



## Rural territorial dynamics. A Latin American perspective

Visit to Ecuador, 8–11 September 2009

### Key events

During the four days in Ecuador, the following took place:

- **Seminar on rural territorial dynamics**, 9 September, U. Simón Bolívar, Quito — well attended by senior scholars and students, policy-makers and government staff from central ministries and provincial authorities, and opened by the minister of agriculture; this consisted of largely of a set of presentations with some time, although brief, for discussion.
- **Field trip to Tungurahua**, 10 September — with briefings from provincial staff and local leaders, and an excursion to Quero canton to meet two groups of producers, ending with magnificent entertainment from the folk dance group of Tungurahua.
- **Meeting at the Ministerio de la Coordinación de Política Económica** (Ministry for Economic Policy Co-ordination) with the minister, Natalie Cely, the deputy minister, Mauricio Peña, and their team.

Those from IPPG included Kunal Sen, Paul Hare, John Morton, Ruth Hill & Steve Wiggins from the UK; Alejandro Schjetman, Manuel Chiriboga of RIMISP and Javier Escobal from GRADE Peru. Carol Chehab from OCE Quito joined the team and headed the logistical support.

### Insights from Ecuador

A left-of-centre government wrestles with the question of what it means to build a more socialist economy and society, while accepting that private enterprise will carry out the bulk of economic activity, co-ordinated in relatively free markets and an open economy — Ecuador uses the US dollar as its currency. There is an intense sense of having emerged from either the ‘long night’ or the ‘short twilight’ — depending on interpretation — of neo-liberalism. In an intriguing exchange in the seminar, the failure of the neo-liberal model was seen as having interfered with an Ecuadorian tradition of pragmatic negotiation in favour of rigid rules that simply did not fit the context and offended local norms: a good example of ‘institutional monocropping’. While a fascinating hypothesis, it does raise questions as to how well the previous pragmatism led to economic efficiency or political stability, let alone to social equity.

Another refrain was that of breaking with the paternalism of the past, where first the state, and then, following structural adjustment, the NGOs, had delivered goods and services to the poor with little regard to the sustainability of these actions or to the dependent relations they tended to create.

Hence the meeting with the ministers was dominated by concerns over how to ensure that the economy grows and yet that the distribution of the benefits accrue more to the poor than they have in the past. Growth is seen as depending mainly on setting an enabling environment and otherwise improving competitiveness, rather than through more direct measures to raise levels of investment.

Ideas about making growth more favourable to the poor are more diffuse and range from the conventional proposals of facilitating their entry into the supply chains and improving their position within them, to the more politically ambitious project of creating participatory planning at levels

from parishes upwards to the national, to frankly alarming mention of having the state act as a buyer to displace private traders who take the lion's share of the value in the chain. From the ministers meeting it seems that they are keen to learn from the experiences of others. They have, for example, been briefed by Chile on promotion of small and medium-scale enterprises.

IPPG contributions suggested the importance of supporting growth strategies with safety nets such as public employment schemes to ensure that the vulnerable are not unduly marginalised in the early stages of vigorous growth led by private enterprise.

In *Tungurahua* we heard reports of remarkable participatory planning, whereby there are three provincial parliaments mandated to discuss and propose actions in respect of water, work and people (migration, health, education, gender equality, disability, etc.). The representatives of these bodies spoke with pride of their work. Clearly if an element of governance is getting a better social contract between citizens and government, then this looked to be a notable step forward in a region where grass-roots voices have historically usually only been heard in violent (and usually vain) upheaval, a shrill plea that is soon drowned in the bloodshed of subsequent repression.

We also heard that in *Tungurahua* local micro-finance associations, often led and run by indigenous groups, had recently multiplied. If ever there were a research project begging for attention it would be finding out how they operate, how they arose, and how successful they are. Given the severe obstacles that the poor in Latin America have in getting financial services that serve their needs at reasonable cost, these could be an important step forward for the local economy.

