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# **Innovative Strategies for Reducing Poverty in the Southern Highlands of Peru**

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## **Executive Summary**

Peru, the fourth largest country in Latin America, is a severely indebted middle-income country that achieved only slight reductions in poverty in the late 1990s. The largest concentration of the rural population is in the Andean Highlands—one of the country’s three main zones—where 4.2 million rural people are poor, with 73 percent living in poverty and 27 percent in extreme poverty in 2001. The government’s strategy for reducing poverty in the rural highlands involves promoting sustainable growth to increase incomes, enhancing human development by providing education and health care, as well as social protection to people bypassed by growth, and strengthening local institutions to enhance people’s capacity to manage their affairs, improve their lives, and raise their self-esteem.

### **A new approach to rural development**

In the Southern Highlands the approach to rural development and poverty reduction has shifted from providing supply-driven extension and related services to empowering farmers and meeting their demands for investments and services of their own choosing. This change has strengthened peasant communities and women’s organizations, making them the driving forces of development. It has also empowered communities by making them directly responsible for managing financial, natural, and social resources. Poor, marginalized communities are now involved in civil society and the formal economy.

Transferring decision-making power and authority over resources to communities and households has increased their incomes and assets and bolstered the legitimacy of communities responsible for planning and administering collective resources. It has also enabled them to become active economic and social stakeholders who exercise their rights as citizens, boosting their self-esteem.

### **IFAD’s efforts**

The International Fund for Agricultural Development (IFAD) has promoted and supported this new approach to development through a strategy that focuses on five main goals: improving management of and access to natural resources, increasing the assets of small farmers, improving access to services by developing markets and strengthening public and private service providers, increasing access to information and new business opportunities, and strengthening local development and identity—especially in areas with substantial cultural and ecological potential.

Four IFAD projects in the Southern Highlands, involving investments of nearly \$100 million, aim to reduce poverty by expanding the capital and asset base of the rural poor and increasing their access to services. The Promotion of Technology Transfer Project to Peasant Communities in the Highlands has been completed, the Management of Natural Resources in the Southern Highlands Project is nearly complete, the Development of the Puno-Cusco Corridor Project is under way, and the Market Strengthening and Livelihood Diversification in the

Southern Highlands Project is not yet operational. The strategic thrust in all four projects is shifting from supply- to demand-driven service management by poor communities.

### **Scaling up**

IFAD's demand-driven projects develop markets for local goods and services using an approach that transfers responsibilities for managing and administering public funds to users and community organizations. Efforts to scale up the projects occur at various levels:

- *From households to farmers organizations and communities.* The projects transfer responsibility for managing public funds to 180,000 families (nearly 1 million people), 1,100 farmer organizations, and 1,000 communities.
- *From natural resource management to wider economic activities with strong rural-urban market links.* These efforts have been supported by new training and dissemination tools that have spread new technological and economic approaches.
- *From one project area to the entire Southern Highlands.* The first project, to promote technology transfers to peasant communities, started in five departments of the Andean Highlands but eventually covered the whole rural area of the Southern Highlands.
- *From donor initiatives to government institutions.* The government has used the basic principles of the demand-driven approach used by IFAD projects in its poverty alleviation programs, especially through the National Compensation and Social Development Fund. Projects are chosen and applications prepared by communities, with some assistance from local Fund offices. Projects are then ranked according to a number of technical criteria, and the best local projects are selected. This procedure maintains competition and project quality while ensuring that projects meet local needs and desires.
- *From IFAD to other international donors.* The World Bank has incorporated the concept of transferring resources directly to beneficiaries in its rural development operations, such as the recently designed Highlands Development Project.

### **Results and future directions**

The results of IFAD's projects in the Southern Highlands have gained momentum as policies have evolved and the state's role as service provider has waned, inducing the government to adopt a broader strategy of demand-driven service provision. Elements of IFAD's innovative experiences and local management tools are also being used by other governmental institutions, IFAD projects, and donors. Moreover, with the evolution of the IFAD projects, municipal governments have become co-financiers and stakeholders in projects, supporting complex demand, supply, and market linkages in their municipalities.

With greater inclusion, participation, power, and control over public resources and decisions by villagers, providers of services—including training and technical assistance—have become more responsive and accountable to beneficiaries. IFAD will continue to learn with and

from its partners—local, governmental, and international—in its efforts to significantly contribute to empowering poor people and alleviating poverty.

