

**Assessment of Rural Poverty**  
**Latin America and the Caribbean**



**IFAD - INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

# **Assessment of Rural Poverty Latin America and the Caribbean**

**Benjamín Quijandría  
Aníbal Monares  
Raquel Ugarte de Peña Montenegro**

**LATIN AMERICA AND CARIBBEAN DIVISION**

© **IFAD** - International Fund for Agricultural Development  
Via del Serafico, 107 - 00142 Rome, Italy  
Tel: +39-06-54592328  
Fax: +39-05-5043463  
E-mail: IFAD@IFAD.ORG  
Website: www.ifad.org

© Copyright: N°123578  
ISBN 956-8148-00-0

Prepared by: Latin America and Caribbean Division of IFAD  
Editor: Mariana Giacaman  
Translator: Laura Vlasman  
Graphics: M. Luisa Jaramillo  
Photos: IFAD/Bolivia – A. Conti  
IFAD/Costa Rica – C. Salazar  
Printer: LOM Ediciones

Santiago, CHILE, November 2001

This book was originally published in Spanish, in November 2000 in Santiago, Chile, with the title “Hacia una región sin pobres rurales”.



# Latin America and the Caribbean Region



**TOTAL RESOURCES INVESTED IN THE REGION FROM 1989 TO 2000 USD 1.26 BILLION**  
Latin America and Caribbean Division



## ■ TABLE OF CONTENTS ■

|  |           |
|--|-----------|
| <b>FOREWORD TO THE ENGLISH EDITION</b>   | <b>11</b> |
| <b>INTRODUCTION</b>  | <b>13</b> |
| <b>1. THE RURAL POOR POPULATION</b>  | <b>17</b> |
| A. Definition of rural poverty in Latin America and the Caribbean  | 19        |
| B. Types of rural poverty  | 22        |
| C. Magnitude and recent trends in rural poverty  | 24        |
| D. Rural families and their subsistence systems  | 33        |
| E. Location of rural poverty: ecological areas<br>and use of natural resources                           | 40        |
| <b>2. CAUSES OF RURAL POVERTY IN LATIN AMERICA<br/>AND THE CARIBBEAN</b>                                 | <b>49</b> |
| A. Historical roots of rural poverty   | 51        |
| B. Political instability   | 53        |
| C. Macroeconomic models and development policies   | 54        |
| D. Other factors that influence rural poverty  | 60        |
| <b>3. POLICIES AND PROGRAMMES FOR POVERTY<br/>REDUCTION, RURAL DEVELOPMENT,<br/>AND DECENTRALIZATION</b> | <b>65</b> |
| A. Poverty reduction   | 67        |
| B. Rural development   | 72        |
| C. The rural environment and decentralization in Latin America   | 75        |
| <b>4. SHORT-TERM AID VS. LONG-TERM DEVELOPMENT:<br/>IFAD'S APPROACH</b>                                  | <b>81</b> |

|           |   |            |
|-----------|---|------------|
| <b>5.</b> | <b>OPPORTUNITIES AND CHALLENGES</b>                                   | <b>91</b>  |
|           | A. Opportunities to reduce rural poverty                              | 93         |
|           | B. Operational challenges and options<br>for IFAD in a global context | 124        |
|           | C. The quest for effective institutional partnerships                 | 126        |
| <b>6.</b> | <b>MOVING INTO THE 21st CENTURY</b>                                   | <b>133</b> |
|           | <b>BIBLIOGRAPHY</b>   | <b>141</b> |

■ LIST OF TABLES ■

|  |       |
|--|-------|
| Table 1. Basic social indicators in Latin America and the Caribbean                    | 29    |
| Table 2. Poverty lines and extreme poverty lines in rural areas                        | 30    |
| Table 3. Magnitude and relative importance of rural poverty                            | 31    |
| Table 4. Principal systems of production and reproduction<br>among rural poor families | 36-37 |
| Table 5. Distribution of social expenditure by income quintiles                        | 69    |

■ LIST OF FIGURES ■

|   |    |
|---|----|
| Figure 1. Poverty in Latin America and the Caribbean:<br>The gap between estimates                | 25 |
| Figure 2. Evolution of rural poverty 1980-1998: Rural population<br>living below the poverty line | 27 |
| Figure 3. Latin America and the Caribbean: Trend of total and<br>per capita GDP                   | 56 |

## ■ LIST OF BOXES ■

|         |   |     |
|---------|---|-----|
| Box 1.  | Survival strategies among the indigenous populations of Latin America   | 42  |
| Box 2.  | Agrarian reform processes in Latin America and the Caribbean  | 58  |
| Box 3.  | Transformation of small farming in a context of extreme adversity: The case of PRONORTE in Nicaragua  | 86  |
| Box 4.  | Balancing autonomy and participation: IFAD's experience with the Aguaruna People of Peru  | 96  |
| Box 5.  | Female-managed microenterprises based on traditional activities: The Chuquisaca North Agricultural Development Project, Bolivia                             | 98  |
| Box 6.  | The feminization of rural work: The case of flower production for export in the municipality of Villa Guerrero, Mexico                                      | 100 |
| Box 7.  | Creation of local markets for services: Experiences of the Project for the Development of Technology Transfer to Rural Communities in the Highlands of Peru | 112 |
| Box 8.  | Creation of regional markets for technical and financial services in the Cuchumatanes mountain region of Guatemala  | 114 |
| Box 9.  | Increasing the value added of traditional crops: the Agricultural Development Project for Small Producers in Zacapa and Chiquimula, Guatemala               | 116 |
| Box 10. | Labour market and fruit production in Chile   | 120 |
| Box 11. | Creation of operational linkages between IFAD's medium-term strategy and the lending framework in a country: The case of Bolivia                            | 128 |



## Foreword to the English Edition

The present publication is part of a continuous and systematic analysis by IFAD of the roots and prevalence of rural poverty in the Latin American and Caribbean region. Initial analysis of regional data started in 1999 as part of the process of gathering the basic elements for an IFAD-sponsored worldwide poverty analysis.

The Spanish version of Assessment of Rural Poverty, Latin America and the Caribbean was published in October 2000 and released in Santiago (Chile) in November of the same year during the 16th Symposium of the International Farming Systems Association and the 4th Latin American Farming Systems Research and Extension Symposium.

Since those dates, several pervasive changes have occurred in the international financial and technical assistance community. Concerned by the gravity and high prevalence of rural poverty and the growing vulnerability of rural poor populations to economic and political instability, international development organizations are applying a new and revised approach. Both the World Bank and the Inter-American Development Bank, major financial sources for the region's economic and social development, are in the process of implementing policy guidelines aimed at refocusing their investments towards the development of the region's rural areas and in particular towards poverty alleviation.

An inter-agency group, composed of major multilateral and bilateral technical and financial agencies, has been the forum for a continuous dialogue on policies and methodologies for rural development and poverty alleviation, with the objective of facilitating new investments in rural areas, targeting the poor.

It is our hope that, as we move into the 21st century, new efforts and additional resources will be committed to improve the living conditions of the rural poor of Latin America and the Caribbean.

Rome, November 2001

**Raquel Ugarte de Peña Montenegro**  
Director  
Latin America and Caribbean Division  
International Fund for Agricultural Development



## INTRODUCTION

**T**he last two decades have been characterized by a set of changes that have modified the global political, economic, and social context. This evolution has been the result of a multitude of factors, including the creation of new political paradigms, the gradual development of new economic models, and the growing trend towards a globalized vision of the economy, society, and culture. These factors have sometimes acted sequentially and sometimes synchronously, sometimes catalytically and sometimes antagonistically, bringing about permanent changes in the ways in which different societies visualize their current political, economic, and social environments and their future. In the countries of Latin America and the Caribbean, this process of advancing—or regressing, depending on how it is appraised—has resulted in drastic, sometimes 180-degree changes in the vision of and thinking about national and rural development schemes and, in particular, rural poverty reduction and alleviation programmes.

In the early 1980s, the implementation of the so-called neoliberal economic model in the countries of the region totally changed the conception of “the rural” without prioritizing the role of rural areas in national economic development processes. With the exception of commercial agro-export activities, which were considered the “rural element” in the model, rural society, the rural economy, and small communities have been viewed mainly as the suppliers of labour for urban economic activity, with the consequent permanent migration of rural workers to work in urban areas or seasonal agro-export activities, leading to the gradual disappearance of small-scale rural agriculture. Under this model, national development—i.e., urban development—was expected to reduce poverty levels and raise

living standards, creating a “modern” society. However, the fragility of the Latin American economies, the occurrence of physical phenomena, and the imperfections of the democracies in the countries have resulted in levels of rural poverty and extreme rural poverty that have remained unchanged for more than a decade, notwithstanding the growth of the overall economies of the countries.

As the new century dawns, the challenge is to find viable models of rural development that will contribute to national economic growth, but that will, at the same time, bring down the high levels of poverty, creating and offering opportunities to rural poor societies. The International Fund for Agricultural Development (IFAD) has accumulated 21 years of experience in its efforts to promote equitable rural development and achieve a significant reduction in rural poverty. This book seeks to present the institutional vision that informs the strategies, programmes, and projects through which the Fund is working towards a region without rural poverty.

The analysis of rural poverty by the Latin America and Caribbean Division is part of an institutional effort aimed at preparing an IFAD report on rural poverty in the world, to be presented in 2001. At the same time, it affords the Division the opportunity to examine and analyse the causes and evolution of rural poverty as an historical process and as a social, economic, and political phenomenon that has given rise to the current situation in the region. The success of the development of small farming as an instrument for rural poverty reduction depends, first, on the identification of the critical factors that cause and/or perpetuate rural poverty in the region and, second, on the development of strategies and proposals aimed at eliminating or reducing the constraints caused by those factors.

Rural poverty is viewed in this study as a dynamic process of human relationships and interactions, rather than an attribute

of certain individuals and groups. The concept of poverty thus loses its classical abstract and numerical characterization, based only on quantitative parameters of an economic and social nature. Instead, rural poverty is analysed as the result of human processes that are expressed in historical, social, political, and economic terms. In this context, the Division's concept of poverty is not limited to its characterization and quantification as a regional or national condition; rather, it is expressed as the process of relationships between poor people, families, and groups and external social, economic, and political forces.

This book, asks and answers four basic questions, which are part of the framework for the institutional operations of IFAD: Who are the rural poor in Latin America and the Caribbean? Why are they poor? What are governments doing about rural poverty? What are IFAD projects doing? The answers to these questions are derived from the Fund's 21 years of experience in the design and execution of projects for rural development and poverty alleviation in Latin America and the Caribbean. This experience makes it possible to re-open the unfinished debate on the origins of poverty and the phenomenon of small farming as an historical reality instigated for the poor rather than by them. The analysis does not seek to ponder the past but to understand that the present involves a series of relationships that are contributing to the creation and persistence of poverty—relationships that must be approached in a specific and integral manner if the poor are to improve their current living and income conditions.

The first chapter of the book provides a conceptual definition of rural poverty and explores the evolution of poverty and its current levels, describing the rural poor and their systems of subsistence and ecological niche in the region. The second chapter looks at the causes and origins of rural poverty in Latin America and the Caribbean. The third examines and analyses current programmes and policies on poverty reduction and rural

development in the region. The fourth chapter outlines a programme for the reduction of rural poverty in Latin America and the Caribbean, taking into account the existing challenges and the responses of small farmers, governments, and, especially, IFAD. The final chapter sets out the critical strategic elements and issues on which the Division will focus its efforts in the early years of the 21st century. The ultimate objective of poverty reduction policies and activities in the region is to contribute to the creation of systems in which small farmers and peasants can acquire the capacity to establish and strengthen more beneficial relationships with the external forces, public and private, that shape their lives.

# 1

## *The Rural Poor Population*

*The Rural  
Poor Population*

*The Rural  
Poor Population*



## **A. Definition of rural poverty in Latin America and the Caribbean**

In rural areas of Latin America and the Caribbean, poverty and extreme poverty are multidimensional phenomena influenced by cultural, social, and economic factors and characterized by:

- social and economic exclusion and discrimination linked to ethnicity and gender;
- lack of access or limited access to services to meet the basic needs of rural families (health, education, housing, and others); and
- income levels below the minimum amount needed to obtain a basic set of goods and services, including food, for the family

Given this multidimensionality, the definition of rural poverty in the region would have a very limited scope if income level alone were used to describe or explain the nature, causes, and feasible solutions to the problem. In the search for a broader definition and characterization, international organizations have introduced the concept of “basic unmet needs” as an indicator of the intensity of poverty in both rural and urban communities and localities. However, using basic unmet needs alone to characterize poverty—owing to the nature of indicators of access to basic services—also yields an incomplete

picture of the phenomenon because it groups together distinct segments of the population, frequently resulting in distortion of the results in areas inhabited by groups that are heterogeneous in terms of income and access to services. The human development index (HDI) introduced by the United Nations Development Programme (UNDP), which has also been used in several countries of Latin America and the Caribbean as an indicator of rural poverty, combines diverse social and economic variables to provide a measure of rural poverty in a specific political or geographic area, thus furnishing a better approximation to the complex nature of the phenomenon of poverty. An additional drawback to the use of income, basic unmet needs, or the HDI to characterize poverty is that they tend to present a static image since they are based on surveys and studies which, owing to their large scope and cost, are conducted only at long intervals, or else they utilize secondary information without rigorous verification of its source. These statistics do not reflect the dynamics of poverty. Poverty levels in the region are variable, fluctuating in response to physical phenomena, climatic disasters, and political and/or economic crises. This publication describes rural poverty in terms of a combination of three indicators: exclusion/discrimination, access to basic services, and family income. All three are closely linked to the causes of poverty and, at the same time, afford better possibilities for identifying more viable solutions.

Poverty in general and rural poverty in particular should be seen as a process in which human beings develop and exhibit social and behavioural patterns that shape their actions and relationships within and outside their homes and within and outside their communities. Given these intrinsic characteristics, poverty is more than a demographic category or a socio-economic class: **poverty is also a mindset**. This aspect of poverty is related to the perception that the rural poor have of themselves vis-à-vis the local community, rural society, and the country as a whole, which accounts for the lack of self-worth and low self-esteem common among men, women, and young people in rural poor populations. These perceptions influence the nature of the productive and reproductive processes within families, their strategies for survival, and their relationships with other poor and non-poor rural inhabitants, the community, and the social network in the rural world that surrounds them. An understanding of the “psycho-emotional environment” of the rural poor

and their personal and familial perceptions and aspirations will contribute to the potential success or failure of poverty reduction and rural development programmes, depending on whether or not these “visions” are incorporated into the design and execution of programmes targeting the rural poor.

In Latin America and the Caribbean, rural poverty is often associated with geographic isolation, as poor communities are often located in remote areas with unreliable systems of communication and services. In such circumstances, the rural population creates social safety nets based on family relationships, community associations, religious organizations, or affiliation with an indigenous group. These relationships generate guidelines and rituals for the exchange of work and social, productive, and economic support. Above all, poor people in rural areas create deeply rooted forms of “reciprocity” in order to maintain social and family relationships, and they depend on extended family networks as a means of social and economic survival. These linkages are generally stronger and more active among the poor and tend to weaken gradually as income and socio-economic levels rise. For these reasons, such linkages are weak or non-existent among better-off or prosperous segments of rural society.

The complexity of the phenomenon of rural poverty in the region, its historical roots, and the causes of its prevalence create perceptions and attitudes in society as a whole, and these perceptions and attitudes influence the position that governments take regarding poverty. This fact sometimes leads to contradictory views and positions, on the part of ordinary citizens, society, governments, and the poor themselves, with respect to possible solutions to poverty in general and rural poverty in particular, which in turn affects the design and shape of programmes and projects geared toward the poor. This situation is clearly related to the varied motivations of the public and private organizations that work among the rural poor, some of which are motivated by charity or social justice, as in the case of religious or political groups, or by the desire to promote economic development, in the case of public institutions.

The existence of varying perceptions of the causes and solutions of poverty also leads to a split or divergence between and within policy-making circles in the region, giving rise to the formulation of policies and programmes based

on the particular perceptions of the rightist, centre-right, or centre-left parties that govern the various countries of Latin America and the Caribbean. Periodic shifts in the dominant political parties within democratic governments lead to changes in priorities, policies, and programmes oriented toward the poor in general and toward the rural poor in particular.

## B. Types of rural poverty

In rural areas of Latin America there are two main types of poverty: **structural poverty** and **transitory poverty**.<sup>1</sup>

**Structural poverty** (or “**hard**” **poverty**) is found mainly among indigenous communities and groups, rural women, and other ethnic minorities living in rural areas of the region. Those affected by this type of poverty generally have little or no schooling, few or no productive resources, limited knowledge about production, few work skills, and lack of access to basic and rural productive services.

The term **transitory poverty** applies to families of small farmers and rural inhabitants without land, of both sexes, who are especially vulnerable to changes resulting from structural reform processes, cyclical internal and external economic crises, and social and political instability. These types of poor people generally own or have access to small plots of land, they have some degree of market involvement, and their incomes hover around the poverty line. Sudden changes in economic policy or the occurrence of crises affect both farm and non-farm incomes of families in this group, causing periodic declines in their earnings and living conditions. Favourable economic conditions create a climate in which they can improve their incomes and living conditions, but ultimately the transitory poor lack sufficient productive

1 This classification of rural poverty is based on the criteria presented in: Organización de las Naciones Unidas para la Agricultura y la Alimentación (FAO) 1998. *Potencialidades del desarrollo agrícola y rural en América Latina y el Caribe. Anexo II: pobreza rural*. Rome, Italy: FAO. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) uses the term “rotation” to describe the situation of populations that cycle into and out of poverty as a result of changes in the economic environment.

goods and resources to enable them to stabilize their family incomes during periods of economic downturn.

In most cases, the structural and transitory poor share the same geographic and ecological spaces in rural areas, and the two groups interrelate through social and economic networks and ties as part of their survival strategy. Their economic activities are similar, differing only in the degree of access to productive resources and accumulated assets. Both groups tend to live in highly marginal areas (arid and semiarid regions, mountain slopes or plateaux, or tropical rainforests) within fragile ecological environments, which in many instances are suffering from environmental degradation. The economic and productive activities of families in both groups combine dryland farming of traditional crops with small-scale stockbreeding, oriented towards self-consumption in the case of the structural poor and towards self-consumption and sales in the case of the transitory poor. Both groups derive off-farm income from seasonal employment in agricultural and non-agricultural activities, permanent migration (abroad and within the country), and some forms of government subsidy. Other sources of income for families in these groups are processing plants and small factories that produce both agricultural and non-agricultural products.

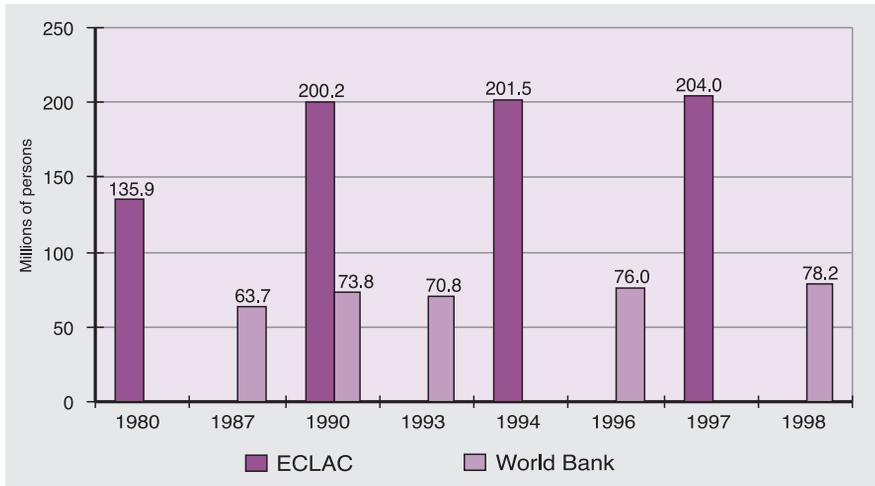
The evolution of the regional economy, coupled with the effects of subregional economic integration and increasing globalization of markets, has brought about changes in the structure of income for the transitory and structural rural poor. In the case of the structural poor, the lack of job skills limits their ability to find stable employment, increasing their dependence on agricultural activities for their income and subsistence. As for the transitory poor, their level of non-farm income is often far greater than their farm income. The rural poor engage in a variety of economic activities, depending on the available opportunities and the constraints in the rural and urban economic environments. Hence, the amount of income derived from agriculture, off-farm employment, work in processing industries, and government subsidies varies periodically. This diversity in the economic activity of the rural poor is an important consideration in the design of policies and strategies for alleviating rural poverty.

### C. Magnitude and recent trends of rural poverty

How many rural poor are there in Latin America and the Caribbean? How has rural poverty changed in the region? In a region with modern statistics and information systems, with ministries and public and private institutions devoted to the pursuit of economic and social development, and with the assistance of international and regional development and financial institutions, it would seem that the number of rural poor and the trends of this population over the last decade could be rapidly and accurately determined—especially since the answers to these two questions constitute the point of departure for the establishment of policies and programmes and the identification of the financial needs of the State in order to improve the living standards of the poor populations in both urban and rural areas. These elements form the baseline for assessing the region's economic and social progress.

An examination of the aggregate statistical data for Latin America and the Caribbean yields widely varying estimates of the total number of poor people (rural and urban) in the region. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) (CEPAL 2000a,b) in 1997 the poor numbered 204.0 million in the region; however, in 1998 the World Bank (Banco Mundial 2000) put the number at only 78.2 million—a difference of almost 130 million (Figure 1). Given the importance of pinpointing the number of poor people in order to plan the economic and social development of individual countries and the region as a whole, it is striking that the basic estimates of overall poverty by two organizations that play a key role in shaping economic and social policy in the region differ to such an extent as to affect the entire process of establishing development policies and programmes and allocating resources for that purpose. Figure 1 shows the trend of total poverty levels (urban and rural) in the region for the period 1980–1998 according to ECLAC and World Bank estimates. While the estimates of the number of poor in the region differ markedly, the trend of the figures on total poverty levels over the period in question is similar.

**Figure 1. Poverty in Latin America and the Caribbean:  
The gap between estimates**



Sources: Banco Mundial 2000. *Informe sobre el desarrollo mundial 2000/01: lucha contra la pobreza, panorama general*. Washington, D.C.: Banco Mundial. Comisión Económica de las Naciones Unidas para América Latina y el Caribe (CEPAL) 2000a. *Panorama social de América Latina*. Santiago, Chile: CEPAL.

What accounts for the differences? Poverty level estimates reflect the different visions and perceptions that society and its institutions have of poverty, which influences the selection of the econometric and statistical instruments and methods used to estimate it. This means that there are two ways of estimating poverty in the region, which owing to their different methodological bases yield different results, creating a sizeable gap between the estimates.