In the canton of *Quero*, in the south of *Tungurahua* we met two producer groups who were grappling with the challenges of improving their production, as well as the subsequent processing of their outputs and their engagement with the supply chain. A milk co-operative of some 40 dairying households had been assisted to set up and operate a collection point with chilling and control of milk quality, so that the milk could be sold to a private processing plant some 30 km away, rather than to 'piqueros', traders with pick-ups taking up raw milk. The price of milk had consequently risen from US\$0.20 to US\$0.35 a litre. They had contracted a technical specialist to help them. He enthusiastically told their history and the issues arising: stressing the importance of separating business functions of the association from the social and welfare aspects. On a technical note, they are aware that it is cheaper to raise cows on grass than to feed concentrates: a point not always clear among dairy farmers in Latin America. The countryside around was dominated by green pastures with pure and cross-bred Holsteins to the fore.

Another group, of around a dozen producers had seen their farms hit by ash deposits from the volcano. They had turned to growing uvilla (*Physalis peruviana*, *Cape Gooseberry*) berries as a cash crop. They were looking to process their berries into jam and ice creams and had obtained the equipment, but their marketing was blocked for more than 12 months in long procedures to get a health certificate.

## Rural territorial dynamics in Latin America

The seminar was mainly taken up by reporting on research in the Andes under Rimisp's ambitious **Rural Territorial Dynamics** programme.<sup>1</sup> In the early stages of this, regions have been selected for their recent success in raising rates of economic growth, reducing poverty and narrowing equality.

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<sup>1</sup> For more details see my report of the 'Workshop on Rural Territorial Dynamics, Quito Ecuador, 24–25 July 2008'. This reported:

RIMISP has started a large and ambitious project to explore RTD in Latin America: 4 or 5 years work, in 25 regions in 10 countries, with not only research but also forming networks of academics and practitioners. The first part of the research aims to use existing data to characterise the outcomes seen in different regions in terms of three principle measures: economic growth; poverty reduction; and inequality.

Then will come the search to explain the outcomes seen. For this a wide-ranging framework has been created, the core of which argues that the way that local actors combine in different modes to produce

Tungurahua Province is one of those regions. Pablo Ospina, USB, reported on the study of that region to date. Drawing heavily on economic history, his account stressed how the close relations of the countryside to the market centre of Ambato had allowed peasant farmers to trade on the market since the early 1900s to good effect, so that some had been able to buy their own land. Even when food prices subsequently rose making the land more attractive to the landlords, they were in a good position to resist offers for their land. A large irrigation network underlay the success of local farming, while an excellent road network encouraged links from country to town. Economic fortunes had ebbed and flowed. Local manufacturing of import-substitutes with rubber, leather, and textiles had flourished from the 1940s, but had subsequently been hit heavily by Chinese imports once the economy was liberalised in the 1980s. Fruit farms had at the same time run into competition from Chilean fruit.

Javier Escobal leads a team looking at changes in Cuatro Lagunas, in the high mountains of Peru between Cusco and Sicuani, a zone seen as relatively remote with an economy based on smallholder farming with potatoes and other crops and livestock keeping as the main activities. Between 1993 and 2005 there were signs of social progress, improved standards of living and major investments in physical infrastructure that gave rise to much better connections to the regional capital of Cusco.

Part of the local history is a past of repeated aid-funded projects most of which had not been sustained, but which had left a legacy of training and skills amongst the population. Current development initiatives in the area fall into two categories: the government package that promotes production of staple foods; and the IFAD-funded programme to form local groups to take advantage of new economic opportunities. Changing relative prices of potatoes, livestock and urea fertiliser have seen the accent in farming move from livestock to potatoes and back again.

