

INTER-AMERICAN INSTITUTE FOR COOPERATION
ON AGRICULTURE (IICA)

STRENGTHENING RURAL DEVELOPMENT CAPABILITIES OF
LOCAL GOVERNMENTS IN COSTA RICA AND HONDURAS

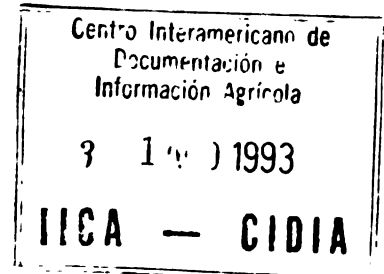
October, 1990

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PROGRAM III:
ORGANIZATION AND MANAGEMENT FOR RURAL DEVELOPMENT

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I. ANTECEDENTS

In the late 1970s, proposals were made for restructuring the State apparatus in several countries of Latin America. Even though the stated goal of such proposals was to decentralize, which sounds attractive from a political point of view, decisions made and actions taken have not always led to decentralization.

The content and form of these processes appear to be linked to others carried out in certain European countries, the focus of which was to reshape relations between the State and the general population. Examples of this trend was the regaining of autonomy in portions of Spain, Portugal, Belgium, Italy, Switzerland and France since the end of the 1970s.¹

Reasons justifying these reforms include the need to create ways to involve citizens in the operations of the State and the need to make the State apparatus more responsive to the demands of economic development. At the same time, it would appear that almost all sectors of society agree on the need to reform the State.

It is within this context that IICA is interested in supporting national institutions in formulating specific proposals for decentralization and in implementing processes and mechanisms which will facilitate the active participation of all rural groups, especially medium- and small-scale farmers, through specific actions aimed at decentralization and participation. The objective of this type of action is to make such mechanisms part of the policies and strategies aimed at reactivating the agricultural sector and the economies of LAC.

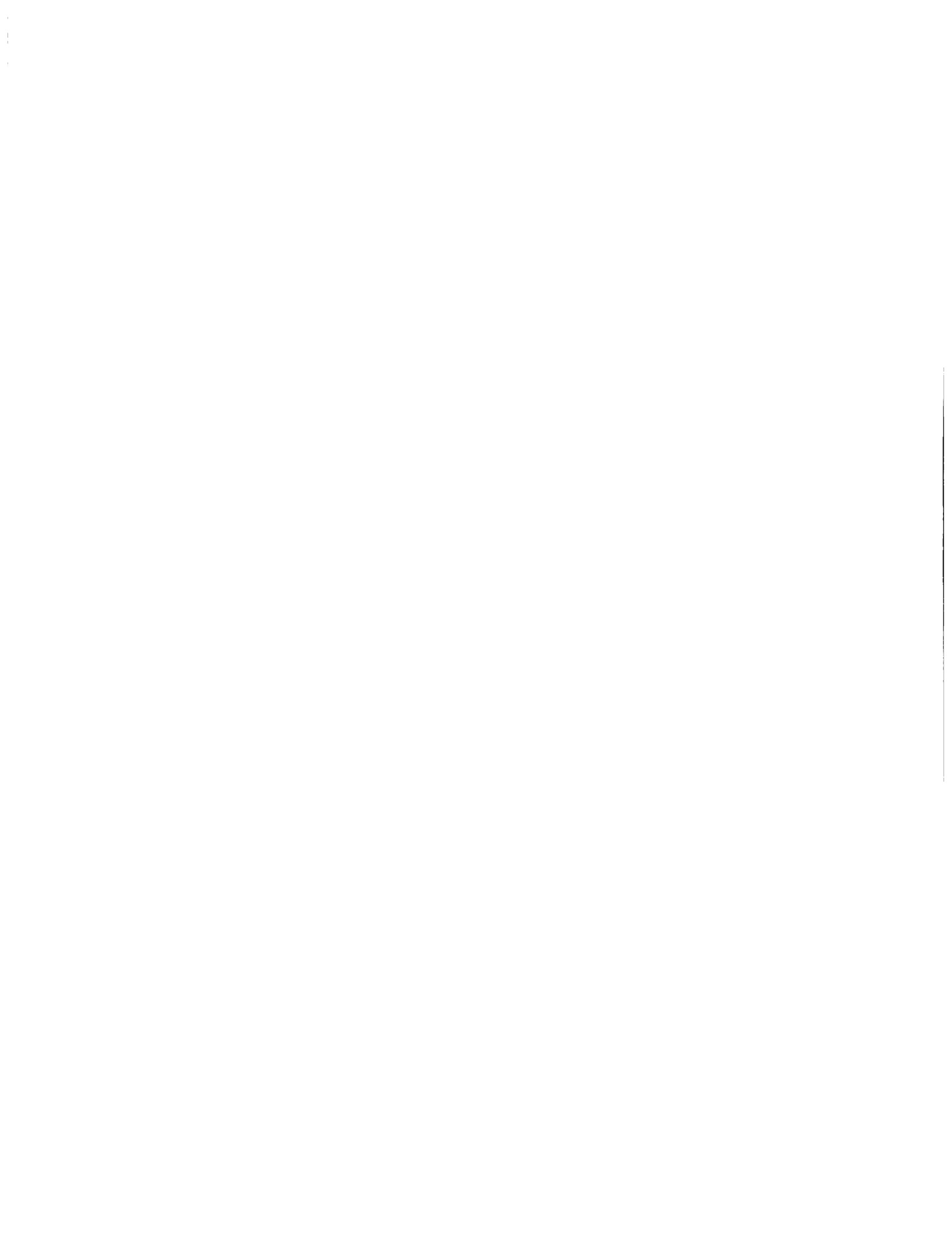
To achieve this, the State reform processes is seen as the basis of the search for and application of policies and strategies promoting economic development which take into account all areas of the country, all social sectors and the long-term sustainability of the natural resource base.