The regional poverty levels presented by ECLAC<sup>2</sup> were estimated using weighted aggregate information from household surveys conducted by governments of the region, including data from 19 countries which account for 87.2% of the region's total population. In all cases, the poverty line and the extreme poverty line were calculated based on the cost of a "basic basket" of goods and services that takes account of the prevailing wage and

2 The description of the statistical method used to estimate poverty levels is presented in CEPAL 2000a.

price structures. Hence, these estimates reflect poverty and extreme poverty levels relative to the specific economic structure of a given country.

Employing a different method, the World Bank estimates poverty using income of less than USD 1.08 per day as a poverty threshold or universal poverty line. The income figure is estimated on the basis of income and consumption data from the countries derived from studies conducted between 1985 and 1998 (Banco Mundial 2000). This methodology measures poverty based on a single global indicator that does not take account of differences between regions or between countries within a region. Neither does this indicator take account of the fact that poverty is a relative concept, depending on the social and economic and development of a country, and that it is not limited to characterization and quantification of the phenomenon at the regional or national level, but is expressed as a process of relationship between poor individuals, families, and groups and external social, economic, and political forces.

This discussion of the differences in estimates of the incidence of poverty in the region is not intended to prompt a debate on the quality or merits of the methods used, but rather to point up the fact that different ways of defining poverty exist and that these differences result in very different estimates of the size and composition of the rural poor population in Latin America and the Caribbean. At the same time, these differences influence the formulation of policies and programmes and the amount invested in social and economic development in the countries. IFAD,<sup>3</sup> in working with the governments to develop poverty alleviation strategies in its country strategic opportunity papers (COSOPs) and in the design of rural development projects, has generally used the results of family income surveys, which determine the official poverty and extreme poverty lines. These estimates form the basis for the poverty figures that ECLAC uses to estimate poverty levels in the region. Other regional agencies, in turn, base their poverty analyses and strategies on ECLAC's information.<sup>4</sup>

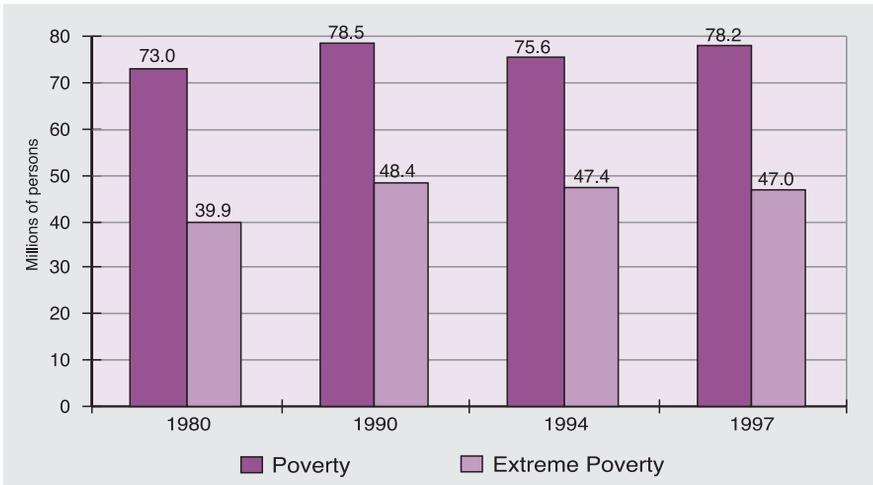
3 See FIDA 1999b and IFAD 1998a, 1998b, 1999a, and 2000.

4 The Inter-American Development Bank (IDB), for example, uses the regional poverty estimates published by ECLAC (IDB 1998).

According to the ECLAC statistical information, the rural population in Latin America and the Caribbean has dwindled steadily, falling from 122 million to 111 million between 1980 and 1997, with a weighted average annual growth rate of  $-0.87\%$ . This decline can be attributed to the clear urban orientation of the prevailing economic development framework. Despite the positive macroeconomic trends registered in most of the region over the first six years of the 1990s, levels of poverty and extreme poverty remained constant during that period and showed an upward trend towards the end of the decade.

According to ECLAC, in 1997 there were 78.2 million people living below the poverty line in Latin America and the Caribbean and 47 million who were living in extreme poverty. Between 1990 and 1997, the size of the poor and extremely poor rural population remained virtually unchanged in the region—80 and 47 million, respectively—despite the economic growth that occurred in the countries of the region during the last decade (Figure 2).

**Figure 2. Evolution of rural poverty 1980-1998:**  
Rural population living below the poverty line



Source: Comisión Económica de las Naciones Unidas para América Latina y el Caribe (CEPAL) 1998. *Panorama social de América Latina*. Santiago, Chile: CEPAL.

Within the rural poor population, national census data indicate that there are 26 million rural inhabitants who are considered indigenous, based on their continued use of their ancestral tongue, either as their sole language or in combination with Spanish. Another 46 million inhabitants of rural areas who are monolingual Spanish-speakers are considered to be predominantly indigenous. Both groups live in conditions of relative or absolute poverty. Indigenous populations in rural areas have declined, due mainly to urban migration. Nevertheless, as a result of social exclusion and discrimination, these groups continue to live in extreme poverty even after they migrate to urban areas.

It is estimated that 8 to 10 million households in rural areas are headed by women, 2 to 3 million women work in seasonal agricultural or agro-industrial jobs, and 30 to 40 million women with a male partner are partially or totally responsible for agricultural production and small rural industry. In the last two decades, as a result of internal conflicts, migration by men within and outside the country, and the effects of natural phenomena and the consequences of structural adjustment, rural women have become one of the poorest segments of the population.

Social and education indicators for the countries of the region, also expressed as level of access to basic services, are shown in Table 1. These indicators include life expectancy, access to health care services, infant mortality, incidence of malnutrition among children under 5 years of age, and illiteracy rate among adult men and women. The estimates of access to basic services in Haiti and the Central American region are among the lowest in the world.

Table 1. Basic social indicators in Latin America and the Caribbean

| Subregion           | Country     | Life Expectancy (years) | Access to Health Care (%) | Infant Mortality (per 1 000) | Malnutrition in children < 5 years of age (%) | Adult illiteracy (%) |           |
|---------------------|-------------|-------------------------|---------------------------|------------------------------|---|----------------------|-----------|
|                     |             |                         |                           |                              |   | Men (%)              | Women (%) |
| Andean Region       | Bolivia     | 61                      | 44                        | 102                          | 16  | 10                   | 24        |
|                     | Colombia    | 70                      | 63                        | 31                           | 8   | 9                    | 9         |
|                     | Ecuador     | 70                      | 64                        | 40                           | 17  | 8                    | 12        |
|                     | Peru        | 68                      | 44                        | 58                           | 11  | 6                    | 17        |
|                     | Venezuela   | 73                      | 58                        | 28                           | 5   | 8                    | 10        |
| Southern Cone       | Argentina   | 73                      | 89                        | 25                           | 2   | 4                    | 4         |
|                     | Chile       | 75                      | 83                        | 13                           | 1   | 5                    | 5         |
|                     | Paraguay    | 71                      | 30                        | 45                           | 4   | 7                    | 9         |
|                     | Uruguay     | 73                      | 82                        | 22                           | 4   | 3                    | 2         |
|                     | Caribbean   | Dominican Republic      | 71                        | 78                           | 47  | 6                    | 18        |
| Haiti               |             | 52                      | 24                        | 130                          | 28  | 52                   | 58        |
| Jamaica             |             | 74                      | 74                        |                              | 10  | 19                   | 11        |
| Trinidad and Tobago |             | 72                      | 56                        | 15                           | 7   | 1                    | 3         |
| Central America     |             | Costa Rica              | 77                        |                              | 15  | 2                    | 5         |
|                     | El Salvador | 69                      | 68                        | 40                           | 11  | 27                   | 30        |
|                     | Guatemala   | 66                      | 66                        | 56                           | 33  | 38                   | 51        |
|                     | Honduras    | 67                      | 62                        | 50                           | 18  | 27                   | 27        |
|                     | Nicaragua   | 67                      | 31                        | 57                           | 24  | 35                   | 33        |
| Panama              | 74          | 87                      | 25                        | 7                            | 9   | 10                   |           |
| Mexico              |             | 72                      | 66                        | 36                           | 14  | 8                    | 13        |
| Brazil              |             | 67                      | 41                        | 42                           | 7   | 17                   | 17        |

Source: Banco Mundial 1999. *Informe sobre el desarrollo mundial 1998/99: el conocimiento y el desarrollo*. Washington, D.C.: Banco Mundial.

Table 2 shows the estimates published by ECLAC for poverty line and extreme poverty line in terms of income in rural areas for countries that have current information available. These values represent the monthly per capita income beneath which families are considered poor or extremely poor. The figures are expressed as mean prices for 1997 in United States dollars, calculated on the basis of the exchange rates published by the International Monetary Fund (IMF). Based on these figures, it can be estimated that per capita daily income among the poor population ranges from USD 1.42 in El Salvador to USD 2.87 in Venezuela. In the case of the population living in extreme poverty, daily per capita income is USD 0.71 and USD 1.64 in those two countries, respectively.

**Table 2. Poverty lines and extreme poverty lines in rural areas (monthly income per person in United States dollars)**

| Country            | Poverty | Extreme poverty |
|--------------------|---------|-----------------|
| Brazil             | 75.5    | 36.5            |
| Colombia           | 66.6    | 38.1            |
| Chile              | 57.1    | 32.6            |
| Costa Rica         | 51.1    | 29.2            |
| Dominican Republic | 56.3    | 32.2            |
| El Salvador        | 42.8    | 21.4            |
| Honduras           | 44.4    | 25.4            |
| Mexico             | 78.0    | 44.6            |
| Panama             | 54.8    | 31.3            |
| Peru               | 43.3    | 28.9            |
| Venezuela          | 86.2    | 49.2            |

Source: Comisión Económica de las Naciones Unidas para América Latina y el Caribe (CEPAL) 1999a. *Panorama social de América Latina*. Santiago, Chile: CEPAL.

The income criterion of one dollar per day used by the World Bank as the “world poverty line” can be applied only to the extremely poor segment of the rural population in the region, including those in the rural areas of Central America, Haiti, Peru, and Chile. In most of the other countries of the region, poverty affects more than 50% of the rural population (Table 3), a situation which poses a major challenge for governments international organizations, and civil society.

**Table 3. Magnitude and relative importance of rural poverty**

| % of rural households below the poverty line | % of rural poor households out of total poor households nationwide |                               |  |
|--|--|-------------------------------|--|
|  | Under 35%  | 35-49%                        | 50% or over                                |
| Over 65%                                     |  |                               | Guatemala<br>Honduras<br>Nicaragua         |
| 51 - 65%                                     |  | Colombia<br>Ecuador<br>Mexico | Bolivia<br>El Salvador<br>Paraguay<br>Peru |
| 31 - 50%                                     | Brazil<br>Panama<br>Venezuela                                      | Dominican Rep.                |  |
| Up to 30%                                    | Argentina<br>Chile<br>Uruguay                                      |                               | Costa Rica                                 |

Source: Comisión Económica de las Naciones Unidas para América Latina y el Caribe (CEPAL) 2000b. *La brecha de la equidad: una segunda evaluación*. Santiago, Chile: CEPAL.

Mexico's accession to the North American Free Trade Agreement (NAFTA) in the early 1990s changed production and market conditions for small rural agricultural producers. The so-called "tequila" crisis, which occurred in that country between 1994 and 1995, had adverse effects on regional economies. During 1998 and 1999, all the countries of Latin America and the Caribbean suffered repercussions from the economic crisis in Asia and Russia. In 1998 the economy of the region's largest country—Brazil—entered a period of turmoil caused by a combination of internal and external factors, which spawned a negative chain reaction that affected all the economies of the region but especially those of its MERCOSUR trading partners: Argentina, Paraguay, and Uruguay. In addition, the economic losses caused by adverse climatic phenomena associated with El Niño and La Niña exacerbated the devastation wrought by Hurricane Mitch in Central America, particularly in the poorest countries: Honduras and Nicaragua. Finally, the ongoing economic crisis that affected Venezuela throughout the decade led to a marked increase

in poverty levels, which rose to almost 60% of the population in a country which, thanks to its petroleum resources, has traditionally had high per capita GDP.

The political instability that has affected the countries of the Andean region (Bolivia, Colombia, Ecuador, Peru, and Venezuela) has also engendered a situation of economic insecurity and has substantially increased the poverty levels in that subregion.

All these circumstances had a severe adverse impact on economic growth in the region during the last decade, limiting the prospects for development in the short and medium terms, highlighting the weakness and instability of the Latin American and Caribbean economies, and markedly exacerbating rural poverty. Recent data on the Central American region,<sup>5</sup> Venezuela,<sup>6</sup> Mexico,<sup>7</sup> and Brazil<sup>8</sup> indicate that rural poverty levels in the region have risen between 10% and 20%, as a result of which the rural population living in poverty is now estimated at slightly over 90 million. During this period, social and economic conditions have worsened for the structural poor, and the number of the transitory poor has risen. In both segments, the most severely affected groups have been indigenous peoples, rural women, and marginal rural populations.

5 Banco Interamericano de Desarrollo (BID) 1999. *América Central tras el huracán Mitch*. (Report of the Consultative Group, Stockholm, Sweden, May 1999).

6 Comisión Económica de las Naciones Unidas para América Latina y el Caribe (CEPAL) 1998. *Panorama social de América Latina*. Santiago, Chile: CEPAL.

7 Fondo Internacional de Desarrollo Agrícola (FIDA) 1999a. *México: Documento sobre oportunidades estratégicas nacionales (COSOP)*. Roma, Italia: FIDA.

8 Fondo Internacional de Desarrollo Agrícola (FIDA) 1998b. *Proyecto de desarrollo sostenible para asentamientos de reforma agraria en el semiárido de la región del nordeste de Brasil: informe de evaluación ex-ante*. Roma, Italia: FIDA.

## D. Rural families and their subsistence systems<sup>9</sup>

The subsistence methods of rural poor families in Latin America and the Caribbean have been characterized as *systems of reproduction, production, and consumption*.<sup>10</sup> The rural household (which may include nuclear-type families and extended families) and its productive resources (land, capital, labour, animals, etc.) work in a synchronized and harmonious manner to build a system in which processes of family reproduction, agricultural and non-agricultural production, sale of labour, primary processing, and self-consumption take place.

Given the limited number of productive activities available to them and the limited work skills of their members, rural poor families function in a precarious economic equilibrium, which may be upset by changes in economic, political, social, or climatic conditions in their rural environment. Consequently, aversion to risk is one of the hallmarks of these family systems in Latin America and the Caribbean. A risk avoidance strategy is evident in the combination of economic and productive activities in which poor families engage, whether simultaneously or successively, and in their “conservative” approach to change in agricultural and non-agricultural production systems. In this context, the use of unpaid family labour, the multiple and changing roles of men and women, child labour, combined farm and non-farm work, and temporary or permanent migration are features of the majority of family agricultural systems today. In the case of agricultural production, rural poor families give precedence to productive stability over increases in productivity.

There are seven main types of productive and reproductive systems in the region, which are identified by the primary or principal activity of the family, its spatial location, and the ethnic origin of its members. The main systems

9 Family subsistence systems have been identified on the basis of reports prepared for project formulation and inception and for technical assistance grants (TAG) from the Division of Latin America and the Caribbean of IFAD. The population estimates come from data in IFAD project formulation and inception reports and TAG reports, national census data, and population and occupational statistics from ECLAC, FAO, and the International Labour Organization (ILO).

10 Quijandría and Ruiz 1986.

comprise the following groups: Andean herders, small farmers, subsistence and landless farmers, rural day labourers, rural indigenous communities, indigenous peoples native to the tropical rainforests of the region, and small-scale fishermen. The group of small farmers can be subdivided into small stockbreeders, small crop and livestock farmers, and small crop farmers. The predominate characteristics of these systems are shown in Table 4.

In absolute terms, the largest group within the rural poor population of the region is made up of rural indigenous communities, which encompass the indigenous communities of the Andean region in Bolivia, northern Chile, Colombia, Ecuador, Peru, and Venezuela, and the numerous indigenous communities and *ejidos*<sup>11</sup> of Mexico. This group also includes the Mayan communities of Guatemala and the Mapuche communities of southern Chile. The majority of the families in this group live in extreme poverty and comprise the structurally poor, or the “hard-core” segment of the region’s poor population. An estimated 24.3 million people—33% of the rural poor population of the region—fall into this category. The distribution of IFAD’s loan portfolio is directly related to the magnitude of this segment, with 12 of the projects currently under way targeting indigenous communities.<sup>12</sup>

The second group is composed of small farmers, who make up 27% of the rural poor population of Latin America and the Caribbean. This group includes 4.6 million small livestock farmers, 8.5 million crop farmers, and 11.3 farmers who produce both crops and livestock (Table 4). The primary distinguishing feature of this group is ownership (with or without a title) of small plots of land located in arid or semiarid regions, on hillsides, or on the fringes of irrigated valleys. Agricultural production takes place on ecologically fragile lands and is subject to the uncertainties of climate. In many cases, crops and livestock are being raised on hillsides, which leads to loss of natural vegetation, soil erosion, and watershed conservation problems. These small farmers combine agricultural production with seasonal off-farm work. The men take

11 The *ejido* is a traditional system of landholding that combines collectively used areas with individually assigned plots of land.

12 One in Bolivia, one in Chile, three in Ecuador, two in Guatemala, three in Mexico, and one in Peru.

responsibility for preparing the land and harvesting, while the women and children look after the family's cattle, sheep, and goat herds and oversee backyard production of poultry and pigs. When the men migrate in search of seasonal employment, the women take over all farm activities. Small farmers may fall into both categories of poverty—structural and transitory—depending on the amount of productive resources available to the families, their ties to local and regional markets, and their access to production support services. A total of 17 of the projects currently being carried out by IFAD's Latin America and Caribbean Division are aimed at small farmers.<sup>13</sup>

13 Two in Argentina, one in Belize, three in Brazil, one in Costa Rica, three in El Salvador, one in Haiti, two in Honduras, two in Nicaragua, one in Panama, one in Uruguay, and three in Venezuela.

**Table 4. Principal systems of production and reproduction among rural poor families**

| Main categories   | Weight in LAC |       | Levels of Poverty      | Countries affected                       |   |
|---|---------------|-------|------------------------|--|---|
|   | Number        | %     |                        | Severely                                 | Slightly                                  |
| Andean herders  | 700 000       | 0.88  | Extremely poor to poor | Peru, Bolivia                            | Ecuador, Chile, Argentina                 |
| Small farmers (livestock)                                       | 4 650 000     | 5.81  | Poor                   | All LAC<br>Brazil, Mexico, Peru, Bolivia | Venezuela, Central America, Southern Cone |
| Small farmers (crops)   | 8 500 000     | 10.63 | Poor                   | All LAC                                  |   |
| Small farmers (mixed livestock and crops)                       | 11 300 000    | 14.13 | Poor to extremely poor | All LAC                                  |   |
| Subsistence farmers <sup>1</sup>                                | 15 500 000    | 19.38 | Extremely poor         | All LAC, Brazil, Mexico, Peru, Bolivia   | Venezuela, Ecuador, Central America       |
| Landless farmers  | 7 500 000     | 9.38  | Extremely poor         | Brazil, Mexico, Peru, Ecuador, Venezuela | Central America, Bolivia                  |
| Rural day labourers   | 5 500 000     | 6.88  | Extremely poor to poor | Toda ALC, Brazil, Mexico, Chile          | Argentina, Peru, Colombia                 |
| Rural communities <sup>2</sup>                                  | 24 300 000    | 30.38 | Extremely poor         | Mexico, Peru, Bolivia                    | Ecuador, Chile                            |
| Indigenous communities of the tropical rainforests <sup>3</sup> | 950 000       | 1.19  | Extremely poor         | Brazil, Peru, Colombia y Venezuela       | Ecuador, Guyana and Suriname              |
| Small-scale fishermen   | 1 100 000     | 1.38  | Poor                   | All LAC                                  |   |

1) This category of subsistence farmers is synonymous with smallholders or farmers with very little land.

2) Includes indigenous communities and the *ejidos* of Mexico, the rural indigenous communities of the Andean region, and communities of farmers in northern Chile. Herders of the Andean area have been classified as a separate category.

| Agro-ecological area  | Economic activities                                  |                            |                     | Source of agricultural income              |  |  |
|---|--|----------------------------|---------------------|--|--|--|
|   | Primary  | Secondary                  | Tertiary            | Primary                                    | Secondary  | Tertiary                                   |
| Highest-altitude area of the Andean mountains                       | Alpaca- and llama-raising                            | Seasonal wage labour       | Craftwork           | Alpaca and llama wool                      | Alpaca and llama meat                                | Jerkey (salt-cured meat)                   |
| Arid and semiarid areas. Intermediate altitudes of the Andean range | Cattle-, sheep, and goat-raising and wool production | Milk and cheese production | Dryland farming     | Sale of live animals                       | Marketing of cheeses made from cow's and goat's milk | Surplus crops from dryland farming         |
| Fringes of irrigated areas, dryland and semiarid areas              | Cash and staple crops                                | Seasonal wage labour       | Backyard production | Vegetables, rice, coffee, fruit            | Pigs and poultry                                     |  |
| Dryland and semiarid areas, hillsides                               | Staple crops, livestock-raising, cash crops          | Seasonal wage labour       | Backyard production | Rice, coffee, fruit, cassava, live animals | Pigs and poultry                                     | Surplus staple crops                       |
| Mainly semiarid areas and fringes of irrigated areas, hillsides     | Seasonal paid employment                             | Staple crops               | Backyard production |  | Basic grains, cassava, rice, others                  | Pigs and poultry                           |
| All regions, but especially arid and semiarid areas                 | Seasonal or permanent paid employment                | Crops <sup>4)</sup>        | Craftwork           |  | Corn, beans, cassava                                 |  |
| Irrigated valleys and irrigated semiarid areas                      | Seasonal or permanent paid employment                |                            |                     |  |  |  |
| Semiarid and Andean valleys   | Crop-farming   | Livestock-farming          | Seasonal day labour | Grains, root crops, corn                   | Sale of live animals                                 | Processing of crops and livestock products |
| Tropical rainforest   | Fishing  | Craftwork                  | Farming             | Rice, cassava, fruit                       |  |  |
| Coastal areas   | Fishing  |                            |                     |  |  |  |

3) This category includes the indigenous communities of the Amazon and Orinoco basins and those of the other rainforests of South America.

4) In the majority of countries, landless farmers have access to leased land to produce subsistence crops, for which they pay an annual amount in cash or return a portion of their crops to the landowner under a sharecropping arrangement.

