, for ensuring the supply of productive inputs

the anticipated purchase of produce, the effective use of collecting centers or rural markets by the target population, for consolidating the agricultural supply, production processing and typification, and the effective use of marketing information; and, to create, if necessary, special product and supply distribution channels for the poor and marginal populations;

- for educational organizations, to design more efficient training methods and instruments;
- for planning organizations, for defining and formulating programs to tackle poverty;

f. The managerial ability of the executive unit

Necessary managerial functions (planning and programming, follow-up or information, evaluation, organization and coordination, promotion and training) should be defined, and the executive unit should be trained in these functions according to the needs of the project.

3.3.5 Administration of external resources

A key point for assuring positive results with these projects is to assure that the resources be used exclusively in actions that benefit the target population.

A series of conditions exist to facilitate flexible and prompt decision-making in regards to the administration of external resources:

- a. the creation of intermediary organizations that work closely with the beneficiaries (downwards) and with national planning or executor organizations (upwards); these organizations should manage funds and disbursements and be accountable to the national comptroller organization;
- b. the disbursement of funds should depend on fulfilling goals within relatively short periods of time. This will also aid in the effective evaluation of the project's progress, and will facilitate

- the performance of follow-up activities;
- c. funding agencies could consider approving smaller loans that have more flexible operative rules, for example, in approving bank disbursements;
 - d. the possibility of differentiated portfolios has already been stressed, including directing one exclusively to improving the living conditions of the marginal population. These specific projects should not compete with others aimed at rural areas, whose benefits basically fall on other segments of the population (i.e. commercial agriculture);
 - e. in the case of agencies which are unable to allocate funds specifically to marginal rural populations because of restrictive institutional or functional policies, the possibility exists of introducing specialties by target group through international organizations.

3.3.6 Ex-post evaluation

The range of proposals for change of approach and/or instruments that have emerged throughout this document require that the evaluation of these projects' results be assigned great importance, both for current projects and all future ones.

Each project should state the goals it intends to reach and the frequency and manner in which the results of these goals will be evaluated. They should all focus their evaluations on the impact of the project on altering the levels of well-being of the target population. It is also important that the projects indicate how they intend in the future, to affect and expand opportunities available to the marginal sectors of the rural areas.

The diversity of approaches and instruments to be used require that their use be programmed to effectuate a coordinated evaluation between institutions, without downgrading the importance of each individual projects's evaluation. The subject of the next section of this chapter will deal with the suggested exchanges of experiences.

3.4 Proposals for coordinated action

This document has specially emphasized the need to accept the necessity for variety of approaches and instruments for projects that deal with poverty. It was also suggested that the possibility of differentiating the portfolios of external funding be analyzed in order to guarantee support to these sectors whose problems are particularly difficult to resolve.

The variety of possible projects is great even when their format is constrained by the recommended pre-requisites. This variety will be based partly on approaches adjusted to particular economic, social, political and doctrinal circumstances, and partly to the need to test non-conventional instruments, or to adapt existing ones to more pragmatic criteria.

In view of this diversity and in the light of the exploratory nature of the design and implementation of some instruments, it is recommended that a permanent mechanism be created for generating ideas, follow-up activities and evaluating experiences associated with implementing projects that combat poverty. Concerned organizations should consider forming a permanent evaluation team and coordinating inter-institutional dialogue for exchanging information on the subject.

This team should have a concrete plan of action, based on projects underway, and should periodically evaluate achievements. Information on existing and future international experiences in this field, currently dispersed among isolated technicians and organizations, could be integrated into a central information retrieval system. The existence of such a team should also stimulate the creation of new operative schemes for resolving poverty problems.

In order to maximize the benefits of the information accumulated as a result of the exchange of information and the evaluation of completed or advanced projects, it is suggested that the inter-institutional technical team assist interested countries to formulate "war on poverty" policies and programs and to execute new-style projects.