## **Lessons**

IFAD's efforts in the Southern Highlands offer several lessons:

- *The new approach required broad consensus and support.* Scaling up the demand-driven approach from a single project to the entire Southern Highlands would never have been possible unless the government and other development partners agreed to give decision-making power to poor rural households and communities. Similarly, this devolution of decision-making succeeded because these beneficiaries believed that it was important to expand government services in one economic subsector (agricultural extension) to cover a wider range of socioeconomic issues.
- *A synchronized process provided mutual support.* The demand-driven approach was implemented by building the capacity of households and communities while developing the skills and approaches of service providers. This parallel process depended on intensive feedback and mutual learning. Raising awareness among service providers about their accountability to client farmers and communities was crucial in achieving a lasting win-win situation. At the same time, farmers and communities had to bundle their interests and priorities to achieve critical mass and sufficient purchasing power—ensuring attention to and coverage of needed services.
- *Openness and transparency were essential.* Promoting intensive, ongoing dialogue and exchange of information with all stakeholders—at all stages—reduced controversies, helped meet expectations, and increased a sense of ownership of change. Still, the real drivers of this process and its support by third parties such as the World Bank and the National Compensation and Social Development Fund are the undeniable, enduring results achieved in poverty reduction. The IFAD projects have already provided significant benefits to more than 100,000 households, and efforts are still under way—showing the feasibility of Peru achieving the Millennium Development Goals.

## Implementation Process

With a territory of 1 285 000 km<sup>2</sup> Peru is the fourth largest country in Latin America. It is divided into three major zones: (i) the Pacific Coastal area, where economic and political activities are concentrated in the productive valleys, (ii) the Andean Highlands, with agriculture and mining as the main economic activities and (iii) the Tropical Lowlands with petroleum extraction and tropical agriculture.

Peru is classified as severely indebted, middle-income, ordinary terms loan country where poverty conditions improved slightly in the late 90s. The largest segment of the rural poor is concentrated in the Highlands. It is estimated that 18 percent of the national population live in 5 500 peasant communities, of which 4 000 such communities (representing 460.000 rural households of indigenous origin) are located in the Southern Highlands. In 2001, 73 percent of the rural highland population was living below the poverty line, and 27 percent in extreme poverty. Some 4.2 million rural poor live in the Highlands, whose incomes are on average 30 percent below the poverty threshold.<sup>1</sup>

The Government strategy to reduce poverty is organized around 3 central objectives (i) competitiveness and employment generation (ii) equity and social justice, including access to health, education, culture and basic services and (iii) institutionality, creating an efficient, transparent and decentralized state.<sup>2</sup>

In 2002, the Government of Peru adopted the following rural poverty reduction strategy for the Highlands of Peru:

- Promoting sustainable rural economic growth to increase rural incomes and reduce rural poverty in a sustainable way.
- Enhancing human development through rural education and health services and providing social protection to those by-passed by growth.
- Building up institutions to sustain growth and social protection, to enhance the capacity of people in the rural Highlands to manage their own local affairs, to improve the quality of life, and to promote their self-esteem.<sup>3</sup>

The Ministry of Agriculture (MINAG) is responsible for policy making, monitoring policy implementation, and collecting and disseminating information. The implementation process of these policies and strategies is entrusted to projects and programmes. With the dismantling of central ministries in the 1990s, large national development programmes were created. One of the

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<sup>1</sup> IFAD, 2002, Republic of Peru, Country Strategy Opportunities Paper

<sup>2</sup> IRBD, 2002, Peru Country Assistance Strategy, 2003- 2006

<sup>3</sup> IBRD, FAO Investment Centre, 2002, A Rural development Strategy for the Peruvian Sierra. The GOP accepted this strategy as its official rural development strategy.

major key players for investments in the rural area of Peru is FONCODES (National Compensation and Development Fund).

IFAD's strategy<sup>4</sup> for Peru encompasses five main objectives:

- Fostering the management of natural resources and its access;
- Increasing small scale farmers assets by investing in externalities and establishing competitive fund transfer mechanisms rewarding results and achievements;
- Improving access to services by fostering market development and beneficiaries' capacity to contract services, and by strengthening institutional and private-sector service providers;
- Increasing access to information and new business opportunities with an emphasis on joint ventures between rural communities and the private sector and on the promotion of new products and services to achieve diversification; and
- Strengthening local development and identity, especially in areas with substantial cultural and ecological potential.