The third group consists of subsistence and landless farmers (19.3 million and 9.4 million people, respectively). While the first group are smallholders, the second have only seasonal or annual access to leased land. The rent is collected in the form of cash payments or the return of a portion of harvests under a sharecropping arrangement. The families of subsistence and landless farmers depend on seasonal or permanent non-farm employment for the majority of their income. Their farm production is used mainly for family consumption; any surplus—which depends on weather conditions each year—is sold on local markets or used in backyard production of poultry and pigs.

The families of both subsistence and landless farmers are among the poorest of rural inhabitants, with incomes that fall below the extreme poverty line, as a result of a severely limited agricultural production base and seasonal demand on rural and urban labour markets. In many subregions of Latin America and the Caribbean, these two groups work in processing and/or production of agricultural products, craftwork, and non-agricultural goods. Another source of income for rural women in this category is small-scale commerce. Since subsistence and landless farmers occupy the same geographic spaces as small farmers, 15 of the projects that the Latin America and Caribbean Division currently has under way<sup>14</sup> target combined groups of beneficiaries that include small farmers, subsistence farmers, and landless farmers, with development instruments tailored specifically to the needs of each group. At present, three of the Division's projects are oriented toward the creation of rural microenterprises for landless farmers.<sup>15</sup>

The evolution and development of intensive export-oriented agriculture have created considerable seasonal demand for skilled and unskilled labour in rural areas of Latin America and the Caribbean. As a consequence, during the past decade a significant number of the poor from both urban and rural areas have earned their income from harvesting, sorting, processing, and packaging fruits and vegetables. Although most of these individuals are employed as unskilled labourers, a growing number are working in more specialized packing and processing jobs that require more refined skills.

14 One in Belize, two in Brazil, one in Costa Rica, three in El Salvador, one in Haiti, two in Honduras, two in Nicaragua, one in Panama, and two in Venezuela.

15 One in Colombia, one in Dominica, and one in Saint Lucia.

The International Labour Organization (ILO) has estimated that in 1998 a total of 5.5 million people derived their income exclusively from day labour in agricultural businesses. Studies conducted in Chile<sup>16</sup> indicate that in many cases several members of a family, especially women, work during harvest seasons, earning almost all of their annual income during this period and devoting themselves to the family- and household-related tasks during the rest of the year. Some of the projects of the Latin America and Caribbean Division are beginning to address the need to improve the incomes of rural workers through job training and education.<sup>17</sup>

Herders in the Andean area, small fishermen, and populations native to the rainforests of Latin America and the Caribbean make up a minority group among rural inhabitants. The herders who live in the Andean highlands raise alpacas and llamas on natural grasslands at altitudes of more than 3 500 metres above sea level. Those who live at lower altitudes also raise sheep and small herds of cattle. Although most are concentrated in Peru and Bolivia, there are also small family groups of herders in northern Argentina and Chile. The herders in the Andean area number 700 000 and are all members of indigenous groups. Their principal source of income is the sale of alpaca and llama wool. A secondary source of revenues is production of jerkey (dried, salt-cured meat) and woven and leather handicrafts.

The small-scale fishermen are distributed throughout the coastal areas of the region (the Pacific, Atlantic, and Caribbean coasts). The Fisheries Department of the Food and Agriculture Organization of the United Nations (FAO) estimates that 1.1 million people work in fishing activities, sometimes in combination with small-scale seaweed- or shellfish-farming.

River fishing is also a very important source of income for the native populations living in the Amazon and Orinoco river basins and in other tropical rainforests of the region. The size of this population has been estimated at 950 000 people, most of whom live under systems of tribal organization on “reserves” established by governments. Small-scale farming, hunting, and

16 Servicio Nacional de la Mujer (SERNAM) 1998. *Las temporeras de la fruta*. Santiago, Chile: SERNAM.

17 One in Brazil, one in the Dominican Republic, and one in El Salvador.

production of craft items are some of the activities from which these groups derive their livelihood. Sales of fish on small local markets and, to a limited extent, logging activities provide a modest amount of cash income. All these minorities are beneficiaries of specific projects<sup>18</sup> and technical assistance grants (TAG)<sup>19</sup> from the Latin America and Caribbean Division, all of which seek to address basic requirements for the reduction of poverty and improvement living conditions (see Box 1).

## **E. Location of rural poverty: ecological areas and use of natural resources**

More than 90% of the rural poor population of Latin America and the Caribbean is concentrated in four major ecological areas: (i) mountain slopes in subtropical zones and arid and semiarid plateaux; (ii) humid and semi-humid tropics; (iii) subtropical valleys; and (iv) coastal plains. The areas most extensively inhabited by the rural poor are arid and semiarid subtropical regions, which cover a total of more than nine million square kilometres, including northeastern Brazil, northern Mexico, northeastern Venezuela, the Pacific coastal and central areas of Honduras and Nicaragua, and northern Peru and Chile. Based on the information regarding the principal means of subsistence for the poor in rural areas (Table 4), it is estimated that 32% of the region's poor population lives in this ecological area. The arid and semiarid tropics are characterized by low levels of precipitation (less than 700 millimetres per year), a rainy season lasting three or four months, and irregular annual patterns of cyclical rainfall and drought (at intervals of four to five years). Agricultural production depends entirely on annual rainfall, which generates a high level of uncertainty and risk for growers of traditional and

18 Camelid Producers Development Project in the Andean High Plateau (354-BO); Sustainable Development Project by Beni Indigenous Peoples (373-BO); Indigenous and Afro-Ecuadorian Peoples Development Project (464-EC); Rural Development Project for Ngobe Communities (331-PM); and Sustainable Agricultural Development and Environmental Protection Project for the Darien (385-PM).

19 TAGs for South American camelid producers and indigenous peoples.

cash crops. In natural grasslands with low carrying capacity, small herds of cattle, sheep, and tropical goats are raised using very extensive grazing systems. In northeastern Brazil, the natural vegetation (scrubby trees and shrubs) has a carrying capacity of 10 hectares per animal unit per year, and production and productivity levels are therefore extremely low.

**Box 1****Survival strategies among the indigenous populations of Latin America**

One of most striking features of the inhabitants of the Andes is their vertical management of the ecological environment. In the Andes there are three agro-ecological levels, determined by altitude and physiography. The bottom level—the valleys—is located at 1 200 to 2 400 metres above seal level; the middle level—the mountain slopes—is located at 2 400 to 3 300 metres above sea level; and the altiplano or “*puna*” is located at between 3 300 and 4 800 metres above sea level. These altitudinal levels are worked by their inhabitants in accordance with their characteristics and suitability for agricultural production. On the lower level, corn, beans, quinoa, *tarhui* (*Lupinus mutabilis*), and vegetables are grown. At the middle level, grains and potatoes are the principal crops, while on the upper level, or *puna*, Andean root vegetables are cultivated and livestock are raised. Crops grown by the Andean producers on the lower level are sold commercially, while the those produced on the middle and upper levels are used for self-consumption. Production on the lower level is intensive and annual, whereas farming on the hillsides and the altiplano is characterized by long fallow periods. Most communities have lands on all three levels. Individual property is distributed in very small plots in valleys and on hillsides, while the *puna* is communal land used for livestock-grazing. By managing the land this way, Andean farmers make the best use of the productive area and combine the productive capacity of each of the levels to diversify their farming activities. These communities manage complex agricultural systems, arranging their crops over time and space so as to minimize climatic and economic risks. This characteristic makes it difficult to transfer technologies designed for single-crop farming. Indeed,

some believe that such changes would upset the balance of the entire system. Seasonal migration and wage labour are an important part of the economy in most Andean indigenous communities.

In contrast with the highlands of the Andean region, the lowlands of the humid tropics in the region of the Amazon and Orinoco rivers are characterized by a “horizontal economy.” There are two major types of land in these areas: dry land and the “*várzea*,” or lands adjacent to rivers, which are prone to flooding. The latter are part of the flood plains which, owing to the annual rise and fall of the water level, every year receive nutrients through the sediment deposits. The fertile lands in the flood plains of the region’s two principal rivers have, in the past, maintained comparatively large populations. The dry-land area, though much more extensive, is not subject to flooding and the soils are of poorer quality. Moreover, they are exposed to rapid loss of fertility as a result of stubbing and clearing of the land, excessive solar radiation, and high precipitation levels. Given these circumstances, the indigenous inhabitants of these areas alternate horizontally between use of the flood plains during seasons when the river is low—when they grow corn and rice—with use of the dry land during the high-river season. During these periods, they grow cassava and bananas and raise livestock, and they also rely to a greater extent on hunting and fishing.

Today, the main threats to the survival of the indigenous populations of Latin America have to do with the growing imbalance between the population and the available land. Traditional conservation techniques, based on long fallow periods, are no longer workable. A bigger threat still is the onslaught of new settlers and businesses moving onto their ancestral lands, which is driving many ethnic groups to the brink of extinction.

The second largest ecological area includes the slopes and plateaux of the Andes in South America, the small mountain ranges of Central America, and the mountain system of Mexico. This region encompasses a total of more than five million square kilometres and is home to 28% of the region's rural poor population. These mountain slopes and plateaux are found in Mexico, all the countries of Central America, Colombia, Ecuador, Peru, Bolivia, northern Argentina, and Chile. The inhabitants of this ecological area grow traditional crops on hillsides and raise small herds of cattle and sheep. Coffee is often grown as a commercial crop at the foot of mountain slopes in subtropical areas. In the Peruvian and Bolivian altiplano (at altitudes of more than 3 500 metres above sea level, alpaca- and llama-raising are the only productive activities. Annual rainfall ranges from 900 millimetres to 1 400 millimetres and occurs over a period of five or six months. Soil loss and marked erosion, resulting from traditional crop management practices, are common in this ecological area. Another ongoing problem is overgrazing of animals. The consequent declines in crop and livestock production only exacerbate the poverty of small farmers. This area is inhabited by indigenous groups and communities.

The third area, which is the largest in terms of physical size but not in terms of population density, consists of humid and semi-humid tropics. Although it has an estimated area of 5.3 million square kilometres, this area is home to only 7% of the rural poor in the region. The largest area is located in the Amazon River basin, which encompasses large portions of Brazil, Peru, Bolivia, Colombia, and Ecuador. The second largest area is the Orinoco River basin, which comprises Venezuela, Colombia, Guyana, and French Guiana. Other humid and semi-humid tropical areas are found along the Atlantic coast of Central America and in southern and southeastern Mexico. The agricultural activities practised in these areas combine production of annual traditional and cash crops, permanent fruit crops, and extensive production of small livestock, using slash-and-burn systems. Other economic activities include wood-harvesting and river fishing. In the areas surrounding cities and the principal waterways, the small farmers are of mestizo origin, while in the remote and isolated areas, the only inhabitants are indigenous tribes native to South America.

The fourth ecological zone is composed of subtropical valleys, with a total area of 2.5 million square kilometres, where 17% of the region's rural population lives. Owing to the land ownership systems in Latin America and the Caribbean, which date back to the time of the conquest of the Americas (see next section), small farmers live on the fringes of the valleys, on lands of poor quality that are generally outside large irrigation systems. Small farmers complement their earnings by performing paid seasonal work for businesses in the same valleys where they live, in neighbouring valleys, or in urban areas. Seasonal urban migration is therefore also a common characteristic of the rural poor population living in the valley areas. The agricultural activities practised include both production of subsistence and cash crops and cattle-raising on a very small scale.

Other lesser ecological areas include the temperate valleys in the Southern Cone (Argentina, southern Brazil, Chile, and Uruguay) and the Andean region (Bolivia, Ecuador, and Peru) and small areas with special ecological characteristics. These areas encompass 1.9 million square kilometres and are home to 9% of the rural poor population of the region.

Deforestation, which results in steady loss of renewable natural resources, is the most serious ecological problem in the region. Cash and subsistence livestock-farming, slash-and-burn migratory agriculture, land speculation, and road-building are directly related to the deforestation of tropical areas of Latin America. Slash-and-burn agriculture is responsible for 35% of the deforestation in moist tropical and subtropical forests and 15% in dry tropical forests. The small farmers who engage in migratory agriculture are concentrated in semiarid areas, mountain slopes, and the edges of forests. They produce more than 50% of the staple foods in the region. Given the growth of the population and the lack of productive resources, the increase in agricultural production is being achieved by expanding the agricultural frontier, not by improving the unit productivity of land.

The expansion of pasturelands for tropical livestock-farming—although it has had no significant economic impact—has been and continues to be responsible for 80% of the deforestation in the Amazon River basin. Although this activity is heavily subsidized, the livestock sector accounts for only 0.1%

of the gross national product (GNP) of Brazil and employs only 1% of the workforce in this part of the Amazon region.

Deforestation is affecting an ever larger number of people in the areas with dry tropical forests. Currently, more than 26 million people who live in this ecosystem are suffering from an acute shortage of firewood, which leads to constant cutting of the natural vegetation. Soil erosion and desertification are also directly related to deforestation. In 1980, close to 226 million hectares of arid and semiarid land in the region were suffering from some degree of desertification. Most affected were hillside farmlands in the Andean region. Currently, between 50% and 75% of the mountainous areas of Latin America with some potential for agricultural production are exposed to and suffer from loss of productivity as a consequence of soil erosion and desertification.

If current trends in agricultural development and natural resource management continue, estimates indicate that by the year 2030 at least 50 million people living mainly in rural areas will suffer from an acute shortage of firewood in the arid and semiarid regions, mountains, and plateaux of the Andes and other densely populated parts of the region. Available farm land will shrink from 0.46 hectares per person to 0.27 hectares on average. The situation will be most serious in the mountainous regions, where demographic pressure will reduce the availability of land from 0.19 to 0.13 hectares per person. To produce enough food for the region's ever growing population, approximately 4.7 million hectares of virgin or semi-virgin forest will have to be converted to farmland every year. Eighty percent of this expansion of the agricultural frontier will take place in tropical areas, with the remaining 20% occurring in subtropical areas. This phenomenon will be accompanied by an exacerbation of the already serious soil erosion problems and consequent degradation of watersheds. The risks of flooding and desertification will rise, increasing the vulnerability of rural areas and their inhabitants.

These are the principal problems afflicting the agricultural systems of Latin America and the Caribbean, and they will only become more intense in the new millennium. The impact of programmes and policies on rural development and sustainable agriculture designed to address these problems will depend fundamentally on the resources allocated to the development

and dissemination of suitable technology systems oriented toward creating a culture of conservation in the rural population and ensuring the existence of programmes for the management and conservation of natural resources.



# 2

## *Causes of Rural Poverty in Latin America and the Caribbean*

### *Causes of Rural Poverty in Latin America and the Caribbean*

### *Causes of Rural Poverty in Latin America and the Caribbean*



Because rural poverty is a complex socio-economic phenomenon, the determination and analysis of its roots, causes, and prevalence should be based on an examination and analysis of both historical processes that began with the discovery and conquest of the Americas and the effects of social, economic, and political trends during the last part of the past century. The main causes of rural poverty are historical, political, and economic in nature.

## **A. Historical roots of rural poverty**

The origin of rural poverty in Latin America and the Caribbean can be traced back to the discovery, conquest, and colonization of the “new world” by overseas empires. With the establishment of the first settlements of colonists on the islands and continent, the native peoples of Mesoamerica, the Caribbean, and South America were reduced to slavery and later segregated as third-class citizens, totally marginalized from the social and economic dynamics of the emerging “new” territories. Legislation prohibited, impeded, or limited individual ownership of property for indigenous populations, giving them collective ownership of communal territories or “reserves,” and explicitly limiting their participation in the economic and social life of the colonies. The growing mestizo populations were considered second-class

citizens with respect to the Europeans, who governed, while the poor and those of mainly indigenous descent, along with the native groups, made up the lowest socio-economic strata. Racial prejudice and discrimination against Native Americans became an essential part of the social fabric of the countries Latin America and the Caribbean.

Indigenous peoples were confined on isolated reserves in marginal areas and were used as labour in mining operations or, secondarily, in agriculture. “Haciendas,” or large plantations, were established. This system of landholding persisted until the late 1960s and the early 1970s, when it was eliminated or modified as a consequence of processes of agrarian reform. Social and economic exclusion of indigenous populations continued and grew even worse during the struggle for independence and the formation of new republics. During that period, segregation and marginalization were accentuated by the emergence of the new political class in many countries, which enacted laws that excluded and were harmful to indigenous populations, many of which remained on the books until the last two decades of the last century. This discrimination was and continues to be part of the cultural baggage of the societies of Latin America and the Caribbean today, and it constitutes one of the primary causes of the ongoing exclusion and poverty of the Native American populations. In the region, “indigenous” is synonymous with rural or urban poverty.

The countries of the Caribbean followed an historical path that was somewhat different from that of the countries of North America, Mesoamerica, and South America in terms of their native populations. Shortly after the discovery and conquest of the islands of the Caribbean, most of the native groups that lived in that region were wiped out by wars or imported diseases. Scores of African slaves were brought to the islands to provide labour for agricultural activities. These newly arrived groups of Africans replaced the native population as inhabitants of the islands, and today they make up the majority of the population. The indigenous population is either non-existent or constitutes a very small minority. While the countries that were part of the Spanish empire (Cuba, Puerto Rico, and the Dominican Republic) had an historical evolution similar to that of the continent, those under the colonial rule of Great Britain, France, and the Netherlands remained colonies or

protectorates until the middle of the last century. Discriminatory economic and social policies and attitudes toward Afro-Caribbeans persisted until independence. Agricultural practices oriented toward the production of export crops on large plantations concentrated wealth and political power in the hands of colonists of European origin. As a consequence, poverty became entrenched among the population of African descent.

## **B. Political instability**

The second historical root of rural poverty has to do with early and continuous political instability in the vast majority of the region's governments. Coups d'état, civil wars, and military governments have been a permanent fixture in the political history of most of the countries. This political instability has been exacerbated by poor public administration and the corruption of the dominant political class, which inherited control over the wealth and benefits previously held by the colonial elite. Many countries have had a history of limited and imperfect democracy, which perpetuated the power of the ruling classes and systematically excluded the poor and indigenous populations from participation in political life.

Marginalization and lack of political power prevented these groups from sharing in the economic and social progress enjoyed by the middle and upper classes. Marginalization and repression became part of the political landscape in the 1960s, following the outbreak of armed conflicts incited by Marxist-oriented liberation movements and guerrilla groups in most countries of the region. In poor rural areas, these conflicts erupted as a consequence of the political, social, and economic exclusion of the rural poor, corruption of public officials, and human rights violations, among other reasons. This period of strife in the region worsened not only poverty levels but also violations of the human rights of rural populations.

The fact that independence came relatively late to the countries of the Caribbean (excepting Cuba and the Dominican Republic), coupled with their

small size and the fragility of their economies, which depended totally on agricultural exports to the European countries, resulted in a cycle of political instability and low rates of economic growth. However, the growth of tourism and agricultural exports to the European Union has helped to stabilize the economies of most of the Caribbean countries, although Haiti—owing to a long period of dictatorship and inefficient administration of public resources—remains one of the poorest countries in the world, with more than 90% of its population living in conditions of extreme poverty.

Nevertheless, on a more hopeful note, since the late 1980s, the countries of the region have evolved politically toward more participatory and democratic forms and models of government. By the early 1990s, the internal conflicts had largely ceased in most of the affected countries (currently, only one case of active armed conflict continues), and new societies and more effective forms of participation and government were being put in place. By the end of the last decade, all the countries had democratically elected leaders and social improvement programmes aimed at reducing, slowly but steadily, the social, political, and economic exclusion suffered by their poorest citizens.

### **C. Macroeconomic models and development policies**

While the roots of poverty in the rural areas of Latin America and the Caribbean may be found in historical and political factors, the evolution of the economies of the region in the last three decades has contributed not only to current levels of poverty but also to determination of the models and characteristics of the urban and rural poor populations. Three distinct periods, associated with the application of specific models of economic development, can be discerned in the region.

Between the mid-1960s and the 1970s, ECLAC promoted an autarkic model of economic development that was adopted by most countries of the region.<sup>20</sup>

<sup>20</sup> This model was postulated in the mid-1960s by the then Director of ECLAC, Raúl Prebisch, and the team of economists at that institution.

This model relied on sustained support by the State for the agricultural and industrial sectors as a basic ingredient of national economic development leading to self-sufficiency in the production of foods and basic manufactured goods. The economic policies included subsidies for certain activities, price controls, introduction of trade barriers, and fiscal protection measures against imported foods and industrial products. This policy also engendered particularly active government involvement in agriculture, industry, and production of goods and services in areas identified as “strategic” development areas. This was the period of agrarian reforms (see Box 2). Government institutions gained control over markets for local and external products and many of the economic activities traditionally controlled by the private sector. The public sector assumed all the risks inherent in production and market operations.

The result was the creation in most of the countries of agricultural and industrial sectors that were strongly protected and dependent on government support policies. Because the financial resources needed to apply these policies were beyond the capacity of the countries, the governments negotiated loans with international financial institutions and the international private banking system, thus triggering the spiral of debt in the countries of Latin America and the Caribbean and ushering in what came to be called the “lost decade.” During this period, many of the countries were controlled by military governments which added the cost of arms purchases to current public expenditure.

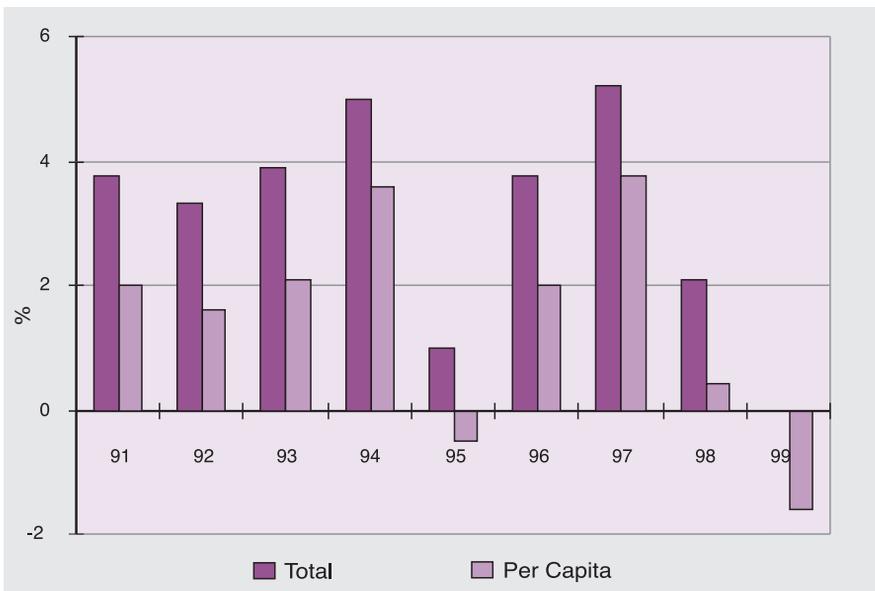
A combination of changes and fluctuations in economic policies, the external debt crisis, internal violence, and complex political transitions within the countries left a legacy of instability, low economic growth, and deeper poverty. The early 1990s, which saw an end to the internal conflicts and the inception of democratic stability in the countries of the region, therefore brought greater economic optimism.