In this regard, it is the State which must regulate the reproduction of capital. At the same time, the State has historically played a role in defining relations between different social classes.² Consequently, it is a function of the State to establish the rules governing relations between social groups.

These social groups, and the State, have a "territory" over which they exercise control, and the structure of which is, in one way or

¹ Dario Fajardo. Decentralización y Participación en la Administración de las Políticas y Programas de Desarrollo. IICA. PROADER. San Jose, January 1990.

² Dario Fajardo. Decentralización y Participación en la Administración de las Políticas y Programas de Desarrollo. IICA. PROADER. San Jose, January 1990.



another, the historical, economic and political expression of the social forces that interact within the State and in its dealings forces beyond it. From this point of view, the State has the possibility of creating regional balance, in term of both political power and ensuring access to production and reproduction resources. In this way, the State plays a key role in that it can foster the integration of different areas of the territory into a process of sustained socioeconomic development, while at the same time achieving balances among part of the country that have been affected by spatial decentralization. The State thus plays the role of coordinator and generator of equilibria, using those traditional policy instruments and funding mechanisms available for the execution of State actions.

The proposal for decentralization being developed by PROADER is based on case studies conducted in 1989 in seven countries: Mexico, Guatemala, Colombia, Peru, Bolivia, Argentina and Brazil. The results of these studies, which were carried out by a group of experts, were presented in two documents later used as the basis for discussion in an international seminar of experts in the field.

The conclusions reached in these studies, in addition to validating the conceptual framework presented earlier, define the municipality or county, or group of same, as the unit in which all rural development actions should take place. It is the most basic level at which to analyze and carry out the actions of the State, vis a vis the participation of the civilian population. It is this "spatial unit" that has provided the backdrop for the settlement of human groups that have appropriated and transformed available resources and made use of the natural resource base, developing internal and external relations with regard to space which are expressed in economic, political, institutional, social and cultural terms.

Within this conceptual context, decentralization takes on special importance in the rural sector as a whole, and critical importance in municipalities whose populations consist primarily of small farmers, in that by its very nature, it involves all social groups in managing State actions. To the extent that decentralization-participation is seen two sides of the same coin, this process will help strengthen the action of the State at the local level (municipality), while at the same time facilitating the reduction of the central government's role. It will also provide opportunities for all social groups (including small farmers) to participate democratically in decision making and the allocation of resources.