IFAD's recent operations in Peru are concentrated in the Southern Highlands with a financial volume of USD 98,6 million. The implementation instruments are a sequence of projects aimed at poverty reduction that seek to expand the capital and asset base of the rural poor and their access to services:

- Promotion of Technology to Peasant Communities in the Highlands Project (FEAS) in which – together with the MINAG- experiences were gained with the shift from a supply-based system of technical assistance service delivery to a demand-driven service market system , transferring funds directly to the communities for them to contract services provided by private technicians.
- Management of Natural Resources in Southern Highlands Project (MARENASS/MINAG) which is deepening the experience of the FEAS project with the core features: management of productive natural resources, development of private technical assistance and training services and a competition-based methodology known Pacha Mama Raymi<sup>5</sup>.
- Development of the Puno-Cusco Corridor Project (CORREDOR/FONCODES) which is building up and scaling-up the experiences of the previous projects. It expands its area of intervention with the concept of a socio –economic development corridor, urban-rural linkages, micro enterprises activities, business opportunities and the development of local markets for goods and services. It combines sectoral with geographical up-scaling capitalizing former experiences.
- Marketing Strengthening and Livelihood Diversification in the Southern Highlands (SIERRA SUR). The project is in its pre-implementation phase.

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<sup>4</sup> IFAD, Republic of Peru, Country Strategy Opportunities Paper, April 2002

<sup>5</sup> The celebration of Mother Earth, traditional method, see chapter 5.3

The overriding strategic and innovative thrust in all these four projects is the turnaround from supply to demand driven service management by rural poor communities.

This synchronized and sequenced development is achieved by fostering local service markets parallel with the capacity of beneficiaries to hire such services directly. As a consequence, private and public service providers are supported, linkages between peasants, artisans and micro-entrepreneurs are promoted, urban/rural service and market linkages, decentralization processes of decision-making and direct participation by self-targeted beneficiaries in the use of resources, including financial resources, is operationalised.

Other complementary thrusts include the geographic targeting, strengthening of local democratic organisations, development of human capital and recovery of local knowledge and culture, and consolidation of the negotiating capacity between the poor and the rest of society.

These projects hence address the multiple dimensions of scaling up at different levels:

- **Geographical:** From one project area to the Southern Highlands;
- **Social:** From individual households to farmers' organizations and Andean communities;
- **Sectoral:** From Natural Resource Management to wider economic activities with strong rural/urban market linkages;
- **Institutional/political:** From donor dialogue initiatives to Government institutionalization; and
- **Development community:** From IFAD to other members of the International Development Community.

## Impact Analysis

The geographic coverage and spread of the turnaround from supply to demand driven service management started in the High Andean provinces of the Departments of Piura, Cajamarca, Puno, Moquegua and Tacna (FEAS). It was followed by 13 provinces of the Departments of Apurimac, Ayacucho and Cusco (MARENASS) and with the latest project (CORREDOR) now covers 35 percent of the area of the Departments of Cusco and Puno connecting inter-Andean valleys with the Andean High Plateau of Bolivia.<sup>6</sup>

Vertical and horizontal up scaling using innovative instruments and methodologies<sup>7</sup> relying on indigenous traditions and experiences led to the following outputs.

The FEAS<sup>8</sup> project reached 58,000 households with technical assistance services. Five hundred farmer organizations hired technical assistance services<sup>9</sup> for a total value of USD 7,5

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<sup>6</sup> See maps in the attachment

<sup>7</sup> See Learning and experimentation

<sup>8</sup> Completed in 1999

million. Cash contributions from farmers organisations to hire these services amounted to USD 1,0 million.

MARENASS<sup>10</sup> addresses 88,000 households in around 600 communities, of which 360 communities (60 percent) obtained a tangible impact (48,000 households) with regard to improvement of household assets. Twenty-five thousand households have changed their economic and social situation from subsistence and food insecurity towards a market oriented production. Women groups represent approx. 18 percent of all organisations. Rural households have now financial capital and economic assets for food security and are more fully incorporated in the market chain.<sup>11</sup>

The CORREDOR project benefits around 650 communities. Twenty per cent of the beneficiaries are women. Additionally to the targeting of communities, 2 300 micro-entrepreneurs and 1800 artisans are involved in economic activities.<sup>12</sup>

While in the MARENASS project follow up interventions are more in the field of natural resource management, the CORREDOR project strengthens organizations and households to develop market initiatives. Experiences of MARENASS and CORREDOR have shown that communities legitimately assume a role in policy-making, regulation, guidance and facilitation, while economic interests are left to households.

The fundamental change in approach to rural development in the poor Southern Highlands from traditional supply-driven state extension and related services to an empowerment of farmers in meeting their demand for investments and services of their choices has strengthened peasant communities and women's organizations as the driving forces of development.

The strategy of transferring decision-making power and authority over resources to the communities and households had a positive impact by increasing their revenue and assets<sup>13</sup> and helped to strengthen the legitimacy of communities responsible for the planning and administration of collective resources. Significant impact of the transfer of decision-making capacity has been the affirmation of rights and abilities as "person and citizen" to be active economic and social protagonists who exercise their rights as citizens.