During the 1990s the various countries, on their own political initiative or as a result of pressure from international financial institutions launched and/or strengthened processes of structural adjustment and application of the so-called “neoliberal economic policies.” The new economic paradigms were

gradually validated by the economic growth registered in the region. Aggregate growth of the total GDP averaging almost 4% a year was accompanied by close to 3% growth in the per capita GDP (Figure 3), a situation that continued up to 1994. From that year on, the situation of the regional economy was complex and contradictory, revealing the inconsistencies and weakness of the subregional economies and the need to review and adjust the policies applied up to that time.

The “tequila crisis” that afflicted Mexico in 1994, the effects of the Asian crisis of 1998, the Russian crisis and its subsequent impact on Brazil, which suffered its own crisis in 1998-1999, with a resulting “domino” effect on the economies of the Mercosur countries, pushed back economic growth rates in the region in 1995 and 1999. In 1999 total GDP growth was null, and per capita GDP growth fell to  $-1.8\%$  (Figure 3).

**Figure 3. Latin America and the Caribbean<sup>1</sup>: Trend of total and per capita GDP**



<sup>1</sup> Does not include Cuba

Source: Comisión Económica de las Naciones Unidas para América Latina y el Caribe (CEPAL) 1999. *Progreso económico y social de América Latina y el Caribe*. Santiago, Chile: CEPAL.

The economic crises were accompanied by the heavy impact of the El Niño and La Niña phenomena throughout the region, Hurricane Mitch in Central America, floods and earthquakes in Mexico, and the floods and landslides in northern Venezuela. This combination of events resulted in an annual average rate of per capita GDP growth, aggregated for the region, of 1.4% between 1991 and 1999. Although this figure is higher than the rates posted during the “lost decade” (annual average growth of –1.0% between 1981 and 1990), it was considerably less than the minimum required to stimulate employment and reduce rural poverty in the countries of the region.

During this period, owing to the priorities implicit in the prevailing economic development models and with the methods and policies advocated by the international financing institutions, government investments in agricultural and/or rural development dropped almost 40%. Economic incentives aimed at industrial and service activities located primarily in urban areas, coupled with systematic modernization (i.e., mechanization) of the commercial and export agriculture sector, gradually reduced opportunities for agricultural employment. During this same period, structural adjustment processes led to the elimination or severe curtailment of state services to support rural production, which, theoretically, were to be replaced by a private market for technical assistance. This assumption proved true in the case of commercial agriculture, where networks and systems of private consulting companies quickly emerged, in particular for export activities. However, for small and medium-sized farming operations and small rural enterprises, a void was left in terms of assistance and services, which further aggravated the technological deficit and lessened the productivity and revenues of this sector.

## Box 2

**Agrarian reform processes in Latin America and the Caribbean**

According to García (1967), the agrarian reform processes in the region can be classified in three categories: (i) structural reforms that occur as an integral part of a national process of change aimed at bringing about a profound transformation in existing power structures; (ii) conventional reforms that are part of negotiations between social forces that seek to modify forms of landholding, but without changing the institutional rules of the traditional society; and (iii) marginal reforms intended to modify the existing economic and social structure superficially, without any fundamental changes.

In the region, structural agrarian reforms occurred in Mexico, Bolivia, and Cuba. In all three cases, this process was the result of sweeping ideological and political change at the national level. The Mexican revolution of 1910 totally modified the system of land tenancy, with *latifundios* (large estates) giving way to the communal farming system known as the *ejido*, which afforded rural inhabitants of indigenous origin access to land. Today, almost half of Mexico's farmland (100 million hectares) is held by 26 000 *ejidos* with a total population of 2.9 million families. In Bolivia, when the National Revolutionary Movement came to power in 1953, it enacted a national agrarian reform law, abolishing the *latifundio* as the prevailing landholding system and distributing properties to collective indigenous communities and to landless farmers in small parcels. The agrarian reform in Cuba (1959) was not based on redistribution of land but on the ideology of nationalization and structural change, in which the State took control of large-scale livestock production and the plantations on which sugar is grown for export, which account for 70% of the country's farmland. The rest is held by small private cooperatives which are linked to the national market.

The agrarian reforms in Peru, Chile and Venezuela fell somewhere between the conventional and marginal categories. In Peru, the military government established

and implemented an agrarian reform law in 1969 as an instrument for transforming the agrarian structure of the country and abolishing the latifundio. In Chile, conventional processes of agrarian reform were instituted during the periods 1928-1958 and 1960-1962, when state-owned lands and latifundios were distributed. In 1970, the agrarian reform process intensified, the latifundios held by private owners were expropriated and the farmers who worked those lands were allowed to settle on them. All these efforts were nullified after the military coup of 1973, when a third of the expropriated latifundios were returned to their former owners and the rural community organizations were dismantled. The agrarian reform law enacted in Venezuela in 1960 sought to change the latifundista monopoly over land but without changing the institutional rules of the traditional society. The State played a dominant role in the formulation and management of agrarian reform programmes, creating a negative dependency on government institutions among rural inhabitants. Brazil for many years maintained a model of agrarian development based on the existence and strengthening of the latifundio in order to achieve efficient production based on economies of scale and cheap labour by poor and landless farmers. This policy, applied resolutely for many years, created a repressive environment for millions of the landless poor. The current government is implementing a new agrarian reform, which has already distributed almost 8.8 million hectares to more than 400 000 families with a view to improving conditions in this sector.

The effectiveness of agrarian reform processes continues to be debated among those concerned with rural and agrarian development policies in the region. An analysis indicates diametrically opposed results, depending on the political orientation of the appraiser. In the current context, it could be concluded that agrarian reform processes per se will not address the marginal situation of farmers and small rural producers, unless this redistributive process is accompanied by strong support for involvement of the beneficiaries in national economic and social development processes.

## **D. Other factors that influence rural poverty**

### **Less access to land**

The impoverishment of the rural areas of Latin America and the Caribbean is closely related to the gradual loss of productive lands that has affected broad segments of the rural poor population. In many cases, indigenous populations have lost access to land due to their lack of knowledge about property rights and the abuses and discrimination they have suffered. Lack of respect for legal rights (both property rights and human rights) has also been a decisive factor in land loss by non-indigenous small farmers. Geographically isolated regions of large countries (such as Brazil, Mexico, Colombia, Peru, Bolivia, etc.) have also been subject to rural guerrilla movements, drug trafficking, and political patronage. These phenomena have led to two consequences: (a) a rapid increase in landless rural population, and (b) displacement of rural groups to marginal lands not suited to agriculture and/or livestock production or to urban areas.

### **Insufficient investment in human and social capital**

In rural areas, public investment in human capital goods (i.e., education and health, in general terms) is lower than in urban areas. Moreover, the quality of rural education is inadequate to enable migratory seasonal workers to find employment as unskilled labourers in the demanding urban job markets. Since in rural areas schooling has an opportunity cost for households—namely, the loss of income that might be earned by children—families will opt to make this investment only if the benefits derived from the education are sufficient to offset that cost. This means that in order to increase investment in human capital in rural areas it is necessary to act on both supply and demand. Hence, any increase in social expenditure for rural schools should be complemented by interventions that enhance the profitability of the schooling.

Increasing literacy, knowledge, and technical skills and strengthening capacity for management among the rural poor are indispensable conditions for

improving their income-earning capacity. However, the improvement of human societies has an impact that goes beyond economic growth. In order to raise themselves above the threshold of economic survival, societies must offer their poor populations and their non-poor populations the same opportunities to access non-economic cultural goods of high value. In this broader sense, the improvement of human resources through education might be considered an objective of development in itself.

Another obstacle to overcoming rural poverty is lack of sufficient investment in interpersonal and community relationships, which facilitate communication, information, and control over their own goods by rural poor populations. Lack of investment in social capital influences rural poverty for the following reasons: (a) the existence of organized economic groups is imperative to reduce the transaction costs associated with gaining access to the market, and (b) collective strategies are essential to combat the tendency towards exclusion which results from the absence of social protection mechanisms that incorporate and support the weakest members of rural communities.

### **Insufficient public investment in rural infrastructure**

The contraction of public investment in rural infrastructure, prompted by fiscal constraints in the early 1980s, has been another decisive factor in current levels of rural poverty in Latin America and the Caribbean. This trend has influenced rural poverty in two ways: first, private investment decreased as a result of insufficient complementary public investment in strategic infrastructure such as irrigation systems and rural roads, and, second, this insufficient investment in infrastructure prevented the reduction in transaction costs needed to eliminate price distortions (thereby decreasing profit margins) and limited the market participation of rural populations that resided long distances from the major market centres.

## **Insufficient development support services**

As a consequence of the structural adjustment policies applied in recent years, the small farmers of the region have been increasingly excluded from the benefits of essential agriculture support services. The abrupt withdrawal of state institutions from the agricultural sector has not been offset by an influx of private suppliers of the support services previously offered by governments in the areas of the research and extension, development of marketing, financial services, construction and maintenance of irrigation systems, etc.

## **Problems in the management of heterogeneity, gender issues, and ethnic issues in rural areas**

The region of Latin America and the Caribbean is characterized by a growing level of heterogeneity in the income-generating strategies of rural poor households. Currently, the vast majority of rural families practice mixed farming, obtaining additional income from off-farm employment and non-farm production. Hence, economic viability is not dependent only on agricultural activities but also on the capacity for management of microenterprises, paid farm work, and, ultimately, all activities in which rural families and their members of both sexes participate in order to generate income. A serious error on the part of international financial institutions during the 1970s was the belief that the rural poor population consisted mainly of farmers with small plots of land and that, consequently, the best poverty reduction method would be to help them increase the productivity of their land. This approach failed to recognize that the rural population also includes people with very little or no land and that this was the segment that was growing most rapidly and that was suffering the most serious forms of poverty. One important implication of this regional trend is that, for a large portion of the rural poor population, assistance could not be limited to development projects oriented toward land and farming. A broader concept of rural development was needed, with a flexible productive approach, geared toward responding to the changing context of relationships between the rural and urban environments.

Many poverty reduction initiatives also failed because they were based on a false perception of the cultural and socio-economic role of women in rural production units, families, and/or communities, or because they underestimated or failed to take account of that role. Gradually, development programmes have begun to systematically and formally incorporate the explicit functions of women in rural societies.<sup>21</sup> This is occurring not only for reasons of equity or effectiveness, but also as a fundamental objective of socio-cultural change. In order to clearly understand the situation, more attention must be paid, for example to the difficulties related to the gender bias inherent in common law or the legal framework of a country, inadequate enforcement of laws, and gender discrimination in the home.

A statistical comparison between indigenous and non-indigenous populations will generally show worse living conditions, lower levels of schooling with inadequate educational systems, severe unemployment, minimal access to health care, and strong social discrimination among the indigenous population. The nature of poverty is more complex among indigenous peoples than among other categories of rural poor population. Marked inequalities in income, coupled with substantial ethno-linguistic divisions, increase the likelihood of social fragmentation, which in turn makes the application of poverty reduction initiatives more difficult.

In the IFAD development projects aimed at the indigenous population, it is possible to identify at least three major approaches that have proved effective: first, the redefinition and enforcement of the legal rights of these beneficiaries (human and land ownership rights); second, promotion of income-generating activities that respect their cultural beliefs; and third, the participation of indigenous organizations in the management of resource conservation programmes. The specific cultural and socio-economic characteristics of these

21 Since 1997, in IFAD projects for the region, the Latin America and Caribbean Division has been applying the Programme for the Strengthening of Gender Issues in IFAD Projects (PROSGIP), with a view to supporting and enhancing understanding of the role of women in agricultural production. PROSGIP seminars have been held in four subregions with the participation of officials from all the projects financed by IFAD in the region. Monitoring activities for this programme are ongoing throughout Latin America and the Caribbean.

beneficiaries (i.e., the fact that they practice a wide range of activities, including hunting, fishing, gathering, etc.) call for participatory monitoring and evaluation procedures and require the intervention of numerous specialized institutions in both the public and private spheres, as well as the support of international experts.

*Policies and Programmes  
for Poverty Reduction,  
Rural Development,  
and Decentralization*

*Policies and Programmes  
for Poverty Reduction,  
Rural Development,  
and Decentralization*

*Policies and Programmes  
for Poverty Reduction,  
Rural Development,  
and Decentralization*



## **A. Poverty reduction**

The poverty mitigation policies and programmes implemented in the last decade by the majority of Latin American and Caribbean countries have been based on a combination of direct and indirect instruments, which included increases in public social spending, reduction and/or systematic control of inflation rates, promotion of employment, public subsidies, creation of social investment funds, and the application of income generation programmes.

In the region of Latin America and the Caribbean, average public spending per capita in the social sector increased 38% between 1990 and 1995, rising from USD 331 to USD 457, with an annual growth rate of 6.4%. However, between 1996 and 1997 this growth slowed considerably, and the rate dropped to only 3.3%. According to ECLAC (CEPAL 2000b), public expenditure in the social sector increased in 14 of 17 countries of Latin America and the Caribbean. Between 1990 and 1997, spending in the social sector doubled in Bolivia, Colombia, Paraguay, and Peru, while in Chile, El Salvador, the Dominican Republic, and Uruguay it rose 50–70%. In Argentina, Brazil, Costa Rica, Guatemala, Mexico, and Panama, the increase ranged from 15% to 40%, while in Honduras and Nicaragua the level of expenditure remained the same. During this period public social spending decreased only in Venezuela (by 6%). This growth enabled two thirds of the aforementioned countries

to compensate for the reduction in social expenditure during the 1980s. Between 1990 and 1997, levels slightly higher than those registered during the 1980s were achieved. In the Caribbean subregion, investment in the health and education sectors during the late 1950s extended adequate coverage to a large segment of the population. Currently, spending in the social sector is oriented toward expanding secondary education and public health care services.

Regardless of the annual growth in their GDP, the countries of Latin America and the Caribbean, with support from some international financing institutions, increased their level of social expenditure (by an average of 12.4% of GDP), combining investments in subsidies, education in rural areas, and improvement of health conditions with rural electrification, road-building, communications, and infrastructure works. Education and health accounted for 44% (25% and 19%, respectively) of the total increase in spending in the social sector. Only in the cases of Argentina, Brazil, and Chile did GDP growth itself account for two thirds of the increase in public investment in the social sector. In the cases of Bolivia, Colombia, Guatemala, Mexico, Paraguay, and Peru, the predominant factors were the greater weight of social spending within total public expenditure and the increase in total public expenditure in relation to GDP growth. However, the decline in rates of GDP growth that occurred in most Latin American and Caribbean countries between 1998 and 1999 has resulted in a sizeable decrease in current levels of public expenditure in the social sector.

The most complex aspect of the structure and allocation of public social expenditure is the distortion of its distribution by sector, income level, and place of residence. Social spending in the region has favoured neither the poorest segments of the population nor rural areas. As Table 5 shows, except in the area of primary education, the lowest-income segment receives only 25% or less of social expenditure (for secondary education, health and nutrition, housing, and social security). The greatest discrepancy is in spending for post-secondary education, in which the lowest-income population receives just 8.5% of the total amount invested. A substantial percentage of social expenditure is distributed and allocated to families in the highest income quintiles. The case of education is the most dramatic because allocating smaller

proportions to the lowest-income families only serves to perpetuate the vicious cycle of poverty.

**Table 5. Distribution of social expenditure by income quintiles**

| Average <sup>1</sup> | Income quintiles |      |      |      |              |
|----------------------|------------------|------|------|------|--------------|
|                      | I<br>Poorest     | II   | III  | IV   | V<br>Richest |
| Total Education      | 27.9             | 23.1 | 19.5 | 16.2 | 13.2         |
| Primary              | 38.0             | 25.4 | 19.0 | 11.8 | 5.8          |
| Secondary            | 25.8             | 25.9 | 21.8 | 16.8 | 9.7          |
| Post-secondary       | 8.5              | 14.3 | 21.7 | 24.4 | 31.0         |
| Health and Nutrition | 26.9             | 23.3 | 22.0 | 16.7 | 11.1         |
| Housing and Other    | 22.1             | 20.1 | 10.0 | 18.1 | 20.7         |
| Social Security      | 15.0             | 14.3 | 17.4 | 20.8 | 32.6         |

1/ Based on information from eight countries.

Source: Comisión Económica de las Naciones Unidas para América Latina y el Caribe (CEPAL) 2000b. *La brecha de la equidad*. Santiago, Chile: CEPAL.

Although there are no aggregate data for the region on the allocation of social spending for the housing sector, a quick analysis of the structure of budgetary allocations in the countries, based in most cases on population concentration, shows a clear bias toward greater social investment in urban areas than in rural regions. This situation, among other factors, explains the scant attention to development of the rural sector and the way in which current mechanisms tend to perpetuate rural poverty levels.

Transfers from the public sector (direct subsidies) to poor households have been used as an additional instrument for poverty mitigation. The selective transfers applied in Argentina, Costa Rica, Panama, and Uruguay have significantly alleviated poverty, providing between 20% and 25% of family income among the lowest income groups. Brazil has systematically applied this mechanism of public-sector transfers to the rural poor sector, which led to a reduction in poverty levels between 1990 and 1993. However, the level of public transfers decreased during 1997 owing to the financial constraints caused by the economic crisis in the region.

Slower growth of the working-age population in Latin America and the Caribbean has not led to a consequent reduction in the workforce, mainly due to the rapid incorporation of women into the labour market. This trend, which is linked to women's greater participation in all facets of social and economic life, represents a means of increasing family income. Nevertheless, throughout the region, increasing participation by woman in the workforce has been associated with a reduction in family income as a result of the economic crises of 1994 and 1998 and by rising rates of unemployment and underemployment as more women have entered the labour market. In Brazil, Chile, Mexico, Peru, and other countries, governments, especially at the municipal level, have introduced temporary employment programmes in order to assure a minimum income for the unemployed population in rural and urban areas.

Efforts to reduce inflation rates have also had repercussions on poverty levels. The reduction of four-figure inflation rates in Argentina, Brazil, and Peru led to a significant decline in urban and rural poverty, while a marked increase in inflation in Venezuela contributed to greater impoverishment. Still, very low inflation does not necessarily translate into lower poverty levels (as was demonstrated in Argentina between 1994 and 1997), just as a moderate rate does not mean that poverty cannot be further reduced (as was shown in Uruguay between 1990 and 1994).

Most of the countries have allocated social investment funds for the rural population with support from international financial institutions. The funds are considered participatory instruments by means of which rural communities can select and develop social infrastructure with financial support from the government. The investments selected include construction works or improvement of schools and medical posts; drinking water supply and sanitation works; repair or construction of access roads; construction of small bridges, community halls, etc. When the operations carried out with these social investment funds were evaluated, it was found that the investment was highly diffuse, which limited its impact, both in fostering rural development and in raising incomes. In the mid-1990s, social investment funds were being used for productive investments to benefit the rural population, including small programmes of heavily subsidized or non-reimbursable loans. The

relatively small size of the loans, the lack of a productive and commercial orientation, and the paternalistic and politically motivated orientation of the disbursement mechanisms have given rise to projects that yielded few results or were economically unsustainable, which has severely limited their effectiveness as instruments of poverty alleviation.

Many countries in Latin America and the Caribbean have implemented policies and programmes aimed at reducing the social and economic inequalities between men and women. Although a certain degree of success has been achieved in urban areas, rural women continue to have lower social status and less access to productive resources. As a consequence, rural households headed by women are much more likely to live in poverty. Although many countries have created ministerial offices on women's issues, discrimination against women in the legal, economic, and social spheres remains largely unchanged. Public investment in social and productive programmes aimed at women is quite limited and is generally oriented toward promotion of activities for low-income farmers. In countries with large indigenous populations, illiteracy among women continues to be a serious problem for most ethnic groups.

Although legislation and special public institutions for indigenous populations exist in Latin America and the Caribbean, these populations suffer from tremendous social and economic exclusion and a high incidence of extreme poverty. The contradictory nature of the legislation, policies, and programmes designed to improve the conditions of indigenous populations in the Americas has led to systematic social and economic isolation of these groups and to the search for separate solutions, which has further limited their participation in the formal economy and society.

In many countries of Latin America and the Caribbean, the impact of the financial and economic crises of the late 1990s, exacerbated by the economic effects of natural catastrophes (El Niño and Hurricane Mitch), led to a considerable worsening of rural poverty. At the same time, these economic and climatic phenomena reduced the capacity of governments to continue financing public expenditure in the social sector and fund the poverty mitigation programmes under way at the time. All this, combined with

vertical and paternalistic approaches and the existence of political “patronage,” has severely limited the impact of social investment and poverty reduction programmes.

As a result of the foregoing, in most countries of the region three important changes have taken place since 1997:

- introduction of cost-effectiveness criteria in social spending and poverty reduction programmes;
- replacement of paternalistic approaches to poverty mitigation by an approach oriented towards generating/earning income; and
- gradual application of a more democratic and participatory approach in the planning and execution of rural development and poverty reduction programmes.

Many government poverty reduction programmes have now reoriented their strategies in keeping with this new approach. Sustained political dialogue between governments and IFAD has been partially responsible for the changes that have taken place in the countries where the Fund has been active.

## **B. Rural development**

As a consequence of the economic crisis, the governments of the countries in the region are re-examining their policies on rural development, which is now viewed as an important and dynamic factor for achieving sustained national development. In the framework of the new conceptual approach, small and medium-sized urban areas are being linked, from the economic standpoint, with surrounding rural areas and ties are being created with rural producers in the service sector and the market. Small and medium-sized urban centres will thus offer economic incentives and market opportunities for both traditional and commercial agriculture.

By 1994, Brazil and Mexico had created, within their ministries of agriculture, an undersecretariat for rural development, whose specific function is to formulate, finance, and execute policies and programmes for rural social and economic development. In mid 1999, Brazil created the Secretariat for Rural Development, which merged the Secretariat for Agrarian Reform with the Undersecretariat for Rural Development.

During the early 1990s, the scope of government-supported rural and agricultural services was reduced, as were the financial resources available for them, and many were eliminated completely in the framework of structural adjustment programmes. As a result, operators in the private sector or local organizations took responsibility for development banks, agricultural research and extension services, irrigation system maintenance works, marketing infrastructure, and other functions, or these functions were eliminated. Government investments were redirected towards the programmes for public investment in the social sector and poverty mitigation described in the previous section.

Commercial agriculture quickly adapted to this new context, which made it possible to create private agricultural research and extension services, provide access to commercial banks for financial services, and organize commercial and agro-industrial operations. However, for the traditional rural agriculture sector, the establishment of private agricultural extension services was limited, and many farmers were left without coverage or with minimal services provided by the State. In many countries, rural NGOs, which were financed mainly by external sources, began to provide extension and agricultural credit services, although their efforts suffered from fragmentation and lack of coordination, and the resources for loans were scarce and unsustainable. In some cases, the NGOs adopted a paternalistic view of agricultural and rural development and geared their support toward fostering family food security through production of traditional crops, devoting very little attention to crop diversification, development of market opportunities, and sustained growth in income.