Notwithstanding the preceding, technical-administrative and financial mechanisms and structures must be developed for coordinating decentralization at the national, regional and local levels. This is necessary if true decentralization and participation are to become a reality at all three levels of the

State structure.

Since the mid-1970s, the topic of decentralization has taken on new importance in many countries of the hemisphere and in the World Bank, which proposed it as a strategy for reducing public spending and contributing to overcoming the economic, social and political crisis in LAC.

This proposal aims to bring decision making closer to the level of the municipalities, inasmuch as this is where the State carries out its actions, in order to give executor units autonomy for financial management and administration and to make them responsible for their actions. It also aims to reduce public spending and make better use of these resources, by using existing capabilities and strengthening local development institutions.

The economic and financial crisis faced by most of the countries of LAC, and the demands for reductions in public spending imposed by unilateral assistance agencies, have given rise to the structural adjustment programs being carried out in LAC. Such programs call for reductions in public spending by trimming the size of the State apparatus, and the strengthening of processes to decentralize a paternalistic State. However, such processes require somewhat long periods of time to develop their own conceptual, methodological and operating frameworks. As a matter of fact, one of the major problems faced by countries in trying to implement this type of scheme has been the lack of appropriately trained professionals, as well as private organizations having a clear understanding of which procedures and mechanisms will ensure effective and efficient decentralization and participation.

In the case of countries like Costa Rica and Honduras, a somewhat slow process would be involved in decentralizing the State, as a model would have to be developed and consolidated. Other countries of the hemisphere face the same problem. In all of these cases, it is necessary to begin as soon as possible to strengthen administrations at the national, regional and local levels, so that each can carry out its duties effectively, decentralizing the action of the State, with the full participation of all involved and using the "learn-by-doing" approach.

II. PROPOSAL

2.1 CONCEPTUAL BASIS

This project is part of a hemispheric proposal which IICA, through PROADER, has formulated under the PLANLAC, and which is aimed at

³ World Bank. Report on World Development 1983, Washington, D.C. Part II, "Management in the Process of Development."

modernizing and strengthening the institutions of the public agricultural sector. As such, this proposal will be instrumental in consolidating the conceptual and operating bases for efforts to decentralize the State, and will generate know-how to be used in this process. This will be achieved through the execution of the project in two countries of Central America.

In summary, the proposal aims to formulate and implement a project to strengthen the administrations of four municipalities in Costa Rica and Honduras. It will serve as a demonstration project to carry out specific rural development actions using decentralized and participatory methods.

Actions will be taken to strengthen the municipalities through investments selected and ranked by the local governments together with the community. The process of participatory management will be complemented with training for technical personnel from the government and members of the organizations of civil society.

This effort should include a number of complementary activities, which are considered fundamental if the decentralization-participation approach is to be effectively learned. These include: i) "hands-on" training activities related to the formulation, management and evaluation of the decentralization-participation process; ii) operation of a rotating fund to finance activities which the local governments and rural communities have selected as priorities for the municipality; iii) technical cooperation to upgrade local governments vis a vis the need to modernize the State apparatus, and iv) follow-up, evaluation and study of specific problems.

It should be pointed out that these actions will be coordinated with the work being carried out at the national and regional levels, in order to ensure that decentralization extends throughout all levels, so as to avoid purely local efforts. In addition, the concrete activities proposed contain actions that will make it possible to develop empirical decentralization-participation models for development that can be extrapolated to other municipalities with similar political and administrative features.

The project will seek to actively involve representatives of the local governments, small farmer organizations, NGOs and other civil society organizations, as well as technical personnel from national public institutions with operations in the municipalities selected.