Following is a list of suggested topics appropriate for coordinated evaluation, based on material covered in this document:

- a. Establish minimum requirements that new-style projects should meet in order to assure that allocated resources reach the target population;
- b. Stimulate the creation of funding portfolios whose administrative conditions are based on the awareness that poverty is not a homogeneous problem and that not all beneficiaries can face up to usual profit criteria;
- c. Explore various ways to ensure beneficiary participation, including the use of pre-investment funds for generating participatory activities;
- d. Consider ways in which to prepare projects with realistic short-term goals and to consequently alter the usual evaluative mechanisms;
- e. Test the usefulness of mechanisms which seek to create and organize services for target groups that are differentiated by their needs and possibilities;
- f. Explore processing possibilities beyond primary exportable production, keeping the problems of poverty and the generation of employment in mind;
- g. Improve the food distribution system by carrying out marketing reforms that benefit the lowest-income population groups;
- h. Design projects that settle the agricultural frontier in an orderly manner, testing management techniques appropriate to tropical eco-systems and to arid and semi-arid regions;
- i. Investigate the possibilities of typifying agricultural enterprises, the poor and the marginal, in order to improve those organizations and provide better services;
- j. Promote the creation of associative production enterprises;
- k. Systematize and evaluate the experiences of agrarian reform.

This group's support to countries on the formulation of policies and programs and on the design and execution of projects in order to systematically acquire experience and compile information on rural development and tackling poverty could be of critical importance in reducing the levels of poverty in Latin America and the Caribbean during the eighties.

APPENDIX

Table N° 1 (1)

World Bank: Loans for Agricultural Development

	1972/73-1978 (millions)	Percentage
Mexico	1,045	46
Brazil	495	22
Argentina	165	7
Colombia	157	6

Table N° 2 (2)

Sectoral Composition of World Bank Credit
(percentage)

	'67 Period	'77 Period
Infrastructure		
Communications	3.6	2.0
Energy	29.7	13.5
Transportation	21.2	14.8
Sub-total	<u>54.5</u>	<u>30.3</u>
Economic sectors		
Agriculture	7.7	32.7
(of which, rural develop.)	(-)	(20.6)
Industry <u>a/</u>	11.9	21.1
Tourism	-	1.4
Sub-total	<u>19.6</u>	<u>55.2</u>
Social Sectors		
Education	4.6	4.1
Population	-	0.5
Urbanization	-	2.2
Water supply	0.1	4.3
Nutrition	-	0.2
Sub-total	<u>4.7</u>	<u>11.2</u>
Others (includes loans for programs)		
TOTAL	<u>21.2</u>	<u>3.3</u>
	<u>100.0</u>	<u>100.0</u>

(1) World Bank. Annual Reports of the World Bank 1972/73 and 1978 (Washington D.C.)

(2) Ul Haq, Mahbub. El Banco Mundial y el Mundo más Pobre. Finanzas y Desarrollo (Washington D.C. 15(2):14. June 1978.

a/ Includes industrial projects and industrial development.

Table N° 3 (3)

Sectoral Composition of IDB Credit
(percentage)

	1972 Period	1977 Period
Infrastructure		
Transportation and communications	15.4	8
Electric energy	28.9	23
Sub-total	44.3	31
Economic Sectors		
Agriculture	16.1	20
Industry & Mining	19.8	24
Tourism	0.1	2
Sub-total	36.0	46
Social Sectors		
Education	3.6	5
Urban Development & Housing	5.5	2
Drinking water & Sewage systems	7.6	13 <u>a/</u>
Sub-total	16.7	20
Others	3.0	3
TOTAL	100.0	100.0

(3) IDB. Annual Reports of the Inter-American Development Bank, 1972 and 1977. (Washington D.C.)

a/ This item is called "Sanitation" by the Bank, for 1977, but it includes the supply of drinking water and sewage systems and services.

Tables N° 4 and 5 (4)

Percentage of Funds Directly Benefitting the Poor - IDB
1972

<u>Type of Loan</u>	Direct Benefits to Poor (% of Total)				Totals
	(1) None	(2) Marginal	(3) Signifi- cant	(4) Predomi- nant	
Ordinary capital (hard)	38%	13%	0%	5%	56%
Funds for Special Operations (soft)	7%	8%	18%	11%	44%
Totals	45%	21%	18%	16%	100%
Combined percentages:	(1) + (2) = 66%		(3) + (4) = 34%		

1977

<u>Type of loan</u>	Direct Benefits to Poor (% of total)				<u>Totals</u>
	(1)	(2)	(3)	(4)	
Ordinary capital (hard)	25%	25%	6%	9%	65%
Fund for Special Operations (soft)	2%	5%	23%	5%	35%
Totals	27%	30%	29%	14%	100%

(4) House of Representatives. Foreign Assistance and Related Agencies Appropriations for 1979. Hearings before a Subcommittee of the Committee of Appropriations, Ninety-Fifth Congress (Washington D.C.) CRS-170 p.