The government agricultural development programmes aimed at small and traditional farmers launched during the mid-1990s by some governments in

Latin America and the Caribbean, many of which are still under way, were more oriented towards promoting well-being than towards boosting production, and they provided limited financial support, in the form of subsidies or non-reimbursable loans, and little technical support. Thus far, the effects in terms of development of sustainable production and increased productivity or income have been quite meagre.

Production levels in the agricultural sector of the Caribbean countries have been affected by El Niño, Hurricane George, and a World Trade Organization resolution regarding banana exports to the countries of the European Union, which has limited the income-generating capacity of the agricultural sector. This situation has been exacerbated by the downward trend in world prices for agricultural products and low productivity of the banana plantations. For this reason, the Caribbean countries are shifting their development priorities away from an agriculture-based economy to an economy oriented toward services, in particular tourism. In 1997, the governments of the Windward Islands launched a USD 55 million plan to introduce improvements in the banana industry with the objective of doubling production levels in three years.

As noted in the previous section, the financial constraints faced by the governments of the region's countries have led traditional agricultural development programmes to espouse market strategies that are cost-effective and geared towards boosting earnings. Some countries are establishing private extension services and carrying out innovative loan plans and programmes to foster market development and income generation. The projects undertaken and financed by IFAD, together with the policy dialogue that the Fund maintains with the governments, has helped to strengthen the application of this approach to poverty reduction as well as agricultural and rural development.

The government decentralization policies currently being applied in many countries of Latin America and the Caribbean are helping to consolidate the rural development framework and increase the capacity of local authorities and community organizations to plan and execute their own rural programmes. In many countries, state budgetary resources, traditionally administered by

centralized institutions, are being transferred to the governments of states, regions, or municipalities. Decentralization programmes are being applied most commonly in the education and health sectors. Under these programmes, financial resources are transferred to the municipal governments so that they can take direct responsibility for operating and administering schools and primary health care facilities.

In the case of Brazil, agricultural extension services have been transferred to the municipal governments, which have established municipal agriculture secretariats to administer these services. The National Family Agriculture Programme (PRONAF), created by the Federal Government of Brazil, offers credit and agricultural support programmes only when municipal governments have created a local agricultural development council. In Chile, with the support of PRODECOP (Agricultural Development Project for Peasant Communities and Smallholders of the Fourth Region), financed by IFAD and the Chilean Institute for Agricultural Development (INDAP), municipal governments have established rural development departments within their administrative structures. Mexico's decentralization programme requires the creation of agricultural committees at the state level to carry out any federally funded agricultural development programmes.

### **C. The rural environment and decentralization in Latin America**

The last 20 years have brought changes in the conceptualization of what "rural" is in the region. Initially, the definitions of "rural" and "urban" areas were based on census and statistical concepts used in many countries, which distinguished rural from urban based solely on the number of residents concentrated in a certain physical space. On that basis, urban areas (i.e., cities) are distinguished from areas in which the population is more widely separated and scattered. The central element is the criterion of urbanization of the population, in which a distinction is drawn between the population congregated in a city and the population dispersed in the country. This census-

based definition of urban and rural populations has been used and continues to be used as an instrumental basis for development studies, policies, strategies, and programmes. Its use has contributed in a specific way to the loss of a vision of the social and economic interconnectedness of the human concentrations in the cities and the “deconcentrated” populations in the country. When these city-country relationships are lost from view, also lost are the wealth of interactions and correlations between markets for products and services, the local forces that drive economic activity, and networks of urban-rural social relationships that are so important for the rural sector of the economy. The census-based definition is also at the root and is part of the concept of centralization of government, in which the city takes control of the destiny of the country.

When the concept of local development is introduced, the definition of “rural” is expanded to explicitly include the wide range of urban-rural social and economic interrelationships. In this context, any analysis of rural environments encompasses, as an integral part, the urban centres or intermediate cities that serve as the centres that provide services, markets, and in many cases the point of origin of the policy decisions that directly affect rural areas.

This enlarged concept of the rural environment emerged in Latin America and the Caribbean at almost the same time as the introduction of decentralization policies. The transfer of planning and fiscal resources to the municipal level has given rise to a re-examination of the concepts of rural development in a broader framework that takes account of their relationships with nearby urban centres, also incorporating a broader view of the elements that help fuel local economies. The trend toward decentralization is conceptually important for economic reasons (stimuli targeting productive processes at the local level with direct rural-urban relationships in the market for products and services), equity (favouring populations and regions that historically have been highly marginalized), and a healthy democratization and governance in local spheres (social control by the population over local-municipal elected authorities, participation by grassroots groups in decision-making, etc.). In addition, the search for convergence, in the national planning process, between local interests and wills and the grand national design

formulated by centralized entities allows for a more democratic and participatory approach to national development.

An integral part of the design of decentralization initiatives is the systematic and intensive participation of local organizations, civil society groups, and private-sector businesses, together with the establishment of participatory mechanisms for coordinating central, state, regional, and municipal investment programmes. As a general rule, these activities give rise to a more democratic and open process of rural development in which rural poor populations have opportunities for participation and dialogue and are entitled to propose social and economic projects directly related to their well-being, agricultural production, and income-earning opportunities. The decentralization efforts being undertaken by the countries of the region are strengthening the role of associations of rural poor residents and grass-roots organizations; gradually, this will lead to a more democratic rural environment, which is an essential condition for socially and economically sustainable rural development.

The quality of the human resources within local governments and community organizations is a factor that limits the pace of progress in decentralized rural development. Experience has shown that the process of using central government resources is slow to get under way and that the capacity for management of local programmes is insufficient. Training and improvement of the professional competence of central officials and leaders of popular organizations are therefore necessary to consolidate and strengthen the process of decentralization and enhance the rural poor population's capacity for action.

The transfer of decision-making authority and control over financial resources from central governments to municipal and/or local governments and/or institutions has been an important component in state reform and decentralization processes. Examples from Chile, Bolivia, Brazil, Colombia, and Venezuela show the general orientation of this movement, as well as the differences and difficulties encountered in the process. Administrative decentralization has been accompanied in many countries by political reform, in particular the democratic election of mayors and/or governors. As a corollary to this process, central agencies that operated at the rural level have withdrawn or disappeared in the framework of structural adjustments, with

the consequent privatization or outsourcing of services by “new” development intermediaries.

From the standpoint of the operational mechanics of the Fund, through projects targeting specific populations and geographic areas, the process of decentralization has become an instrument of support for local development and poverty-fighting efforts. In many countries, the pooling of forces by the municipal government, civil society (grass-roots organizations and NGOs), and the IFAD project executing unit has enabled a concurrence of financial resources, multisectoral participation (especially by the education and health sectors, both of which have been municipalized in many countries), and the improvement of local infrastructure. This change, though still in its initial stages, is of crucial importance inasmuch as it will lead to the consolidation of governance and democracy in rural environments because:

- municipal/state authorities who are elected by popular vote tend to be more responsive to their local electorate;
- throughout most of the region, municipal governments cover almost the entire national territory;
- municipal governments are multisectoral in nature;
- in rural areas, municipal governments are tending to participate with greater interest and dedication in activities related to the production and marketing of agricultural goods; and
- most of the governments are more favourably inclined towards an increasingly active and comprehensive role for municipalities and therefore towards their participation in medium- and long-range planning.

Although there is room for tempered optimism, there are constraints and limitations in the decentralization process. These have to do with:

- the lack of capacity for management, administration, and negotiation with the central public sector and the local private sector;

- lack of knowledge and operational practice with the processes, legislative procedures, and administrative mechanics of the central governments, where financial resources originate;
- lack of knowledge about the design, implementation, monitoring, and evaluation of medium- and long-term local investment projects; and
- limited access to economic and market information to enable the development of strategies and programmes for the medium and long terms.

The new conceptualization of the rural environment and decentralization of the State are pivotal elements within the current strategies for rural development and poverty reduction of the Latin America and Caribbean Division. The new generation of projects is being designed with the participation of the target population and the local authorities, and they include financial resources for training of both local government officials and grass-roots organizations in the process of local rural development. In addition, they provide mechanisms for broad participation at all levels of decision-making for the project.



# 4

*Short-term Aid vs.  
Long-term Development:  
IFAD's Approach*

*Short-term Aid vs.  
Long-term Development:  
IFAD's Approach*

*Short-term Aid vs.  
Long-term Development:  
IFAD's Approach*



The approach that countries take to rural development and poverty depends on the perception that the society as a whole has of poverty in general and rural poverty in particular. Policy-makers and public officials may have one perception of the rural poor population and the consequences and possible solutions to rural poverty, while civil society organizations may have another view, and ordinary citizens and non-poor urban and rural populations may have yet another. Given the financial needs of the countries, the influence and policies of international financial institutions constitute one more element that shapes the rural development strategies that governments ultimately adopt. These various perceptions affect the design of programmes and policies for poverty reduction, often giving rise to contradictory visions, approaches, and programmes.

In Latin America and the Caribbean, most of the countries have applied models of agricultural and rural development that were in keeping with the general political and macroeconomic strategies of each decade. In the 1960s and 1970s agrarian reform processes took place in several countries (see Box 2), but they yielded very limited results in terms of rural development or poverty reduction. The reasons for this are linked to incomplete processes of land transfer, forms of property ownership unsuited to the idiosyncrasies of the beneficiary populations, vertical and paternalistic approaches vis-à-vis rural organizations, and limited support for teaching, training, financing, technical assistance, and marketing.

During this time, several countries created national agricultural research and extension systems patterned after the “land grant universities” in the United States. This was also the period of the “green revolution.” Although these systems were effective in modernizing commercial agricultural production and increasing the productivity of that sector, they did not succeed in improving the absorption of technology or the productive capacity of traditional agriculture. With their vertical approach, traditional public extension systems did not utilize appropriate approaches in dealing with small producers engaged in mixed farming and livestock activities and seasonal off-farm work, nor did they take account of the tendency toward risk avoidance that is one of the characteristic features of the farmers in the region. The hypothesis underlying this model implied that development of the commercial agricultural economy was synonymous with rural development.

The economic models applied in the early 1990s did not view the rural sector or small farmers as important stakeholders in the development process. Only commercial export agriculture received support through explicit financial and economic measures and provisions, although no direct state services were supplied to this sector, which had already been privatized with regard to demand for and supply of services. When the application of structural adjustments spawned a process of general impoverishment, assistance for rural development and poverty alleviation was provided through the aforementioned social investment funds. This model, supported by the international financial institutions, was premised on the assumption that overall economic development would be sufficient to gradually reduce both urban and rural poverty. The “trickle-down” approach to poverty<sup>22</sup> was adopted as the conceptual basis or paradigm for regional development in Latin America and the Caribbean. The idea was that while overall development was stimulating employment and raising income levels, the social investment funds would temporarily support and assist poor populations in meeting their minimum needs through a clear “band-aid” or welfare approach to poverty. The rural sector was not seen as a priority for the economic development of

22 This theory was employed in particular by World Bank economists in formulating the Bank’s development policies for the region. It originated with the team of economic advisors of U.S. President Ronald Reagan and was applied during his term of office.

the countries. The number of people affected by poverty was expected to shrink as a result of dynamic economic growth.

However, the social investment funds operated by governments with support from the international financial institutions became instruments of politicization and political favouritism. The largest disbursements coincided with electoral processes, and the procedures for selection and approval of projects and small investments were generally quite informal, which led to activities that were not sustainable, managed by local groups that were guided by central political designs. Beginning in 1998, studies commissioned by the World Bank in various countries revealed the ineffectiveness of this economic model and of the social investment funds in reducing regional poverty. In 1999, under pressure from international criticism for the high prevalence of world poverty, the senior management of the International Monetary Fund and the World Bank began reworking the model, stressing the need to formulate proposals for sustainable economic growth with equity, targeting poor and marginalized populations.

Since the late 1990s, IFAD has been tailoring its vision, policies, and strategies with regard to rural development and poverty alleviation to the prevailing economic, social, and political conditions in the region. For almost a decade, while most international financial institutions reduced or withdrew from agricultural and rural financing, the Fund has continued to invest, together with the governments of the region, in projects clearly oriented towards rural development and poverty alleviation. During the 1990s, IFAD invested more than USD 600 million in 50 projects in 23 countries of the region. Bearing in mind the composition of financing for IFAD projects—in which governments, other bilateral and multilateral donors, and often the beneficiary populations participate—it is estimated that Fund projects channelled close to USD 1 billion into rural areas during this period.

Although financing is important, the central principles behind the Fund's interventions have been more important still. Based on the premise that macroeconomic development per se is not enough to reduce poverty levels and stimulate development in rural areas, IFAD, in agreement with the governments, has targeted its projects to the poorest and most vulnerable

**Box 3****Transformation of small farming in a context of extreme adversity:  
The case of PRONORTE in Nicaragua**

The Project for Integrated Rural Development of the Northern Region of Nicaragua (PRONORTE), carried out between 1982 and 1992, was designed to improve the economic and social conditions of 6 000 families of small farmers. Project components included extension, training, agricultural credit, research, marketing services, road construction, sewerage works, and construction of schools and health posts. Characterized by frequent droughts and poor soils, the northern region as a whole has traditionally been the main producer of staple crops, especially beans and corn.

PRONORTE was carried out in the framework of an extremely adverse economic and political situation. Nicaragua's economy was undergoing a period of hyperinflation and recession, and during much of the life of the project, the northern region was subject to civil disturbances. In view of these conditions, the level of agricultural production achieved in the PRONORTE project area was and continues to be surprising. Output was much higher in that area than in rest of the country and remained so even after the close of the project.

Crop yields under PRONORTE were especially remarkable in the case of beans, but good results were also obtained with other staple foods such as corn and sorghum. A large proportion of the farmers began to use improved seeds and fertilizers. The availability of credit at low interest during the Sandinista period

does not wholly explain the greater use of modern inputs and the increase in yields, since the amount produced was much less in other regions of the country in which subsidized credit was also available. Although access to credit was an important incentive for farmers to adopt new technologies, one of the main factors in the success achieved was the performance of the agricultural research and extension agencies in the region. Curiously, the need to garner the support of the population in the area torn by civil strife led to partial decentralization of a government that otherwise would have remained absolutely centralized, and this process had a particularly positive effect on the performance of the agencies.

In 1988, PRONORTE received assistance from the Tropical Agricultural Research and Training Centre (CATIE), thanks to which the work of research and extension began to be done in the context of actual farm production systems rather than in an isolated environment. In addition, extension services focused on several demonstration farms owned by beneficiaries, and some farmers were chosen as leaders to work with groups of neighbouring farmers in discussing and evaluating new technologies. Although similar approaches had already been used in other countries, this procedure was quite new for Nicaragua, where state extension agents often dictated the combination of crops and technologies that farmers should use.

The PRONORTE approach has been replicated, with some modifications, in other regions of Nicaragua with funds provided by the government, IFAD, and the Central American Bank for Economic Integration.

regions, focusing development efforts on specific regions and clearly identified beneficiary populations (see Box 3). Working from this conceptual basis, the Fund has identified the factors that cause rural poverty and adapted its approaches to address those causes.

Thus, IFAD, which originated as an institution specializing in agricultural development, has expanded its sphere of action to provide financial support and development instruments in areas such as adult education (in association with ministries of education), non-agricultural rural activities (small production and service businesses), and job training and support for rural and non-rural wage labourers. In its traditional field of development of small agriculture, IFAD has innovated with demand-driven production assistance services and support for agricultural diversification in pursuit of better markets, and it has persisted (almost single-handedly) in promoting rural financing for the poor through innovative designs and proposals. This approach has incorporated two cross-cutting themes: gender equity and environmental sustainability.

Several key concepts and strategies can be identified from the evaluations of projects financed by IFAD in the region over the past 20 plus years:

- Reduction of rural poverty requires policies and programmes that are clearly targeted, both in terms of the beneficiary population and the geographic area.
- Social investment improves the environment and quality of life for rural residents, but poverty reduction requires sustainable increases in income levels for rural poor families.
- The dynamic process of rural development creates a very favourable environment for poverty reduction, stimulating demand on local markets for goods and services and generating employment opportunities.
- Efforts to improve incomes should focus not only on boosting family agricultural production and productivity and on developing small agricultural and non-agricultural industries, but also on generating employment opportunities in rural and urban areas.

- The design and planning of rural development and poverty alleviation programmes should be done in a participatory manner in the environment of rural communities and should form the basis for municipal and regional development plans.



# 5

## *Opportunities and Challenges*

### *Opportunities and Challenges*

#### *Opportunities and Challenges*



## **A. Opportunities to reduce rural poverty**

The opportunities and challenges for IFAD in the Latin America and the Caribbean region are directly related to the extremely heterogeneous nature of rural poverty, the general reduction of direct participation by governments in poverty eradication programmes, and the opening up of dynamic regional and global markets. Contrary to expectations, during the phase following structural adjustment, public investment was not replaced by private investment in the most critical sectors of rural development, such as financial services, agricultural research and extension, rural infrastructure, and support services for small farmers. As a consequence, premature exposure of poor agricultural producers to a market-oriented economy has increased the level of poverty for those with limited access to the assets and means required for production or to the technical knowledge and level of education needed to find employment outside the rural sector.

Among the essential elements for rural development and poverty mitigation are strengthening of the role of organized civil society and the private sector and continued intervention by the State in a subsidiary role to support equitable development of rural society. Concerted action by financial institutions and the systematic participation of IFAD are also required. At present, this concerted action is still getting under way, although a high level of coordination has been achieved in some countries of the region. In addition,

to formulate feasible policies and strategies for rural development and poverty reduction it is necessary to define a set of criteria that take account of the specific determinants of poverty for each social group and each agro-ecological region.

## **Supporting native and minority ethnic communities**

As noted previously, indigenous communities make up the largest segment of the rural poor population in the countries of Latin America and the Caribbean (33%). Because of their high poverty levels, they are the priority target group for IFAD in projects designed to support the efforts of indigenous populations to promote their own development, including the management and conservation of their natural resources. Seeking a single strategy for indigenous populations is complicated, given that there are more than 200 indigenous ethnic groups throughout the region, including ethnic minorities of African descent. The latter make up a significant proportion of the population in the Atlantic coastal region of Central America, Brazil, the Caribbean islands, Cuba, and the Dominican Republic.

Since the inception of its activities in 1978, IFAD has channelled a significant portion of its loan and grant funds into support for indigenous communities. This portion can be expected to increase in future because indigenous communities constitute the majority of the structurally poor in the rural areas of Latin America and the Caribbean. The principal opportunities for IFAD support are in the following strategic areas: (a) support for indigenous groups in achieving legal recognition of the territories in which they live and work; (b) provision of indispensable technical and financial support to enable them to participate increasingly and equitably in existing markets; (c) support for the mobilization of public investment to address the deficits in education, health, housing, and local physical infrastructure in rural areas; and (d) strengthening of indigenous organizations so that they can participate efficiently in the management of natural resource conservation programmes (see Box 4).

## Eliminating gender inequalities in rural areas

A priority area of action for IFAD in the region of Latin America and the Caribbean is the elimination of the discrimination that affects rural women, since it is they who are generally most seriously affected by poverty in rural communities and households. Several recent studies on the social and economic situation of rural women in the region indicate that the social and economic disadvantages traditionally related to gender differences, such as high rates of illiteracy, low levels of schooling, and lower wages, continue to be important but are not sufficient in and of themselves to explain the complex inequalities that women face in rural areas. Some of the most important discriminatory factors are deeply ingrained in the cultural context of rural environments, in particular machismo and sex-based biases inherent in common law and in the legal and institutional frameworks of the countries. The latter include legal obstacles with regard to the inheritance, purchase, and tenancy of land; the exclusion of rural women as direct beneficiaries of credit programmes; and legal restrictions associated with the purchase and sale of valuable goods.

In its investment initiatives, IFAD provides strong support to governments and civil society organizations in actively seeking to bring about political change by raising awareness among the population of the importance of improving the situation and legal status of women. At least three key factors are needed to improve the living conditions of rural women: (a) access to land ownership; (b) access to formal financial and technical assistance services; and (c) access to a good level of education and training opportunities to improve their technical and managerial skills (see Boxes 5 and 6). This last factor enables rural women to increase their capacity to participate in production and competitive rural and urban labour markets. It is probable that the regionwide decentralization processes currently under way—through which rural municipalities are being endowed with political and financial autonomy—will encourage greater participation by rural women in local political decision-making.

IFAD is using various instruments in its programmes and projects that are helping to highlight the important role played by rural women within rural

**Box 4****Balancing autonomy and participation: IFAD's experience with the Aguaruna people of Peru**

The Upper Mayo Rural Development Project, carried out in Peru and concluded in 1988, showed IFAD the general areas in which action was needed among indigenous minorities. The first of these was the right to land as a condition sine qua non for integrating the indigenous population into the national economy. Cultural viability can only be safeguarded by means of uninterrupted residence on and continuous use of traditional indigenous lands.

The Mayo River valley was isolated from the rest of the country until the construction of the Marginal Highway in the 1970s. From that moment on, settlers began arriving spontaneously from the mountains and the coast, quintupling the population. After so dramatic a change, the indigenous Aguaruna people became a disadvantaged minority in their own territory. One of the activities of the IFAD project was to support the Aguarunas in obtaining titles to the land in nine of their communities located in the upper Mayo River basin. As a result, the communities were able to obtain from the government title and property rights to communal lands before the largest wave of settlers moved into the region. The nine communities eventually gained ownership of some 60 000 hectares of land, of which around 17 000 hectares were suitable for intensive farming. The communities were thus able to continue their traditional activities of migratory farming, hunting, fishing, and gathering of nuts and fruits from the forest.

Another important requirement to meet the needs of native communities is education and the establishment of appropriate extension services. It was clear that use of the Spanish language, both in formal education and in informal extension and training activities, was not appropriate to reach a population that had lived in virtual isolation up to the 1970s and had little knowledge of the

concepts of property, amounts, and money. Credit, for example, was the cause of numerous problems for some Aguarunas, both individually and collectively. Many of those who obtained credit fell behind in their payments because they failed to understand exactly what credit was and, consequently, they felt insecure about it. The extension agents spoke only Spanish, and the Aguarunas who spoke only the indigenous language—the majority—were unable to understand their explanations about credit or agricultural extension. Moreover, parents were sceptical about the usefulness of schooling for their children, and many students dropped out. A sociocultural breach developed between boys and girls, since fewer girls than boys attended classes. The “modernized” Aguaruna young men attempted to marry girls from the mestizo population, which was favourable toward interracial unions as a means of gaining access to the native lands. This situation gave rise to an intense intermixing of the local population.