The project will benefit from the theoretical, conceptual and operational instruments generated by PROADER and from direct technical support from other Program III projects currently under way, such as:

-- Hemispheric projects: "Training technical personnel to manage



and administer rural development projects and programs" and "Training technical personnel to design and use small farmer training methods;"

- Multinational projects: "Strengthening and Consolidating Rural Settlements" (Central Area), "Training and Study Program on Agrarian Reform and Rural Development for the Central American Isthmus and the Dominican Republic" (PRACA), "Increasing the Participation of Rural Women in the Socioeconomic Development of Central America," "Andean Rural Development Fund" (Andean Area) and "Strengthening the Capabilities of Small-Scale Farmers" (Southern Area).

It is important to emphasize that these actions will be linked at the local level with rural development projects benefitting from IICA technical cooperation.

2.2 GENERAL OBJECTIVE

To contribute to strengthening and updating the technical and administrative skills of the public agricultural sector at the national, regional and local levels, as pertains to the formulation and execution of rural development policies with a view to decentralizing the State and increasing the participation of civil groups.

2.3 SPECIFIC OBJECTIVES AND GOALS

This project will help effectively incorporate the civil population into the administration of four municipalities in two Central American countries: Costa Rica and Honduras.

At the conclusion of this three-year project, it is expected that the following goals will have been met:

- i) four municipal governments will be operating in a decentralized manner with the effective participation of the civil population, especially small farmers;
- ii) four efficient rotating funds will be in operation, with their resources being allocated with effective participation to small-scale investment projects;
- iii) the democratic process will be strengthened at the local level;
- iv) municipal economies will be reactivated through the investments, resulting in higher income levels, more employment and a substantial improvement in the distribution of the new wealth generated;
- v) at least 40 professionals from governmental and non-

governmental organizations will have received training in the techniques of participatory management and administration of the State apparatus, as a result of decentralization;

- vi) at least 150 small farmers from grassroots organizations will have received training in the techniques of participatory management and administration of the State apparatus, as a result of decentralization;
- vii) at least 50 small-scale projects will have been financed in each of the four municipalities;
- viii) a model for decentralization will have been prepared for each of the countries involved in the project, providing in this way an opportunity to expand this type of activity to other municipalities; and
- ix) publications will have been prepared containing the conceptual, methodological and operational material from each of the municipalities involved, and the methodology of the project itself.

2.4 COMPONENTS

i. Rotating Fund

This component is the key instrument of the proposal, in that it makes the investment activities possible and facilitates the implementation of the training activities. The primary purpose of the rotating fund is to provide the selected municipalities with a given amount of resources, to complement their regular budgets, to be used in funding agricultural and non-agricultural production projects of small- and medium-scale farmers, as well as others aimed at developing production or social infrastructure.

The volume of project resources allocated to each municipality will be determined by the amount of national funds in its current budget, as well as by the individual needs of each local government. In addition to the "deficit", the fund's resource needs will depend on the size and/or relative economic importance of the municipality. The municipalities selected should be representative of clearly identifiable categories in terms of their macroeconomic and social indicators, which should be easily obtained from censuses and other sources of aggregate data.

A first approximation, which will be more precisely defined once the municipalities are chosen, is that the fund should operate with a complementary amount of approximately US\$340,000 per municipality.

The fund will be managed by the municipalities, with support from



the technical personnel who will provide cooperation throughout the project. It should be pointed out that the management of the fund per se will be used as a training activity, and must, therefore, be adapted to the rules governing public administration in each country. Consequently, the exact mechanism to be used to ensure the efficient and effective operation of the fund must be defined during the first stage of the project, that is, when the municipal assessment is made.

ii. Training

The management of the fund and the allocation of resources is at the heart of the training activities for members of the municipal administration and of the civil population, especially small farmers in the selected municipalities. The number, type and content of these activities will be determined on the basis of the information obtained during the municipal assessment.

Certainly, some of the events will be aimed specifically at facilitating participatory financial management of small-scale investment projects in agricultural production and non-agricultural activities. This discrimination by type of investment is intended to increase the alternatives for production available to the different municipalities, exploiting their comparative advantages and significantly increasing possible sources of employment. The project will also promote training events emphasizing participatory methods of public administration, which will contribute to strengthening the democratic processes taking place in most of the countries in Central America.