In the same country, Javier and colleagues are investigating the effect of 'institutional density' on the transmission of economic growth to poverty reduction, since significant differences in this transmission exist between Lima, where it is strongest, the Coast, in the Sierra, and in the jungle, in declining order of effect on poverty. They see institutional density in the presence of collective action, set within contexts of degrees of differentiation by ethnicity and politics. In this case it is measured by the existence of neighbourhood groups in cities and the peasant patrols in rural areas. As an early finding, it seems that infrastructure has most effect on growth and poverty where institutional density is high.

In Bolivia, Leonith Hinojosa and Tony Bebbington have begun to look at what happens to oil and gas rents in the Department of Tarija. How do local interests and coalitions express themselves, act and with what outcomes? By taking three different locations within the region, they have the chance to compare such processes. Already it looks as though Caraparí may be an example of the 'resource curse' as the windfall of gas royalties are spent on a magnificent set of municipal offices.

Discussion of this work threw up some familiar questions and dilemmas. How are institutions defined as entities that can be observed or measured? How can we avoid concepts becoming too fluid so that the difference between, for example, policies, investment programmes, and institutions as the rules of the games, remain clear? How do we go further in pursuit of the origins of the rules of the game?

Indeed, these concerns had echo in the two presentations from IPPG North. Paul Hare described how in Ghana while the government is consciously trying to improve the business environment, managers and investors in private enterprise still face clumsy regulations and the inadequacies of the state in supplying public goods. Worse, these failings may be embedded in the intricacies of networks of kin and ethnicity.

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institutions that then influence production and the distribution of the benefits is central. Just how this will be explored will be discussed later in this report

In a whirlwind tour of IPPG work, Kunal Sen reviewed forest rights and taxation systems in India, Malawi land reform, coffee marketing in Tanzania, and state-business relations in general in Africa and South Asia. In all of these vignettes, it was clear that the outcomes of well-meaning interventions depended on social and political issues embedded deep in social and political structures. The challenge with this work is to extricate these insights from the boggy ground that suggests that short of going back several generations and reversing decisions taken decades ago, there is little or no room for manoeuvre.

## Development challenges and ideas

For Latin American specialists it is striking how much has changed in Latin America during the last few decades. Political conflict is hugely reduced, elected governments are the norm — several of them with agendas to reform longstanding inequities, growth is taking place, and some of the old narratives have been left aside. On the other hand, Latin America remains a region of striking and alarming inequalities, where those with power and money frequently exercise their will with scant regard for the rights of the rest.

It is the social science debates that have changed perhaps most of all. The 1970s saw Marxian frameworks to the fore, with dependency theory as a specifically Latin American variant. Although these ideas often produced a cogent and powerful critique of capitalism, few action proposals emerged other than revolt — and in the few cases when revolts were successful, the resulting governments then had too little practical guidance as to how construct a feasible alternative. From an intellectual point of view, empirical work tended to be neglected in favour of theorising: quantitative analyses, in particular, were rare.

This is clearly something of an exaggeration since all manner of valuable field work took place, especially by anthropologists and rural sociologists, but the insights from this work were not valued as they should have been. Instead, at worst any findings that contradicted the predictions of the grand theories tended to be ignored, seen as the result of flawed investigation or even of ‘false consciousness’.

Today the intellectual field would be almost unrecognisable to a Rip van Winkle awaking in his study from a thirty-year’s slumber. Empirical work is thriving, quantitative analyses are common, old ideas have been re-assessed. Above all, there is a spirit of enquiry: of lively interest in digging out facts and interpreting what they may mean. Markets, for example, in Tungurahua are no longer axiomatically fora in which peasants are exploited: they are complex, deals are invested with social, political and economic dimensions. Given certain circumstances, there is no reason that poor peasants cannot use them to their advantage. The agency of the peasantry is being rediscovered: yes, they face powerful forces that shape their lives, but they are not impotent, their only remedy being rebellion.

Last but not least, there are encouraging signs that policy makers are taking up some practical steps forward with results, assisted by research — Mexico’s Oportunidades is one example, but there are many more.

Steve Wiggins

Reading, 18 September 2009