In July 1987, in an attempt to systematize these experiences, IFAD organized a seminar on the technical, pedagogic, and administrative aspects of bilingual education in the Upper Mayo region. In the seminar it was recommended that a textbook of Aguaruna grammar be produced; that the existing but rarely available Aguaruna-Spanish dictionary be updated and expanded; that the Spanish-language mathematics textbooks currently in use be translated and adapted to the local language; and that the abacus be introduced. Books were prepared on the local flora and fauna and the history of the Aguaruna people with a view to maintaining their culture and identity. This approach, together with additional efforts to enhance the quality of human resources and strengthen commercial ties with the regional economy, yielded notable improvements in the living conditions of the Aguarunas and helped further their gradual integration into Peruvian society.

**Box 5****Female-managed microenterprises based on traditional activities:  
The Chuquisaca North Agricultural Development Project, Bolivia**

Textile-weaving has been a traditional activity of the indigenous communities of the highlands of Bolivia. It was therefore natural to include it as a craftwork component in the rural development project supported by IFAD in 1983. However, despite high expectations, during the early years the results of this experience were rather disappointing. The cause of this initial failure stemmed from a lack of understanding of the role played by craftwork in the dynamics of the rural economy in this part of Bolivia. In Tarabuco and Jalqâ, the two indigenous communities selected to participate in the project, textile-weaving was a seasonal activity that complemented farming. Women were rarely able to devote all their time to craftwork. In most cases it was an activity carried out alongside domestic tasks, animal-breeding, and gardening. Many of the woven fabrics were intended for family use, which explained the very simple way in which the work was organized.

Another difficulty in the execution of the project was that there was no prior experience with productive projects aimed at and managed by the women of the region. This was probably why, in the initial conception of the component, it was erroneously decided to emphasize promotion of the craftwork, not specific initiatives to improve the social and economic situation of rural women within the indigenous community. Consequently, in 1998 when this component was reoriented to focus on the creation of commercial craft workshops organized and administered by women, at first the men were opposed to this activity because they feared that the women would abandon their traditional reproductive tasks. This difficulty was ultimately resolved through the firm and active participation of the women in the workshops, which progressively modified the delicate gender balance in their communities.

The strategy sought primarily to strengthen the managerial capacity of the women who ran the workshops and gradually introduce the concept of quality

improvement, also identifying new market channels. The project helped the workshops to organize revolving funds to facilitate the procurement of high-quality raw materials and inputs, and it provided training in order to ensure the preservation of ancestral techniques of weaving and dyeing. The women have now learned that, from a commercial standpoint, the most important thing is not to produce a large volume of craftwork but rather to concentrate on making selective sales to interested clients.

Production has increased every year, although the number of weavers has remained the same. However, they are working more efficiently and making products of better quality. It is estimated that between 1988 and 1992 around 300 weavers produced more than 7 000 items, with a gross sales value of USD67 000. In 1992, 13 communities, organized into 5 workshops, were participating in the project, and higher quality products and better prices had been achieved. The weavers' compensation depends on the size and quality of their weavings. The workshops receive a cash payment for each additional unit produced and for textiles of better quality. Thanks to the revolving fund, the weavers receive their payment immediately.

This experience yielded several important lessons, namely: (i) the weavers already possessed a body of ancestral knowledge; (ii) a market existed (in the rural areas and eventually a foreign market); (iii) the adoption of a community-based approach rather than an individual approach gave the project sustainability and afforded the weavers a stronger negotiating position vis-à-vis buyers of their products and sellers of raw materials; (iv) the women gradually gained ownership over the project and assumed greater managerial responsibilities, and although many of them did not know how to read or write they made a special effort to learn accounting and simple business management techniques.

**Box 6****The feminization of rural work: The case of flower production for export in the municipality of Villa Guerrero, Mexico**

More than the 50% of the Mexican companies that produce flowers for export are located in the municipality of Villa Guerrero, in the state of Mexico. Almost 93% of the flowers grown are exported to the United States, most having been produced in hothouses with intensive use of female labour.

The Villa Guerrero flower market has three noteworthy characteristics. First, hothouse production of flowers is capital- and labour-intensive. Of greatest interest from the standpoint of rural poverty reduction is the fact that, according to a recent study,<sup>23</sup> one hectare of hothouse flowers generates 15 to 20 full-time jobs (equivalent to 5 000 days of work per year). Villa Guerrero has 3 750 hectares devoted to the production of hothouse flowers for export.

The second characteristic of the market is the clear feminization of the work. Some 70% of the tasks related to hothouse growing and packing of flowers are performed by women. The production process comprises four phases: sowing, tending the flower plants, cutting the flowers, and packing, and there is a sex-

23 Lara Flores, Sara María 1995. La producción de flores de exportación en México: un espacio para el empleo femenino. In: *Mujeres: relaciones de género en la agricultura*. Santiago, Chile: Centro de Estudios de la Mujer (CEDEM).

based division of labour in the performance of these various productive activities. The largest companies have established payment schemes whereby they offer their workers economic incentives based on productivity rather than a fixed monthly salary. They also provide health and social security benefits, unlike the smallest companies, which do not offer their workers any social protection.

A third characteristic of the cut-flower industry is the tendency to hire mainly young people, including adolescents. A survey conducted in the area revealed that 65% of the women hired were between 13 and 22 years of age, the average being 17. Approximately 20% of these women had begun working at the age of 13.

Although no formal social and economic study of this activity has been undertaken, it is clear that it has had positive repercussions on the living conditions of rural families and the autonomy of the women employed. Before they began working in the Villa Guerrero flower market, the only income-earning opportunity available to these rural women was to work as domestic servants for affluent families in Toluca and Mexico City.

communities and households. Special emphasis is placed on ensuring that the productive opportunities offered to women allow them to combine their reproductive function with their responsibilities as economic agents and members of the community. However, much remains to be done in order to achieve true equality between men and women with regard to opportunities for income generation, access to valuable goods, living conditions, and social and political status in rural areas.

### **Developing and strengthening local social capital**

Activities aimed at strengthening local institutions and assuring the participation of beneficiaries in poverty reduction efforts will increase the impact, efficiency, and sustainability of rural development initiatives. It is recognized that building capacity for action among the rural poor involves more than simply providing training for rural leaders in managing resources transferred to rural grass-roots organizations. IFAD's experience confirms that just as important as training in the effectiveness of investment projects is the establishment of mechanisms to identify the demands of rural poor populations, ensuring an equal voice for men and women.

Recent government decentralization policies and the emergence of a variety of civil institutions in the rural environment (mainly NGOs and grass-roots organizations) have led to greater social participation. However, the empiric results are not conclusive. The effectiveness of the decentralization process may be diminished by the existence of political patronage in the election of local officials, and civil institutions may suffer from a lack of administrative capacity, social accountability, adherence to certain ideological doctrines, and other problems. Furthermore, traditional rural communities and rural organizations may not be able to treat their weaker members in an equitable manner, which would intensify the differentiation between the group and the individual.

The results of poverty alleviation programmes indicate that it is necessary to strengthen local social capital for both economic and social reasons. From an economic viewpoint, strengthening local social capital will help ensure the sustainability of rural development initiatives by reducing the transaction

costs to the rural poor population for inputs, services, and markets for products. The social reasons are particularly important for landless farmers and rural workers in search of employment in rural and non-rural labour markets, inasmuch as traditional social protection mechanisms may substitute for land as the principal, and sometimes the only, asset available to assure economic survival. Hence, institutional innovations designed to foster participatory democracy and increase local social capital in areas of rural poverty—combining concern for the growth of productivity with equity—represent one of the best opportunities for the next generation of poverty reduction initiatives.

### **Competitiveness and globalization of markets**

The growing influence of world markets is forcing developing countries to devise new approaches to economic development and poverty eradication. At the same time, it is changing the mentality of the international agencies that are working to promote development and reduction of rural poverty. However, lack of information on the ground makes it difficult to fully appreciate the impact of globalization on rural poverty and identify the options that are most likely to work to the benefit of the most disadvantaged rural groups. According to the empiric data available, globalization has expanded the opportunities for income generation in two main spheres in Latin America and the Caribbean: (a) expansion of exports for countries that offer well-established comparative advantages with regard to specific products and that have already gained a foothold in international markets (for example, vegetable crops in the case of northern Mexico, fruits and wines in central Chile, meat in Argentina, and soybeans in Brazil); and (b) import substitution, especially in the agroindustrial and food processing sectors, activities which have received strong political support from some governments in the region (for example, those of the Central American countries).

Although there is no intrinsic barrier that limits the access of small-scale producers to these opportunities, in practice the greater competitiveness of large companies with closer ties to the markets poses a significant obstacle. In addition, the markets for international products on which these small

farmers—with their limited capacity for risk-taking—are obliged to compete in notoriously unstable markets, and the importing countries frequently apply protectionist measures.

Despite these difficulties, there are some good commercial opportunities for small-scale producers to achieve a certain degree of competitiveness in markets regulated by international competition. To do so, it is necessary for small farmers to modernize and diversify their production systems. They also need to identify specific market segments, especially for non-traditional export crops, including organically grown products, and issue official certificates of origin. The available information indicates that the main constraints that must be eliminated include: (a) poor-quality goods/products; (b) market malfunction with regard to credits and insurance; (c) limited access to new technologies and information; and (d) high market-related transaction costs. Still, based on the lessons learned from the experience of non-poor farmers, it is probable that the establishment of a system of incentives within the national institutional framework will be a decisive factor in spurring an effective process of change aimed at achieving competitiveness.

The availability of new opportunities on world markets, however, should not obscure the fact that the principal strength of the rural economy continues to be supply of cash and food crops to domestic and subregional markets.<sup>24</sup> In the current liberalized economies, motivation for investment in the production of food crops is no longer related to national food security or the capacity of traditional agriculture to absorb labour, but rather the comparative advantages of small-scale agriculture (which are often linked to specific microclimatic conditions) with respect to the supply of traditional products at a lower cost than that of large-scale producers or foreign suppliers. In order to maintain or recover this competitive margin, small farmers must overcome the current constraints with regard to quality of land, technology, credit, extension services, and marketing infrastructure.

24 Machado, Absalón 1991. *Apertura económica y economía campesina*. Buenos Aires, Argentina, Editorial Siglo XXI.

## Developing technology for small farmers and small rural businesses

Agricultural research and technology development are crucial for increasing agricultural productivity and the yields of farmers and farm labourers, thereby reducing poverty and meeting future food needs at reasonable prices without causing irreparable damage to the natural resource base. The development of technology for small farmers can contribute to rural poverty reduction initiatives in two fundamental ways: (a) appropriate technology will help enhance the productivity of both land and labour, increase household income, and reduce pressure on the natural resource base; and (b) since growth of agricultural production is the main engine for growth of the non-agricultural rural economy, any significant increase in the output of small farmers will have a positive impact in terms of additional sources of non-farm employment and income in rural areas.

In the long term, migration and economic diversification will be necessary in order to establish a better balance between the population and natural resources in fragile areas, but current demographic and employment trends in non-rural areas indicate that the absolute number of people who depend on agriculture for their livelihood will continue growing for several decades more. Increasing the productivity of the agricultural sector—a sector in which small farmers have already acquired, or could acquire, comparative advantages—both on fertile and fragile lands, will therefore be an important factor in reducing rural poverty. This, in turn, will require the development and dissemination of improved technologies that meet three fundamental criteria: (a) they must be adapted to small-scale agricultural production, including agroforestry activities and the production of agricultural products with added value; (b) they must introduce new, improved methods of farming and production in order to protect natural resources and biodiversity; and (c) the food and fibre crops produced using the new technology must not be hazardous for human health.

The experience acquired thus far indicates that IFAD support for agricultural research has had a catalytic effect in channelling additional financial and human resources toward the solution of the problems of the rural poor. The

technical innovations introduced, whose viability for small farmers has already been proven, have been incorporated into the design and execution of projects in order to facilitate their dissemination among the target groups as quickly as possible. IFAD's efforts in agricultural research and technology development are focused in two main areas: (a) full use of traditional technology and technology derived from the green revolution; and (b) anticipated use of biotechnology. Within this framework, the priority opportunity for IFAD is support for research on crops and agro-ecological zones bypassed by the green revolution owing to institutional and economic obstacles.

In most of the disadvantaged rural areas of Latin America and the Caribbean, it continues to be necessary to apply a combination of improved traditional technologies and modern technologies developed in the wake of the green revolution. The effects outlined below illustrate the potential contribution of these technologies in the three main agro-ecological areas:

- In semiarid areas, the objective is to identify, test, and promote systems of land use that, bearing in mind the intrinsically low productivity of the biomass in the ecosystem, are also well suited from an environmental standpoint to the fragile conditions of these lands. A combination of pasturelands, food crops, and fruit trees in agroforestry or agropastoral systems is often one of the best possibilities for these areas to produce foods, forage, fuels, and animal products at the same time.
- From a purely agronomic point of view, support for research on hillside farming should continue to centre on the development of technologies to control soil erosion. Since labour is the most important factor that limits the adoption of technology in hillside farming, it should be borne in mind that the development of technology may make it possible to assign fewer workers to highly labour-intensive farming tasks, such soil preparation, weed control, and harvesting.
- In humid tropical zones, as population pressure rises, slash-and-burn production practices generally increase and rapid degradation of the soil follows. Reduced soil fertility and greater incidence and intensity of plant

blights are the two main causes of the low levels of agricultural productivity that occur after the forest cover is cleared. Unfortunately, these areas have been less studied from an ecological perspective than the other types of ecoregions in Latin America and the Caribbean. One of the most promising lines of research currently under way is looking at the establishment of sustainable agricultural systems in areas with high temperatures and high humidity year-round. A well-managed fallowing system will also contribute to the sustainability of agriculture in two ways: (a) by re-establishing soil fertility and (b) by reducing weeds, which will reduce pathogenic organisms, insects, and nematodes that appear in the post-harvest period and become a problem after several years of farming.

### **Supplying effective technical assistance services**

Extension,<sup>25</sup> training, and technology transfer systems are essential components of the rural development approach applied by IFAD in the region. Of special interest to the Fund is the complex interaction, efficiency, and coordination needed between extension services, systems for the generation of small-scale agricultural technology, financial services, and protection of natural resources. Currently, market competitiveness is the main focus of debate on the role of technical assistance services in reducing rural poverty, owing to the shift toward globalized economies and markets. This trend should enable small farmers to have modern, leading-edge technologies and diversified cropping systems oriented towards specific segments of the market in which they can gain comparative advantages.

IFAD's experience in addressing a wide variety of situations of rural poverty indicates that: (a) to meet the differing needs of rural communities different types of extension services are required; and (b) farmers are unlikely to assimilate information on production if they receive it from only one source, so multiple information services are needed. These arguments provide the practical motivation for promoting the coordination of complementary activities between public and private extension services.

25 In Latin America and the Caribbean, agricultural extension corresponds conceptually to the communication technology services supplied by national agents in the public and private sectors.

The new generation of IFAD projects is stressing the establishment of a better institutional framework for the provision of sustainable non-financial support services in rural poor areas. Priority is given to the development of local markets of extension and technical assistance services rather than to the promotion of a particular type of extension service financed by the public sector (see Boxes 7 and 8). In addition, it is recognized that the poorest rural communities may require complementary pre-investment programmes designed specifically to strengthen social capital. IFAD's experience also indicates that extension services are not the best instrument for the delivery of services of a social or financial nature.

### **Innovative local financial services**

IFAD has systematically included support for the establishment and strengthening of local financial services in many of its poverty reduction initiatives in response to requests from farmers who felt excluded because they lacked access to capital resources. On-site studies conducted by various institutions show that lack of short-term liquidity and lack of access to capital for long-term investments are two of the greatest obstacles faced by rural populations in their economic activities. Unfortunately, the repercussions of regional financial crises have hindered the efforts of international development institutions to help eliminate these difficulties in Latin America and the Caribbean.

The policy positions adopted by the World Bank, the International Monetary Fund, and the Inter-American Development Bank have called for a drastic reduction of budgetary expenditures, which over time has led to the dismantlement of state-run rural and agricultural development banks. During the 1980s, IFAD was the only international financial institution that continued to work in this area, even expanding its operations to include credit services for productive activities. This motivated the Fund to seek to learn from its own experiences, regardless of the fact that it was a small, young institution with virtually no partners in the sphere of small-scale agricultural credit.

IFAD's close collaboration with small farmers and with governments has enabled it to develop a coherent set of policies on mobilization of savings

and credit for the rural poor. It has formulated strategies for the extension of credit, strengthening of financial intermediaries, consolidation of organizations of small farmers, and participation of these organizations in local credit committees. However, the IFAD initiatives have lost some impetus following the first phase of structural adjustment programmes as a result of the partial or total withdrawal of government institutions and banks from direct participation in the provision of financial and lending services. In the early 1990s, the main international financial institutions began reformulating their strategies for financial services in the light of rising poverty levels in the region of Latin America and the Caribbean.

The IFAD projects in the region have demonstrated that the sustainability of financial systems depends on whether financial organizations have adequate credit policies and technologies and on whether solid economic criteria are applied in financing the portfolio of projects.<sup>26</sup> The execution of solid investments projects and the creation of small commercial enterprises for small farmers constitute the main objective of rural and agricultural development programmes.

A modern approach requires support and strengthening of agricultural and non-agricultural commercial ventures established and operated by small farmers, who provide the start-up capital, thus strengthening their ties to the structured sector of local and regional economies and improving living conditions for the rural population. The consolidation of rural economies, including financial services, is in keeping with current market-oriented economic policies. Moreover, the application of appropriate interest rates and the supply of effective financial services will contribute more to the sustainability of the economic development process than subsidized loans and interest or poorly chosen investment proposals. Flexibility is indispensable in an approach in which investment is driven by demand. Policy dialogue on existing and new financial services is therefore an important part of IFAD's day-to-day interaction with the governments of the Latin American and Caribbean countries.

26 See the interim and completion evaluations for the Zacapa-Chiquimula and Cuchumatanes projects financed by IFAD in Guatemala, the interim evaluation of the PRONAPPA project in Uruguay, and the interim evaluation of the PRODAP project in El Salvador.

## Supporting small rural businesses

Since its creation, IFAD has recognized the need to broaden its institutional strategy beyond the area of agriculture. In Latin America and the Caribbean, poor rural families are earning an increasing share of their income from non-farm activities. In recent decades this trend has intensified owing to increasing demographic pressure on arable lands, reduction of farm sizes, and gradual integration of poor rural regions into the market economy. It is estimated that at least a third of the rural population does not have access to land and that a significant proportion of the lands owned by rural inhabitants are located in agro-ecological areas not suited to agriculture.

Nevertheless, IFAD's interest in a broader concept of rural development does not imply that it is choosing one approach over another—i.e., support for agricultural development vs. support for innovative agro-industrial businesses that can help to reduce rural poverty. The concept in question is part of an overall strategy of rural development that utilizes a flexible approach to respond to the changing context of relationships between the rural and urban environments in Latin America and the Caribbean. This broader strategy recognizes the value of an approach that focuses on households, as well as the contribution of each family member and the diverse activities that they carry out.

Small businesses in the rural environment engage in a vast array of activities, ranging from handling of agricultural produce after harvesting to processing and services. From the perspective of development projects, it is important to make a distinction between domestic or subsistence microenterprises, on the one hand, and microenterprises with clear commercial ends and small-scale rural industries or services, on the other. The first category comprises the vast majority of microenterprises in both urban and rural areas. These businesses utilize very simple processes that do not require specific training, rely on local markets for the sale of their products, and function with small amounts of capital and labour, often being operated by a single person or family, so that if they fail the resulting losses will be minimal.

Most projects include such domestic microenterprises in their development strategy, and they are often regarded as an instrument that adds value to

agricultural production and facilitates the marketing of farm products. These businesses are frequently oriented towards rural women since, because they involve domestic activities, they can be combined with women's normal household tasks, thus generating less conflict in the sex distribution of family responsibilities. This type of initiative is considered essentially an extension of the agricultural process that has the potential to increase sales of agricultural products and an activity that can be done after the harvest, so that losses of highly perishable products can be avoided or reduced during the peak production period.

Commercial enterprises require specific technical and managerial skills and the application of semi-industrial processes not based on traditional knowledge and practices. They also frequently require relatively high levels of investment. Consequently, it is often beyond the capacity of a single family or group of families to operate such a business. When market opportunities exist, the potential benefits of commercial enterprises are greater than those of domestic microenterprises, and they can nurture a process of development in a specific area, creating demand for agricultural products and opportunities for employment in agriculture (see Box 9). Examples of this type of activity include industrial or semi-industrial processing of fruits and vegetables in order to obtain preserved or dried products, milk processing plants, abattoirs that slaughter sheep and cattle, leather factories, wool-washing establishments, spinning and weaving businesses, small construction companies, vehicle repair shops, and machinery and transport services.

**Box 7****Creation of local markets for services: Experiences of the Project for the Development of Technology Transfer to Rural Communities in the Highlands of Peru**

The Project for the Development of Technology Transfer to Rural Communities in the Highlands of Peru (known by its Spanish acronym FEAS) was launched during the years when the agricultural extension system in Peru was clearly overtaxed. FEAS was not intended to replace the extension service but to develop an alternative system for reaching farmers not being served by the existing system. In that context, it was not feasible to conceive of additional contingents of technical advisors from a public project assisting rural families in the Peruvian mountains. However, it was possible that the farmers themselves could contract for the technical assistance they needed. But would the farmers be able to contract for such assistance? Were technical advisors available for them to hire? Could those advisors transfer proven technologies to the farmers?

These were the first questions asked in the design of the project. Surveys indicated that the farmers were willing to contract and pay for services. However, even though the project was recognized as a technology transfer project, adherence to the old concept of extension resulted in crucial changes in the formulation of its objective and strategy. The objective of the project was defined as “promotion of markets for technical assistance.” Hence, its purpose became not transfer of technology itself but creation of the means for an ongoing transfer or, more precisely, a means of responding to changing needs.

The central instrument of FEAS was the “technology transfer account,” which contained funds to enable farmers to contract for technical assistance. The farmers, through a recognized organization, submitted an application to the project, indicating the desired services and the supplier to be hired. The project evaluated

the application and transferred resources, depositing them in a bank account opened for that purpose by the organization. The organization contracted with the supplier, supervised his/her work, and made the payments for the services rendered.