In addition, these training events should include specific technical guidelines for the major types of production projects being financed, as well as training in formulating, administering and evaluating the small projects supported by the fund.

iii. Support for Modernizing Municipal Management and Administration

This component aims directly at strengthening and updating, both technically and administratively, the system (structure and operation) of municipal management, especially as pertains the formulation and execution of small investment projects with the active involvement of small farmers.

To this end it will be necessary to structure the administration of the municipalities in such a way as to allow for the participation of community members in the execution of their duties, which include: preparation of the work plan, formulation of the municipal assessment, elaboration of plan of operation, management of the rotating fund, ranking of investments, selection of investments, definition of training activities, follow-up of activities under way and periodic evaluation of small-scale

investment projects.

iv. Technical Cooperation

The objective of this component is to provide the national team with technical support in designing and implementing actions related to the rotating fund, training, and modernization of municipal management techniques. This component will also involve defining applied research needs, preparing new proposals for extending the experience, generating the model for decentralization-participation, and conducting efforts to increase participation: workshops, seminars and publications.

2.5 OPERATING STRATEGY

The criteria for selecting Costa Rica and Honduras for execution of this project include:

- i. a clear political decision to decentralize management by the State, stated explicitly in government plans;
- ii. existence of rural development programs for small farmers;
- iii. openness on the part of national institutions to formulate and execute differentiated policies for rural development, as well as to adopt decentralized and participatory models for managing them;
- iv. the viability, in both institutional and technical-administrative matters, of organizing national teams to execute the different phases of the project; and
- v. the probability that the project will be allocated financial resources by the country.

To facilitate execution, the project has been divided into three stages. Stage one will focus on reaching agreement with political authorities and institutions to ensure that local actions have their support and are justified socially. Stage two is aimed at formulating differentiated policies and decentralized management models for the regional and local levels, and in stage three, specific decentralized management projects will be formulated and executed to implement rural development actions.

Stage 1 Reaching agreement with political authorities and institutions to execute the project. The objectives of this six-month stage are to:

- i. reach agreement with national institutions to implement the project;
- ii. discuss and disseminate the conceptual framework;



- iii. analyze rural development policies and programs executed in the country, and their relation to macroeconomic and sectoral policies, and institutional systems;
- iv. define policy and institutional guidelines for strengthening national rural development institutions; and
- v. design the work plan for subsequent stages.

During this stage, and in conjunction with senior authorities from pertinent institutions, guidelines will be established for the process to strengthen and modernize institutions. These guidelines will be presented in a document explaining the policy and strategy to be followed in implementing the subsequent stages.

This stage will be carried out with an open and democratic exchange of ideas among representatives of all institutions involved in the project. Discussion during these exchanges will focus on, among other things, the validity of and need for decentralization of the State and differentiated policies for small- and medium-scale farmers, which will demand the harmonization of macroeconomic and sectoral policies. This process will produce policy and institutional guidelines for strengthening national institutions involved in rural development. In addition, a work plan for subsequent stages will be prepared.

A systematic process of consultation, discussion and reflection will take place during this stage in technical meetings, seminars and workshops. Participants in these events will include: senior officials from the ministries of finance, planning, agriculture and natural resources; central and development banks; agrarian reform and rural development institutions; agencies linked to regional and local public administrations; municipalities, non-governmental organizations, and small-farmer organizations.

This process of exchange must provide a balance between the officials and technical personnel of the public sector (agricultural and non-agricultural), NGOs and farmer organizations operating at the national, regional and local levels, to ensure that decisions reached are acceptable both to the institutions and to the social groups.

Stage 2 Formulation of differentiated policies and models for decentralized management of these policies. This stage will last approximately one year, and its major objectives are to:

- i. study in greater detail rural development policies and their relation to macroeconomic and sectoral policies;
- ii. map out the country, based on a socioeconomical and production characterization of each microregion, and the theories and requirements for executing differentiated policies and rural



development programs and projects;

- iii. identify institutional, technical and administrative problems of the agencies of the public agricultural sector responsible for rural development at the national, regional and local levels;
- iv. analyze the problems of municipal administrations, as they relate to the execution of differentiated policies;
- v. analyze the problems of farmer organizations, especially at the local level, which may hinder their participation in rural development;
- vi. formulate objectives and strategies on differentiated policies for rural development at the national level;
- vii. formulate objectives and strategies for specific instruments of the differentiated policies for rural development at the national level: appropriate technology (biotechnology), rural agroindustry, marketing, funding, etc.; and
- viii create management models for planning and executing differentiated policies, for promoting decentralized management of the State, and for increasing participation.