Tables N° 6 & 7 (5)

Allocations by Sector - IDB
(% of total)1972

Direct Benefits to Poor

<u>Sector</u>	(1) None	(2) Marginal	(3) Signifi cant	(4) Predomi nant	Totals
Agriculture	0%	0%	6%	10%	16%
Industry & Mining	20%	2%	0%	0%	22%
Electric Power	10%	15%	5%	0%	30%
Transp. & Communication	14%	0%	0%	0%	14%
Sanitation	0%	1%	6%	0%	7%
Urban Development	0%	0%	0%	6%	6%
Education	0%	3%	1%	0%	4%
Preinvestment	1%	0%	0%	0%	1%
Export Finance	*	0%	0%	0%	*
Total	45%	21%	18%	16%	100%

* less than 1%

Allocations by Sector - IDB
(% of total)1977

Direct Benefits to Poor

<u>Sector</u>	(1)	(2)	(3)	(4)	Totals	<u>1/</u>
Agriculture	0%	5%	6%	10%	21%	
Industry & Mining	17%	7%	0%	0%	23%	
Electric Power	4%	8%	7%	0%	19%	
Transp. & Communication	0%	9%	3%	0%	12%	
Sanitation	0%	*	12%	2%	14%	
Urban Development	0%	0%	0%	2%	2%	
Education	2%	1%	2%	0%	5%	
Preinvestment	1%	0%	0%	0%	1%	
Export Finance	*	0%	0%	0%	*	
Tourism	2%	0%	0%	0%	2%	
Mixed	1%	0%	*	0%	1%	
Totals	27%	30%	30%	14%	100%	

(5) House of representatives. Op. cit. supra nota 4 CRS-180 p.

* Less than 1%

1/ Variation due to rounding

Tables N° 8 & 9 (6)

Allocations by Sector - IDB
(as percentage of total allocations per sector)

1972

Direct Benefits to Poor

<u>Sector</u>	(1) None	(2) Marginal	(3) Signifi cant	(4) Predomi nant	Totals
Agriculture	0%	0%	39%	61%	100%
Industry & Mining	92%	8%	0%	0%	100%
Electric Power	34%	51%	15%	0%	100%
Transp. & Communication	100%	0%	0%	0%	100%
Sanitation	0%	16%	84%	0%	100%
Urban Development	0%	0%	0%	100%	100%
Education	0%	79%	21%	0%	100%
Preinvestment	100%	0%	0%	0%	100%
Export Finance	100%	0%	0%	0%	100%

1977

Direct Benefits to Poor

<u>Sector</u>	(1)	(2)	(3)	(4)	Totals
Agriculture	0%	23%	29%	48%	100%
Industry & Mining	72%	28%	0%	0%	100%
Electric Power	21%	43%	36%	0%	100%
Transp. & Communication	0%	76%	24%	0%	100%
Sanitation	0%	2%	87%	11%	100%
Urban Development	0%	0%	0%	100%	100%
Education	47%	17%	36%	0%	100%
Preinvestment	100%	0%	0%	0%	100%
Export Credit	100%	0%	0%	0%	100%
Tourism	100%	0%	0%	0%	100%
Mixed	71%	0%	29%	0%	100%

(6) House of representatives. Op. cit. supra note 4 CRS-180 p.

Table 10

Evaluation of IAD Projects and their Consonance
with the New Orientation ⁽⁷⁾

Percentage of Projects in each category

	1970 Fiscal Year	1973 Fiscal Year	1975 Fiscal Year	1977 Fiscal Year
Compatible (4) (consonance)	8	9	26	32
Minor incon- sistencies (3)	16	19	34	28
Partial incon- sistency (2)	17	35	19	23
Major incon- sistencies (1)	27	17	12	13
Direct con- flict (0)	32	21	9	4
Average appraisal (maximum: 4.0)	1.4	1.8	2.6	2.7

The examples refer only to projects valued at US\$1 million or over

- (7) Source: Posterman, R. L. and Taylor, C. A. Grading **Bureaucratic Compliance: A Briefing Paper on AID's Fiscal Year 1977** Presented to Congress. (Unpublished) March 1976.
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