FEAS was executed in 134 districts of 5 provinces of Peru. These districts accounted for 9.2% of the national territory and 11.6% of the population. The ecological and cultural diversity of the project area makes it possible to affirm that the strategy responds to a wide range of situations. The project involved a total of 626 organizations, with which 958 instalment contracts and 126 framework contracts with 393 addenda were signed—a total of 1 351 contracts. In all, 1 401 technical advisors were hired by the organizations, and 2 666 contracts were generated between producer organizations and suppliers of services. In addition, 128 organizations in the south of Peru were able to obtain credit totalling USD 15 million from commercial banks. In a sample of 181 completed business plans involving 8 399 users, it was found that the gross value of production (GVP) increased 67% and income rose 52%. Funds equal to USD 10 115 per organization were transferred. It is estimated that close to 58 000 families received technical assistance services, with each family receiving an average of USD 109 over slightly more than three years. The project transferred USD 6.3 million directly to the farmers, and mobilized USD 1 million (15.8%) in resources from them. In a representative sample of 181 contracts with completed business plans, GVP increased by an estimated 57%, while average per capita income rose from USD 414 to USD 629 per business plan.

FEAS showed that it is possible to stimulate the development of markets among the poorest populations, even in relatively isolated locations. Demand and supply existed, and the State was able to play a role, from the central level down to the municipalities, by facilitating contact with agents, helping to promote demand, covering start-up costs, and creating externalities so that a greater number of people could reap the benefits of the project.

**Box 8****Creation of regional markets for technical and financial services in the Cuchumatanes mountain region of Guatemala**

In the early 1990s, IFAD supported the Project for Rural Development of the Cuchumatanes Region, a mountainous and relatively isolated region in Guatemala, in which the indigenous population lives in conditions of extreme poverty. In response to a contraction of the public agricultural sector, the project reoriented its investment efforts toward the creation and consolidation of a new market of extension and credit services. To achieve this objective, the project adopted a two-pronged strategy: (a) create and improve 15 formal rural organizations with the aim of strengthening their capacity to serve as financial and technical intermediaries; and (b) promote the formation of more than 90 informal rural organizations, building on existing local committees, such as associations of irrigation system users.

The project also supported 33 rural banks organized by a specialized NGO (FAFIDESS), which engage exclusively in the provision of financial services for rural residents. Today, these three types of rural organizations are providing financial resources to more than 6 500 beneficiaries of the IFAD project to assist them in meeting their investment and production needs. Great strides have been made with regard to the supply of basic inputs and strengthening of the institutional framework that links rural producers with market opportunities available in other parts of the country.

The Cuchumatanes project has yielded some extremely valuable knowledge and experiences. The main lessons learned from the project are: (a) in order for the participating families to feel committed to sustaining the process of mobilizing savings, meeting the conditions for obtaining credit, and making investments in human resources to help ensure the viability of rural organizations, and in order for them to fully understand the importance of all of the above, it is imperative to carry out an effective and ongoing process of information, promotion, and interaction among rural families and between the families and rural leaders and technical advisors; (b) without a process of diversification and a continual increase in the incomes of rural families, the survival of rural organizations will be jeopardized; higher incomes will enable rural producers to add value to raw materials, expand the commercial services and activities of co-operatives, and gradually increase farmers' contributions to the co-operatives; and (c) skilled managers, technical experts, and administrative personnel are essential if intermediary financial organizations are to obtain satisfactory results.

The project has helped eliminate these obstacles through training, low operating costs, introduction of effective monitoring systems, technical support for the adoption of high-yield crops, and the application of modern computer programmes for the management of credit and savings. At the same time, a crucial requirement to ensure future sustainability has been the gradual elimination of support in the form of subsidies.

## Box 9

### **Increasing the value added of traditional crops: the Agricultural Development Project for Small Producers in Zacapa and Chiquimula, Guatemala**

Although the initial formulation of this project did not include any components directly related to marketing and processing of agricultural products, the strategy was reformulated in the light of changes in market opportunities and the available resources were channelled towards these two areas. Among the various strategic modifications introduced, two cases are particularly noteworthy: (a) improvements in the process of marketing black beans in Chiquimula, and (b) construction of a plant for drying and processing coffee beans in Zacapa.

**Black beans in Chiquimula.** Before the project, the farmers were accustomed to selling their products to local intermediaries through the traditional market channels. The project promoted the organization of several marketing committees composed of producers, with the aim of enabling the producers to sell their products directly to wholesalers in Guatemala City and establish sales agreements with supermarkets. Two factors were decisive in the success of this experience: (a) the good quality of the black beans grown in Chiquimula, which resulted in high regional demand; and (b) the fact that the marketing committees had simple machinery for packaging the beans in small 1 kg bags at very low cost. A preliminary evaluation revealed that the farmers had the potential to obtain a 20% increase in sales price, after deducting the costs of inputs, packaging, and transport to Guatemala City. The price difference is estimated to have generated a total of USD 300 000 per year in additional revenues for farmers in the project area.

**A coffee drying plant in Zacapa.** An experimental subproject financed the construction of a coffee drying plant and the supply of pulp extraction equipment for small groups of coffee producers of La Unión (Zacapa). The investment in the

drying plant amounted to approximately to USD 10 000, which was reimbursed by 22 producers. The plant also offered its services to other growers, charging them a slightly higher amount than members paid. Two results stand out: (a) the cost of drying was reduced by one third with respect to the price charged by the local private drying plant, as a result of which the farmers were able to double their net earnings; the group earned additional income of USD 18 000 per year and gained approximately 700 additional days of work; and (b) because of this marked difference in the cost of drying, the local intermediaries have had to increase the price of coffee processed for all the producers in the area. Based on the positive experience of La Unión, the project helped to finance another 5 coffee drying plants, which have benefited more than 150 small producers.

Several useful lessons can be drawn from these two experiences:

- (a) More managerial training is needed to persuade small farmers to take on the dual role of producer and processor, since the beneficiaries will probably not be familiar with concepts such as cash flow, inventory, risk funds, or depreciation.
- (b) Small producers feel directly responsible for their share of the total credit solicited; they forget that the institutional debtor is the company, which should be administered as an autonomous and self-sustaining production unit (and not as a mutual protection mechanism).
- (c) Perhaps the most important lesson is that small innovations in marketing and processing of agricultural products can increase nets earnings for producers to a much larger extent than most conventional field technologies and put an end to their dependence on a highly inequitable local financial system

Subsistence microenterprises are a good starting point for the process of acquiring business management skills and building a small amount of capital. They are appropriate for the most vulnerable groups within the beneficiary population. Project designs should take account of the fact that the majority of the beneficiaries may not necessarily be willing to create their own businesses and assume the associated risks, especially if prior to the project the family's subsistence strategy was based on wage labour by one or more of the family members in permanent or temporary non-farm activities. Appraising the risks involved in the creation of a new microenterprise and evaluating the beneficiary population's aversion to risk-taking are critical steps in determining the possibilities and limits for non-agricultural development. IFAD, applying the experience gained through its projects, supports rural microenterprises,<sup>27</sup> facilitating access to productive resources, support services, financial services, and markets for products.

## Development and regulation of rural labour markets

Recent studies on the non-agricultural rural sector show that this sector will play an increasingly important role in the creation of employment and in food security for households in the majority of disadvantaged rural communities.<sup>28</sup> One of the explanations for this trend is the limited potential of the agricultural sector to expand rural employment. Between 1950 and 1980, the portion of GDP attributable to non-agricultural employment increased 84% in the region of Latin America and the Caribbean, while the portion attributable to agricultural employment increased only 19%. This was due mainly to the introduction of modern, labour-saving technologies in the agricultural sector, greater concentration of land ownership, and the growing integration of urban and rural labour markets (see Box 10).

27 Through the approval of a technical assistance grant (TAG) in 1999, IFAD established the Rural Microenterprise Support Programme (PROMER), the aim of which is to provide technical support for IFAD projects to develop microenterprise activity in the region.

28 Reardon, T.; Cruz, M.E.; Berdegue, J. 1998. Los pobres rurales en el desarrollo del empleo rural no agrícola en América Latina: paradojas y desafíos. Paper prepared for the Third Latin American Symposium on Farming Systems Extension and Research. Lima, Peru. 19– 21 August 1998.

Nevertheless, the role played by the non-farm rural sector in reducing rural poverty has received limited attention from researchers and policy-makers, and it has not been adequately reflected in regional programmes for rural development. In a number of Latin American and Caribbean countries, wage labourers are one of the poorest segments of the rural population. This is an extremely heterogeneous group that includes landless rural residents, marginalized small farmers, and migratory seasonal workers who maintain their small properties as a refuge or place of shelter in bad years, seasonal workers, and urban workers who move between urban and rural areas. A characteristic of the non-farm rural sector is the feminization of some jobs, such as picking, classifying, and packing fruits and vegetables in areas that produce these crops for export or marketing of agricultural products and traditional craftwork. Another distinguishing feature of markets in the non-agricultural rural sector is the extraordinarily uncertain legal conditions under which most wage labourers are hired: they rarely have medical insurance, retirement plans, or the protection of legal standards that could improve their living and working conditions. For female workers, the conditions are also generally discriminatory relative to what male workers receive, both in terms of wages and enforcement of labour regulations.

Development programmes, including some initiatives sponsored by IFAD, have not succeeded in finding effective modalities for supporting poor groups in the non-agricultural rural sector. More practical research and more development efforts are needed in order to gain an accurate understanding of the difficulties and opportunities associated with markets in this sector in each country and even in each specific area. According to Reardon et al.,<sup>29</sup> to transform the non-farm rural sector into an effective instrument for reducing poverty and increasing rural employment in Latin America and the Caribbean, three main constraints must be overcome: (a) the disadvantages that rural poor groups face with respect to urban workers in attempting to enter the non-agricultural rural labour market because they lack the necessary education, training, and practical knowledge; (b) the fact that depressed areas are not well suited to the development of non-agricultural rural markets, since they tend not to have the necessary physical and social infrastructure and

29 Reardon, T. et al. 1998, op. cit.

**Box 10****Labour market and fruit production in Chile**

Since the early 1980s, the development of fruit production for export in central Chile has given rise to an extremely active rural labour market. The dynamic growth of fruit production and its attendant processing industry has attracted thousands of rural and urban workers who had lost their jobs as a result of the economic crisis of 1970–1973. Most of these workers had been victims of the dismantling of the large state industries and the reversal in the agrarian reform process during the 1970s. For that reason they had returned in droves to live in rural towns, small cities, and in the outlying districts surrounding Santiago.

This labour market is characterized by overlapping of the urban and rural sectors, whose boundaries had been defined a few decades earlier. Capitalist-type economic relationships have extended into rural economies, the dividing lines between urban and rural spaces are now more blurred, and the economies of the city and the country have become increasingly interdependent. Rural and urban areas have also grown increasingly similar with respect to their territory. Employment in both urban and rural areas is precarious, and in many cases workers engage in a combination of activities throughout the year in labour markets that are interrelated. Workers alternate between rural and urban jobs, depending on relative demand and wages in the two sectors.

A survey conducted in 1983 indicated that most rural workers were employed in temporary or occasional jobs in which they enjoyed no effective legal protection. Depending on the workers' place of residence, two basic types of employment existed: (a) agricultural jobs for those living in rural areas, and (b) non-farm jobs in rural areas for those residing in outlying urban districts. However, both groups earned their income from a variety of sources, which reflected the close interaction between the urban and rural labour markets in response to seasonal demands. Six out of ten rural seasonal workers were engaged in agricultural tasks.

This particular type of rural labour market possesses two other characteristics. First, there is an integration between work in the field and processing of agricultural products, which explains why some workers learn how to perform both types of activities. Second, women make up a large proportion of the wage labourers, especially in agro-industrial processes. However, female workers receive lower salaries than their male counterparts, they work less time (not more than six months per year), and they have less effective protection from a legal standpoint.

These employment opportunities have reduced poverty and improved living conditions for some rural households. Nevertheless, the majority are still obliged to combine various sources of income—all highly unstable—in order to survive.

they lack a primary source of wealth that would enable them to be a motor for development; and (c) the need for a political commitment to provide small rural business with some kind of protection (for example, specific public investments) so that they can benefit from the multiplier effects of agro-industrial development in the most dynamic rural areas.

The development of the non-agricultural rural sector is a sound option that certainly should be explored as a poverty reduction mechanism, but it is not a blanket solution to the problem. It will be necessary to compare its efficacy with that of other alternatives that alleviate poverty in rural areas, such as migration to urban zones, for example. Some policy-makers in Latin America and the Caribbean believe that people should be encouraged to leave areas with limited natural resources because they are confident that the rest of the economy will ultimately absorb the poor groups who migrate.

Although this assumption has proven true under certain specific conditions, it is not the norm in Latin America and the Caribbean, as is illustrated by the case of Brazil, where overcrowding in the large cities and rapid investment in capital-intensive technologies, both in the industrial and service sectors, will limit the number of migrants that can be accommodated in urban areas in the medium term. Consequently, current Brazilian policy seeks to discourage migration to the large urban centres and promote public investment in rural areas with scarce resources.

## **Access to land and property rights**

Solving the problems related to access to land is critical in order to improve the production base for millions of rural residents in Latin America and the Caribbean, for whom the various possibilities for escaping poverty carry some extremely high family and social costs and/or take a very long time. The search for new forms of access to land in the region is hindered by the limited availability of land<sup>30</sup> and by the tremendous disequilibrium in the distribution

30 According to the FAO database on land resources, in 1998 only 7.5% of the land in the region of Latin America and the Caribbean was classified as farmland suitable for annual and/or perennial crops. Twenty-nine percent of the total land area was suitable for use as perennial pastureland, while 4% was classified as forest or woodland.

of land, which gives rise to the marginalization of smallholders. In view of these constraints, it is essential to devise institutional solutions that are consonant with prevailing political and economic models and with the possibilities of structured land markets.

Given that agrarian reforms based on expropriation of lands are no longer viable, among the new opportunities for gaining access to land are instruments such as agrarian reform based on commercial criteria, establishment of markets for the leasing of land, new types of sharecropping arrangements, and contractual agreements for the use of communal forests or indigenous territories. However, progress in the establishment of land markets has been obstructed by three main factors: (i) the establishment of incompatible objectives in relation to agrarian policies and complementary programmes of rural development, certain credit policies, the fixation of property taxes, and public investment in infrastructure; (ii) the existence of prejudice against rural inhabitants in the current legislation on rural property (for example, low maximum limits for land leases or crop proportions, short-term agreements for the lease of public lands, etc.); and (iii) failure to enforce regulations on agrarian matters. One of the principal lessons learned from recent experiences with regard to land markets is that complementary institutions need to be established in order to: (a) register and title lands; (b) provide access to long-term credit and technical assistance; and (c) resolve controversies over agrarian matters at the local level. An additional challenge is to eliminate the gender bias present in current legislation relating to rural lands, which generally discriminates against women (for example, the right to inherit and own property).

## **B. Operational challenges and options for IFAD in a global context**

### **Rural development projects, decentralization, and participation of the rural poor population**

With a good design and an appropriate selection of beneficiaries, rural development projects can help to reinforce the current trend towards decentralization throughout the region, generating numerous new opportunities for enhancing cost-effectiveness and expanding the coverage of rural poverty reduction initiatives.

The economic and political aims of decentralization are to: (a) achieve greater efficiency in public administration; (b) give municipal and local public officials greater responsibility and decision-making authority; and (c) strengthen government democratization processes. For investment projects designed to reduce poverty, decentralization affords the following advantages, among others: (i) participation by beneficiaries in decision-making processes; (ii) greater local coordination between public institutions, the private sector, and civil society organizations; (iii) more effective use of the public funds channelled to the most disadvantaged segments of the rural population; and (iv) greater political visibility of rural poor minorities with territorial representation.<sup>31</sup>

Nevertheless, the experience with IFAD investment projects indicates that the potential benefits of decentralization will only be realized when mechanisms have been put in place to activate the process. In some cases, these activation mechanisms will come from external agents such as prestigious and politically acceptable institutions (NGOs, development banks, IFAD projects, etc.). In other cases, collective disasters such as hurricanes or long-term droughts may serve as a triggering mechanism. Unfortunately, however, decentralization is not immune to a series of social ills that may stand in the way of achieving the desired objectives. In many areas of Latin

31 de Janvry, Alan et al. *Rural development and rural policy. Handbook of agricultural economics*. In press.

America and the Caribbean, there is a risk that decentralization measures will reinforce paternalistic relationships and political favouritism as powerful local interests are served at the expense of the most vulnerable segments of the population.<sup>32</sup>

If this process of institutional integration achieves the expected results, it should lead to increased investment in infrastructure, development of markets for inputs and services accessible to the rural poor population, and mobilization of local and regional resources to finance social and production programmes designed to benefit marginalized rural groups. Indeed, an effective poverty reduction project should succeed in mobilizing institutional efforts and financial resources that otherwise would not have reached the rural poor population.

### **Macroeconomic and sectoral policies and rural poverty reduction**

IFAD's experience in the Latin American and Caribbean region clearly shows that well-designed programmes and projects aimed at combating rural poverty sometimes have limited impact because they do not mesh with national or regional policies and investment initiatives formulated to address issues in other sectors. In many countries of the region, poverty alleviation programmes are part of social initiatives intended to offset the undesirable repercussions of structural adjustments. In rural areas, this means that poverty reduction strategies are formulated and implemented independently of macroeconomic and sectoral policies, which makes it difficult to apply a strategy aimed at boosting production and increasing income in order to reduce rural poverty. When such a disjunction exists, strategies such as those espoused by IFAD, which seek to reduce poverty by generating income, tend to exist separate from investment opportunities and economic incentives offered to non-poor farmers, even in the same geographic area.

IFAD therefore considers it extremely important to maintain a political dialogue with governments with a view to creating opportunities for additional

32 Gordon, Sara 1997. *Poverty and social exclusion in Mexico*, Discussion papers DP/93/1997. Geneva: International Labour Organization (ILO), International Institute for Labour Studies.

investment in poverty reduction initiatives, applying innovative approaches to coordination that seek expressly to establish a connection between complementary institutions at the central, regional, and local levels (see Box 11). The central issue is how to maximize the impact of projects currently under way through the identification of complementary elements in existing macroeconomic policies, social investment programmes, and plans and programmes for regional economic development.<sup>33</sup> Hence, the Fund does not seek to prescribe a specific set of macroeconomic and sectoral policies as a necessary condition for interventions to address rural poverty; rather, it seeks opportunities to create complementarity between economic and social development plans and programmes that target poor populations in rural areas.

### **C. The quest for effective institutional partnerships**

IFAD's systematic efforts to encourage broader institutional cooperation are rooted in the knowledge that no international development institution by itself can achieve success in the fight against a phenomenon of the magnitude and growing complexity of rural poverty in the region. For IFAD, one way of addressing this limitation is to build on experiences that have yielded good results and establish dynamic and effective relationships between governments, multilateral technical and financial institutions, and bilateral development agencies, on the one hand, and the vast array of civil society associations, including NGOs and grass-roots and community organizations, on the other. Civil society organizations have a fundamental role to play by enhancing the capacity for action of the poor in rural areas so that they can become leaders in the development process. As the former President of IFAD observed, the Fund's objective should not be for the population to participate in development activities that originate as public initiatives but rather for public institutions to participate in development activities initiated by the population.<sup>34</sup>

33 IFAD/Latin American and the Caribbean Division, Special Programming Mission in Ecuador (1998).

34 Al-Sultan, Fawzi. Statement by the President of IFAD on assistance for the rural poor population. Fourth Annual World Bank Conference on Ecologically Sustainable Development. 1994.

Civil society is composed of independent organizations within the public sector and corporate entities in the private sector that have the capacity to become autonomous catalysts for development and poverty alleviation.<sup>35</sup> Civil society organizations have grown rapidly at the global level, demonstrating their capacity to effectively assist the rural poor in their struggle against poverty, hunger, and malnutrition and serving in many cases as independent collaborators of governments and the private sector. The institutions of civil society include various types of local, national, and international nongovernmental organizations (NGOs), as well as a wide range of grass-roots organizations of a civic, social, and productive nature. The main difference between NGOs and grass-roots organizations is that the former include expert technical and professional staff while the latter are formed and led by men and women leaders from rural communities.

Historically, the region has had a rich experience in terms of the work of NGOs with organizations formed by the rural poor. The NGO movement originated in the late 1950s as a response to the demands of the poorest populations in rural areas—demands that the governments were unable or unwilling to meet for political, economic, strategic, or other reasons. The Catholic church played a preponderant role in launching the NGO movement in the region. Because of its universal institutional structure, the church was present not only in urban areas but also had deep roots in the rural areas of most countries of the region. Initially, the support offered by NGOs was eminently humanitarian, and their financing came exclusively from churches and other humanitarian organizations in the developed world. Most NGO activity was concentrated in areas such as health, nutrition, grants for rural extension services, and small-scale credit. However, this initial work, though very well-intentioned, did not yield the expected results because the efforts were rather unfocused and the financial resources were severely limited, which made the activities unsustainable.

35 Friedmann, J. 1994. *Empowerment: The politics of alternative development*. London: Blackwell.

**Box 11****Creation of operational linkages between IFAD's medium-term strategy and the lending framework in a country: The case of Bolivia**

As a small financial institution that focuses on poverty reduction initiatives at the microeconomic level, IFAD is committed to ensuring the relevance, cost-effectiveness, and sustainability of the investments it makes to support small farmers and the rural poor. This can be hard to do, however, especially in countries such as Bolivia, which have undergone major macroeconomic changes and institutional reforms in recent years. The country strategic opportunities paper approved by IFAD in 1997 has improved the relevance and impact of its portfolio of loans in the country.

The experience in Bolivia illustrates that the strategic opportunities paper is an effective instrument of analysis for two important reasons: (a) it establishes a connection between IFAD's approach to the reduction of rural poverty and the processes of economic development and institutional change occurring in the country; and (b) it links IFAD's medium-term strategy for Bolivia with the general framework of the lending programme for the next five to seven years.

Bolivia remains one of the poorest countries in Latin America, with 70% of its population living below the poverty line. The situation is even more critical in rural areas, where the 90% of the population is poor. Although poverty is evenly distributed throughout the country, absolute poverty and indigence are concentrated mainly in isolated regions of the altiplano and valleys of the Andes and underserved settlements in tropical lowland areas.

In keeping with the Bolivian government's new approach to rural development, IFAD's current investment projects are stressing poverty reduction initiatives that are participatory, decentralized, and market-oriented. Since the barriers to escape from rural poverty are economic and social, IFAD applies a twofold strategy aimed at: (a) increasing the productivity of labour and land by improving the management of water resources and expanding basic productive infrastructure; and (b) fostering the integration of marginalized rural communities into the economy by strengthening local grass-roots organizations and reducing the transaction costs that effective entry into the market entails.

Following these general lines, the new medium-term lending programme for Bolivia will seek to develop three projects over the next three to five years: (a) a project in the Chaco region to provide support to various indigenous groups (including the Guaraní people) and reduce desertification; (b) a project to support development of the indigenous population that will address the needs of poor rural communities in the Amazon region of Bolivia through initiatives focusing primarily on the demarcation and titling of property, institutional capacity-building, and establishment of a fund for productive investment; and (c) a project for joint rural-urban enterprises, which is intended to provide financial and technical support for poor rural emigrants who settle in lowland areas and initiate and expand income-generating activities in rural and peripheral urban areas that are growing at a faster rate than the national average (the Yacuiba-Santa Cruz area, for example).