This second stage will be implemented through in-service training (hands-on experience). The following specific products will be generated for each of the objectives mentioned above:

- trained personnel,
- division into regions on the basis of an assessment of the socioeconomics, institutions and production characteristics of each,
- an assessment of the public agricultural sector,
- an assessment of farmer organizations,
- proposals for differentiated policies, and
- management models.

Participants in these processes will be technical personnel from public institutions involved in rural development at the national, regional and local levels, NGOs, and representatives of the municipalities and of farmer organizations.

This process will be coordinated by a technical group operating at the highest decision-making level of the national agency designated in each country. Both the public and private sectors should be effectively represented in this group, which is the body through which IICA will channel its technical cooperation.

Existing information, rather than exhaustive diagnostic studies, will be used to formulate proposals for each of the objectives



mentioned for this stage. This information will be used to prepare an assessment that will be submitted to a systematic and participatory process of analysis and validation, in which an understanding of the conditions faced by the participants is key. If the respective country should so request, this stage could be expanded into a stage of technical cooperation to implement differentiated policies and decentralized management models.

Stage 3 Strengthening local governments in order to execute rural development actions

This stage is aimed at formulating and implementing demonstration projects to strengthen a limited number of municipal governments in order to execute specific rural development actions using decentralized and participatory methods.

Actions will be taken to strengthen local governments (municipalities) through investments which the local government and the community have jointly selected as priorities. As a complement to this participatory process, technical personnel from pertinent public institutions and members of organizations of civil society will receive training.

This stage may take as long as three years, and could run parallel to the second stage. It would be based on the regionalization studies (mapping). In fact, the duration will depend on the availability of external and/or national resources and the institutional, financial and administrative adjustments made to enable implementation to proceed.

This proposal should include a number of complementary activities, which are considered fundamental if the decentralization-participation approach is to be effectively learned. These include: i) "hands-on" training activities related to formulation, management and evaluation of the decentralization-participation process; ii) operation of a rotating fund to finance activities which the local governments and rural communities select as priorities for the municipality; iii) technical cooperation to upgrade managerial and technical skills of the local government vis a vis the need to modernize the State apparatus, and iv) follow-up, evaluation and applied research of specific problems.

It should be emphasized that these actions are to be coordinated with the work being carried out at the national and regional levels, in order to ensure that decentralization takes place successfully at all levels and to avoid isolated efforts at the local level.