After this beginning, the NGO movement continued advancing in the following years, forming ties with local and grass-roots organizations at the national, subregional, and regional levels. The orientation of the movement gradually shifted from charity to professionalism. NGOs have played a priority role in raising public awareness of human rights issues and have become watchdog organizations, denouncing human rights violations and calling attention to other undemocratic practices in the countries. NGOs have also been very instrumental in rebuilding democratic processes in the countries of the region, especially in those with dictatorial governments, since they, together with the church, represented the only form of democratic expression at the national level.

Because of their knowledge and experience in working with the rural poor, in the early 1970s in some countries of the region NGOs were actively involved in the formulation of political and development strategies and concrete mechanisms for implementing rural development programmes. IFAD's experience with NGOs in Latin America and the Caribbean has been extremely positive, and in most cases NGOs play an important role as agents of development and suppliers of services for the projects and programmes financed jointly by the Fund and the governments of the region.

Establishing strategic partnerships with other institutions, in particular the international financial institutions, is a central element in IFAD's institutional strategy, the main objectives of which are to enable the Fund to reach a much greater number of the rural poor than would be possible using only its own resources, to disseminate the knowledge acquired by IFAD over its many years of experience, and to create a clearer awareness of the effectiveness of the Fund's approach to poverty reduction. One cooperation agreement that has produced good results in the Latin American and Caribbean region is the agreement under which IFAD provides support to the Regional Unit for Technical Assistance (RUTA), which is headquartered in San Jose, Costa Rica. In Central America, RUTA has been an innovative mechanism for improving coordination among the agencies that take part in the formulation of policies and in the work of rural development. It has also served as a forum for debate with governments and civil society organizations about policies, methodologies, and training activities aimed at reducing rural poverty

in the region. The agencies and institutions that make up the Unit, in addition to IFAD, are the World Bank, the Inter-American Development Bank (IDB), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP), the Inter-American Institute for Cooperation on Agriculture (IICA), the Department for International Development (DFID) of the United Kingdom, and other bilateral donors.

In recent years, IFAD has stressed the need to seek new modalities of cooperation that incorporate the international and national private sector. The Rural Microenterprise Development Programme, for which IFAD provides support in Colombia, has developed a useful network of associations engaged in the processing of coffee, cocoa, brown sugar, and fruits and vegetables. A mid-term evaluation report showed that cooperation between IFAD and the agricultural industries in the framework of the project had: (a) increased income and employment opportunities for the beneficiaries; (b) made available financial services that helped boost production and improved quality and prices; (c) reduced production costs; and (d) expanded internal markets and in some cases increased access to international markets. Similar partnerships with private industry have been proposed in the design of projects recently approved by the IFAD Executive Board for the comprehensive development of the Hulera region in Mexico and the development of agro-production chains in the Barlovento region in Venezuela. In these two cases, commercial and technical assistance relationships are to be established between poor small-scale producers and the rubber and cocoa processing industries in Mexico and Venezuela, respectively.



# 6

*Moving into  
the 21 st century*

*Moving into  
the 21 st century*

*Moving into  
the 21 st century*



IFAD's regional strategy for poverty alleviation and rural development is a dynamic one based on the lessons learned over 21 years of formulating and executing projects and on an active policy dialogue with the governments of the region. The Fund's institutional policies, strategies, and instruments for rural development and poverty reduction are revised periodically in response to changes in social, economic, and political conditions in the countries. Hence, as it moves into the 21st century, IFAD faces a set of challenges and opportunities in the process of poverty reduction and rural development in Latin America and the Caribbean that are shaped by the economic, social, and political context in the various countries of the region.

Unlike other international and regional development financing agencies, whose institutional mandates and financial capacity enable them to operate within a multisectoral framework that is national in scope (IDB 1998, World Bank 2000), IFAD focuses its activities in the area of agricultural development among the rural poor. As a consequence of the specific nature of its institutional mandate, the Fund's operational approach to poverty reduction is to provide financial support for projects targeted to specific segments of the rural poor population and well-defined geographic areas. Experience has shown that dynamic rural development creates a favourable environment for the sustained generation of income opportunities and the improvement of living conditions for the rural poor. IFAD works to promote sustainable rural development through an integrated set of activities whose components vary in application

and intensity, depending on the relative development of the geographic area in which they take place.

IFAD's experience points up five strategic elements or points of entry for reducing rural poverty and advancing rural development. These include human capital development, market competitiveness, management and conservation of natural resources, equity between the sexes, and strengthening of social capital among the rural poor population. The importance and relative weight of each of these elements differs in each country and project area, but when included in an appropriate combination and degree of intensity in the design and execution of projects, they can help reduce rural poverty and achieve the goal of local rural development. Each of the points of entry identified above is linked to critical factors that cause or contribute to the persistence of rural poverty in the region, and they are linked to each other in a synergistic chain of relationships that enable synchronized action to alleviate poverty. All are elements that form part of a process of building assets for the rural poor, including not only physical or financial assets but also social and political assets.

The five strategic elements or points of entry for reducing rural poverty are described in greater detail below.

## **Development of human capital**

There is a direct correlation between gains in human and social capital and better integration of poor and marginalized populations into the mainstream of economic, social, and political activity at the local, regional, and national levels. Development and enhancement of human and social capital facilitate sustainable growth in income and help the poor to rise above the threshold of poverty and extreme poverty. Human capital formation and improvement is especially important for the segments of the rural population that suffer the greatest discrimination—indigenous peoples, rural women, and other minorities—because it helps them to achieve full social and economic integration both in the rural society and in the national sphere. Faced with the challenges of rural development and poverty reduction in the context of a globalized market economy,

beneficiary populations need to possess basic knowledge of reading, writing, and mathematics, coupled with skills for the management of agricultural production, microenterprise, labour, and services. Improving the managerial capacity of the rural poor develops and improves their perception of the opportunities and limitations associated with farm and non-farm production and the employment possibilities existing in the rural environment. At the same time, it increases their capacity to incorporate better technologies into productive and economic processes. To strengthen human capital it is necessary to improve access to education and health services and enhance their quality. It is also necessary to invest in rural infrastructure. These areas fall outside IFAD's sphere of action, but they can be built into project operations through agreements for joint work. The growing municipalization of these services will facilitate coordination of efforts at the local level, enabling diverse sectors to work together to strengthen human capital and improve income opportunities in rural areas.

### **Market competitiveness for farm and non-farm production**

The globalization of markets has created new challenges and opportunities for the rural poor. To take maximum advantage of the possibilities available in this context, agricultural development and poverty reduction efforts should create and strengthen linkages between beneficiary populations and the systems that generate technologies, the services that provide them, financial markets, private enterprise, and local, national, and international markets. The challenge is to increase the productivity and competitiveness of small farmers and poor business owners so that they can compete effectively and profitably on existing markets, reducing transaction costs through the formation and consolidation of rural economic organizations and through equitable partnerships with businesses and agro-industries in the private sector. Commercial competitiveness is a complex point of entry which requires that the rural poor population have access to mechanisms for the generation and transfer of technology, financial services, information, and market-related services. Examples from IFAD projects in Chile, Guatemala, Mexico, Peru, Uru-

guay, and other countries indicate that it is possible to improve the quality of rural production and compete successfully on local, national, and export markets. In many countries in which structural adjustment processes have diminished the State's capacity for delivery of rural services, improving the competitiveness of rural producers means creating and strengthening rural markets for technical, financial, and market services. It also means creating and/or strengthening rural information systems on markets for products and services. In addition, to bolster competitiveness it is necessary to put in place mechanisms for reducing climate-related risks, in particular technologies and investments to improve the supply, conservation, and management of water resources on farms. In semiarid areas, the availability of water will be the primary determining factor in reducing risks and enhancing commercial competitiveness.

## **Management and conservation of natural resources**

The steady deterioration of natural resources constitutes an important challenge for the achievement of sustainable agricultural production in rural areas of Latin America and the Caribbean. Continual degradation of soil, water, and vegetation is reducing the productive potential of the rural areas with the highest concentrations of poverty. Rural populations living on fragile lands in semiarid ecoregions, on mountain slopes or plateaux, and in the humid tropics are caught in a vicious cycle of poverty that necessitates the use of a productive land base to generate income and feed families, but intensified use of the land raises the risks of environmental deterioration and accelerates the process of natural resource loss. The introduction of agronomic practices that make it possible not only to conserve but to restore natural resources is a priority area of action for poverty reduction and rural development programmes and a *sine qua non* for long-term agricultural and rural development in the region. The results of IFAD projects in Bolivia, Brazil, Chile, Honduras, and Peru, among other countries, indicate that it is possible to successfully reduce the risks of environmental degradation and improve the quality of natural resources for the rural poor.

## Gender equity

In Latin America and the Caribbean, the marked inequalities that exist between men and women have had a negative influence on social and economic development modalities in rural areas. One of the principal consequences of this is that rural women, whether or not they are heads of household, are excluded from the services and benefits of rural and agricultural development programmes and from active participation in local development processes. Rectifying the inequalities in the distribution of resources and power between the sexes is an essential condition for equitable, democratic, and sustainable rural development that incorporates rural women as full-fledged participants and leaders in the process of bettering social and economic conditions in rural areas. During the last decade, IFAD's Latin America and Caribbean Division has attached high priority to actions aimed at promoting gender equity, both in the framework of projects and in the wider rural environment in which they are carried out. Because the laws of many countries of the region still contain provisions that discriminate against women in general and rural women in particular, IFAD will strive to engage governments in policy dialogues with a view to establishing an equitable legal foundation that will permit the full participation of rural women in production and in the development of their communities.

## Strengthening of social capital among the rural poor

The subsistence of poor rural communities depends on the construction and maintenance of social solidarity networks that operate in both the social and productive spheres. Strengthening of social capital is therefore an important element in the process of reducing poverty and promoting development in rural areas. To build social capital, operational strategies are needed at three levels, namely: strengthening of grass-roots and community organizations, support for state decentralization processes, and development of civil society organizations to provide services and support for strengthening rural social capital. Strengthening of grass-roots organizations among the rural poor will enable them to take part actively

in political and social dialogues and processes in rural areas and will also reduce the transaction costs associated with rural production and marketing. The current trend toward decentralization of the State through transfer of resources and decision-making authority to municipal officials is creating opportunities for the poor rural population to play an active role in the planning, selection, and implementation of local programmes for social and productive development. Efforts aimed at improving the capacity for action of these beneficiaries will have a direct impact on their participation and their skill in negotiating with local and central authorities. Better capacity for action among the rural poor should translate into more effective cooperation among local governments, rural grass-roots organizations, and civil society organizations in steering public administration and ensuring the administrative transparency and accountability of local governments in rural areas. In this context, strong civil society organizations have a key role to play in fostering development and delivering services in the rural environment.

# *Bibliography*

## *Bibliography*

### *Bibliography*



- Banco Mundial.** 1999. *Informe sobre el desarrollo mundial 1998/99: el conocimiento y el desarrollo*. Washington, D.C.: Banco Mundial.
- Banco Mundial.** 2000. *Informe sobre el Desarrollo Mundial 2000/2001: lucha contra la pobreza. Panorama general*. Washington, D.C.: Banco Mundial.
- BID** 1999. América Central tras el Huracán Mitch. Reunión del Grupo Consultivo. Estocolmo, Suecia. Washington, D.C.: Banco Interamericano de Desarrollo.
- CEPAL** 1998. *Panorama social de América Latina*. Santiago de Chile: Comisión Económica de las Naciones Unidas para América Latina y el Caribe.
- CEPAL** 1999a. *Panorama social de América Latina*. Santiago de Chile: Comisión Económica de las Naciones Unidas para América Latina y el Caribe.
- CEPAL** 1999b. *Progreso económico y social de América Latina y el Caribe*. Santiago de Chile: Comisión Económica de las Naciones Unidas para América Latina y el Caribe.
- CEPAL** 2000a. *Panorama social de América Latina*. Santiago de Chile: Comisión Económica de las Naciones Unidas para América Latina y el Caribe.
- CEPAL** 2000b. *La brecha de la equidad: una segunda evaluación*. Santiago de Chile: Comisión Económica de las Naciones Unidas para América Latina y el Caribe.
- Cruz, M. E.** 1999. El empleo asalariado en América Latina: situación y tendencias. Personal communication.
- Damiani, O.** 2000. *El estado y la agricultura no tradicional de exportación en América Latina. Lecciones de tres estudios de caso*. Serie de Informes Técnicos del Departamento de Desarrollo Sostenible. Washington, D.C.: Banco Interamericano de Desarrollo.
- Deere, C. D.** 1987. The Latin American agrarian reform experience. In: Deere, C. D.; Leon, M. (eds.) 1987. *Rural women and state policy: Feminist perspective on Latin America agricultural development*. Boulder, Colorado: Westview Press.
- Dresrüsse, G.** 1995. *Declining assistance to developing country agriculture: Change of paradigm?* 2020 Brief Series. Washington D.C.: International Food Policy Research Institute (IFPRI).
- Durston, J.** 1999. Construyendo *Capital social comunitario: una experiencia de empoderamiento rural en Guatemala*. Serie Políticas Sociales No. 30. Santiago de Chile: Comisión Económica de las Naciones Unidas para América Latina y el Caribe.
- de Janvry, A.** 1981. *The agrarian question and reformism in Latin America*. Baltimore, Maryland: The John Hopkins University Press.
- de Janvry, A.; Sadoulet, E.; Davis, B.** 1995. NAFTA's impact on Mexico: Rural household level effects. *American Journal of Agricultural Economists*. 77:1283-1291.

- de Janvry, A.; Sadoulet, E.** 1996. *Growth, inequality and poverty in Latin America: A causal analysis, 1970-1994*. Department of Agricultural and Resource Economics. Working Paper 784. Berkley, California: University of California at Berkley.
- de Janvry, A.** et al. *Rural development and rural policy. Handbook of agricultural economics*. In press.
- Dirven, M.** 1997. *El empleo agrícola en América Latina y el Caribe: pasado reciente y perspectivas*. Serie Desarrollo Productivo No. 43. División de Desarrollo Productivo y Empresarial. Santiago de Chile: Comisión Económica de las Naciones Unidas para América Latina y el Caribe.
- Echeverría, R. G.** 1998. *Strategic elements for the reduction of rural poverty in Latin America and the Caribbean*. Policy Research Paper. Washington, D.C.: Inter-American Development Bank.
- Echeverría, R. G.** 2000. Opciones para reducir la pobreza rural en América Latina y el Caribe. *Revista de la CEPAL* No. 70. Abril 2000. Santiago de Chile: Comisión Económica de las Naciones Unidas para América Latina y el Caribe.
- FAO** 1998. *Potencialidades del desarrollo agrícola y rural en América Latina y el Caribe. Anexo II: Pobreza rural*. Roma: Organización de las Naciones Unidas para la Agricultura y la Alimentación.
- FIDA** 1998a. Misión Especial de Programación en el Ecuador. Roma: Fondo Internacional de Desarrollo Agrícola, División de América Latina y el Caribe.
- FIDA** 1998b. PROZACHI. La historia de un proyecto para el desarrollo de pequeños productores en Zacapa y Chiquimula. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 1998c. Proyecto de desarrollo sostenible para asentamientos de la reforma agraria en el semi-árido de la región del nordeste de Brasil. Informe de la Misión de Evaluación Ex-Ante. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 1999a. *Informe anual de 1998*. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 1999b. *La mujer rural en los proyectos del FIDA: la clave para reducir la pobreza*. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 1999c. México: documento sobre oportunidades estratégicas nacionales. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 1999d. Venezuela: documento sobre oportunidades estratégicas nacionales. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 1999e. Combate a la pobreza rural con reglas de mercado en el contexto del MERCOSUR. Memorias de un seminario. Montevideo, Uruguay. 3 al 5 de noviembre de 1997. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 2000a. *Informe anual de 1999*. Roma: Fondo Internacional de Desarrollo Agrícola.

- FIDA** 2000b. Informe Seminario-Taller para el Fortalecimiento de los Aspectos de Género en los Proyectos FIDA asociados al PROCASUR. 20-26 junio 1999, La Serena. FIDA, INDAP, PROCASUR, PRODECOP, Japón, Asistencia Oficial para el Desarrollo. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 2000c. *La perspectiva de género con referencia a los pobres de las zonas rurales*. Roma: Fondo Internacional de Desarrollo Agrícola.
- FIDA** 2000d. *Un enfoque del FIDA para la incorporación de los aspectos de género: La experiencia de la División de América Latina y el Caribe*. Roma: Fondo Internacional de Desarrollo Agrícola.
- Figueroa, A.** 1996. Pobreza rural en los países andinos. Seminario sobre la Visión 2020 del IIPA y los Países Andinos. Bogotá, Colombia. Marzo de 1996.
- Friedmann, J.** 1994. *Empowerment: The politics of alternative development*. London: Blackwell.
- García, A.** 1967. *Dinámica de las reformas agrarias en América Latina*. Santiago de Chile: Ediciones ICIRA.
- Gordon, S.** 1997. *Poverty and social exclusion in Mexico*. Discussion papers DP/93/1997. Geneva: International Labour Organization (ILO), International Institute for Labour Studies.
- IDB** 1998. Rural poverty reduction. Bank strategy paper. Sustainable Development Department. Environment Division. Washington, D.C.: Inter-American Development Bank.
- IFAD** 1998a. Bolivia: Country Strategic Opportunities Paper. Confidential Report No. 0938-BO. Rome: International Fund for Agricultural Development.
- IFAD** 1998b. Brazil: Country Strategic Opportunities Paper. Rome: International Fund for Agricultural Development.
- IFAD** 1998c. *Drylands: Sustainable use of rangelands into the twenty-first century*. Rome: International Fund for Agricultural Development.
- IFAD** 1999a. Haiti: Country Strategic Opportunities Paper. Rome: International Fund for Agricultural Development.
- IFAD** 1999b. *Rural poverty: A regional assessment*. Rome: International Fund for Agricultural Development, Latin America and the Caribbean Division.
- IFAD** 2000. Eastern Caribbean Countries and Trinidad and Tobago: Regional Strategic Opportunities Paper. Rome: International Fund for Agricultural Development.
- IFAD/FAO** 1999. Prevention of land degradation, enhancement of carbon sequestration and conservation of bio-diversity through land use change and sustainable land management with a focus on Latin America and the Caribbean. Proceedings of an IFAD/FAO Expert Consultation, April, 1999. Rome: International Fund For Agricultural Development and Food and Agriculture Organization of the United Nations.

- Lara Flores, S. M.** 1995. La producción de flores de exportación en México: Un espacio de empleo femenino. En: *Mujeres: relaciones de género en la agricultura*. Santiago de Chile: Centro de Estudios de la Mujer (CEDEM).
- Levy, S.** 1990. Poverty alleviation in Mexico. World Bank Working Document WPS 679. Washington, D.C.: World Bank.
- Liamzon, C.** 1999. Civil organizations and their role in people's empowerment and rural poverty eradication. Thematic Paper. IFAD Workshop on Rural Poverty. Rome: International Fund for Agricultural Development.
- Lustig, N.; Arias, O.** 2000. Poverty reduction. *Finance & Development* 37(1). Washington, D.C.: International Monetary Fund.
- Machado, A.** 1991. *Apertura económica y economía campesina*. Buenos Aires, Argentina, Editorial Siglo XXI.
- Ministerio de Agricultura, Perú; Fondo Internacional de Desarrollo Agrícola** 1999. Fomento del mercado de servicios de asistencia técnica en la Sierra Peruana: una experiencia innovadora. Proyecto Fomento de la Transferencia de Tecnología a las Comunidades Campesinas de la Sierra (FEAS). Lima, Perú.
- OIT** 1999. *Panorama laboral*. Lima: Oficina Regional de la Organización Internacional de Trabajo (OIT) para América Latina y el Caribe
- Piñeiro, M.; Martínez Nogueira, R.; Trigo, E.; Torres, F.; Manciana, E.; Echeverría, R.** 1999. *La institucionalidad en el sector agropecuario de América Latina: evaluación y propuestas para una reforma institucional*. Serie de Informes Técnicos del Departamento de Desarrollo Sostenible. Washington, D.C.: Banco Interamericano de Desarrollo.
- Peña Montenegro, R.** 1997. Pobreza rural en América Latina y estrategias de desarrollo rural. Seminario Latinoamericano de Sistemas Privados de Asistencia Técnica. Santa Cruz, Bolivia. 24-27 de marzo de 1997.
- Peña Montenegro, R.** 2000. Creando oportunidades para el pobre rural. Trabajo presentado al Seminario Internacional "La Nueva Ruralidad en América Latina". Pontificia Universidad Javeriana. Santafé de Bogotá, Colombia. 22 al 24 de agosto de 2000.
- Pollak-Eltz, Angelina.** 1990. *La negritud en Venezuela*. Caracas: Cuadernos LAGOVEN.
- Quijandría, B.; Ruiz, M. E.** (Eds.) 1988. *Aspectos metodológicos del análisis social en el enfoque de sistemas de producción*. Red de Investigación en Sistemas de Producción Animal en Latinoamérica y Centro de Estudios y de Desarrollo Agrarios del Perú. San José, Costa Rica: Inter-American Institute for Cooperation on Agriculture (IICA).
- Reardon, T.; Cruz, M. E.; Berdegú, J.** 1998. Los pobres rurales en el desarrollo del empleo no agrícola en América Latina: paradojas y desafíos. 3er. Simposio Latinoamericano de Investigación y Extensión en Sistemas Agropecuarios. Lima, Perú. 19 al 21 de agosto de 1998.

- RIMISP/FIDA** 1999. Palabras de mujer. Concurso de autobiografías de mujeres dirigentes campesinas e indígenas de América Latina y el Caribe. Red Internacional de Investigación en Sistemas de Producción. Santiago de Chile: Fondo Internacional de Desarrollo Agrícola.
- SERNAM** 1998. Las temporeras de la fruta. Santiago de Chile: Servicio Nacional de la Mujer (SERNAM).
- Swaminathan, M. S.** 2000. Community-led approaches to ending food insecurity and poverty. IFAD Public Lecture. Rome: International Fund for Agricultural Development.
- World Bank** 1999. *World development indicators*. Washington, D.C.: World Bank.
- World Bank** 2000. From Vision to Action Update. Concept Paper. Washington, D.C.: World Bank.
- Zeller, M., Sharmja, M.** (Eds.) 1999. Innovations in microfinance for the rural poor: Exchange of knowledge and implications for policy. Proceedings of an International Workshop. IFPRI/IFAD/Bank of Ghana. Accra, Ghana.