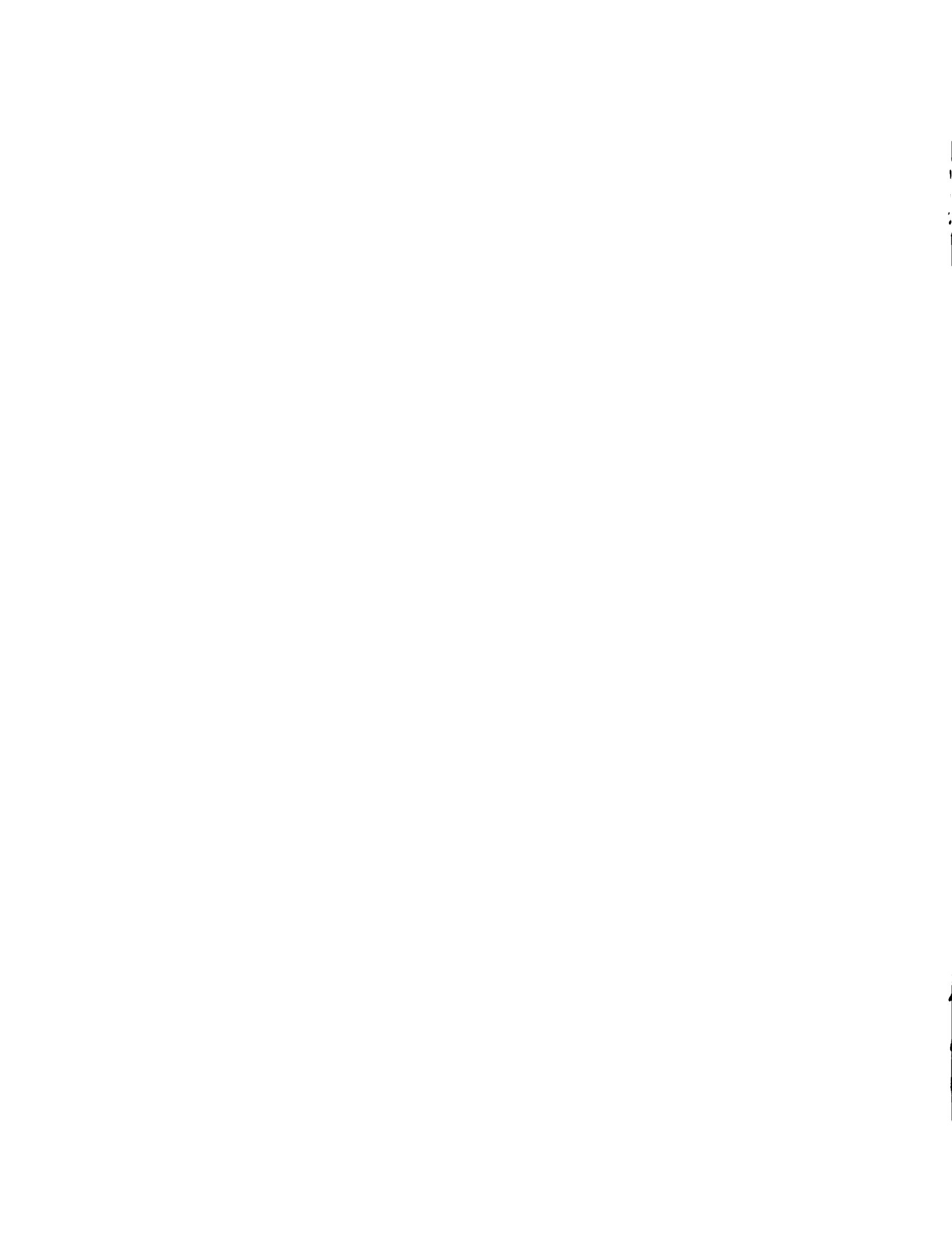
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It is important to emphasize that the actions carried out at the local level will be linked with the action of rural development projects receiving IICA technical cooperation.



2.6 COSTS

The total cost of the first three-year stage is US\$2.7 million. National counterpart funds are calculated at US\$0.6 million, and IICA's contribution at US\$0.1 million.

External resources will total US\$2.0 million, with almost 60% of these resources, or US\$1.36 million, being earmarked for the rotating funds.

COST SUMMARY (US\$)

Below is a preliminary estimate of the costs:

1 Specialist (US\$50,000x3)	150,000
2 National technical experts (US\$20,000x2x3)	120,000
1 Secretary (US\$6,000x3)	20,000
Equipment	40,000
2 vehicles	
4 computers	
Software	
Office equipment	
Budget (US\$30,000x3)	90,000
Publications	40,000
Training (US\$40,000x3)	120,000
Rotating Fund (US\$340,000x4)	1,360,000
Consultants	60,000

Subtotal External Resources	US\$2,000,000
NATIONAL COUNTERPART	600,000
IICA	100,000

TOTAL RESOURCES REQUIRED	US\$2,700,000





INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE
P.O.Box 55-2200 Coronado, Costa Rica/Tel.: 29-02-22/Cable: IICASANJOSE/Telex: 2144 IICA CR
Electronic Mail EIES: 1332 IICA SC / FAX (506) 29-47-41, 29-26-59 IICA COSTA RICA