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<sup>9</sup> IFAD, 2001, Project Completion Report, Promotion of Technology transfer to peasant Communities in the Highlands

<sup>10</sup> Expected to close mid 2004

<sup>11</sup> MARENASS served around 7 percent of the Andean communities. IFAD, 2002, Proyecto de manejo de los recursos naturales en la Sierra Sur (MARENASS), Evaluación preterminal

<sup>12</sup> IFAD, 1997, Report and Recommendation of the President to the Executive Board on a proposed Loan to the Republic of Peru for the Development of the Puno-Cusco Corridor Project.

<sup>13</sup> A survey about income generation in the MARENASS intervention area shows an increase of income between 2000 and 2003 up to 64 percent in households receiving technical assistance from private service providers. At the same time in all communities attended by MARENASS a high percentage had improved their physical assets like houses, home garden, stables.

Parallel to the increase of self-esteem of the poor population, communities were empowered by making them directly responsible for managing financial, natural and social resources and strengthening community organizations. The poor marginalised communities are now more involved in civil society and the formal economy. The projects influenced people's way of thinking, it developed abilities and above all it empowered individuals and organisations in the pursuit of better living conditions.

The FEAS project showed that providers of technical assistance providers were living within communities and in many instances shared risks with their clients. Sharing responsibilities were up-taken in the CORREDOR project for fostering the urban/rural development linkages.

Training of local professionals, including new technical assistance providers, proved key to success. With greater inclusion and participation, power and control over public resources and decisions by client-villagers, service providers were more responsive and accountable to the beneficiaries.

“Short chain” market mechanisms helped to establish the linkages of rural and semi-urban micro-enterprises, and according to the jointly established definition of their role, intermediaries are included in the business plans of the entrepreneurial farmer organizations. Thus the beneficiaries not only produce in a sound sustainable natural management system (MARENASS), they also commercialize their products in markets of small and medium sized cities (CORREDOR).

Building on the concepts of economic corridors and farmers business plans, IFAD projects have changed the predominant approaches in efforts to combat rural poverty. The core objective of improving marketing has been replaced by strengthening markets with the CORREDOR project. It has been shown that it is possible to develop local markets for non-financial technical services in poor rural areas and, that through the transfer of competitive incentives and decision-making power to the poor population, it is possible to ensure that such demand is effective.<sup>14</sup>

Whereas the FEAS project focused on client-demand and producers' decision-making and negotiating capacity in terms of hiring and supervising technical assistance services, the MARENASS and CORREDOR project acknowledge the community and micro-entrepreneurs as public subjects responsible for planning, defining priorities, administering public funds and supervision. Here the slogan would be “from client to citizen”.

It is estimated that the return on project investment in terms of increased value of beneficiaries' assets<sup>15</sup> ranges between three and five dollars for every dollar spent by the project on the communities. Other non-economic impact, such as self-esteem, gender gap closing, civil empowerment and environmental sustainability were equally achieved.

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<sup>14</sup> One of every three organisations that participated in the FEAS project was willing to continue to hire technical assistance with their own resources. IFAD, 2001, Republic of Peru, Promotion of technology transfer to peasant communities in the Highlands Project, Project Completion Report

<sup>15</sup> “Bang-for-the-Buck”

## **Driving Factors**

### **Commitment and Political Economy for Change**

Before 2001 central GOP's interest in devolution processes was rather limited. IFAD - supported by its UN wide pro-poor rural development mandate- managed to broker a fragile understanding between stakeholders resulting in GOP's acknowledgement of IFAD's devolution drive in its Loans and Grants Programmes in Peru.

IFAD and its partner institutions created and shielded an institutional political space which operated at different segments of the sometimes parallel power continuum: from central, ministerial GOP through local and municipal governments to rural farmers institutions and service providers and back again, squaring the circle whenever needed, wherever feasible.

This inclusive learning approach resulted in projects designed, implemented and supervised by the beneficiaries themselves. Prerequisites and conducive conditions that evolved were the contractually determined rights and responsibilities of partners, e.g. the management of public funds, which implies certain commitments by the beneficiaries and the funding agency. Transferring funds to a private organisation (community) is regulated by an instrument called "Contrato de Donación con Carga." This transfer process created a mutual alliance (win-win situation) between the State and the community. It represents more than just a legal relationship of fund provider and recipient. This instrument was developed under FEAS and consecutively fine-tuned in MARENASS and CORREDOR and requires the following steps:

- A contract between the project and the users organizations, embodying a set of mutual and legal commitments;
- Counterpart contributions by the direct beneficiaries of funds; and
- Organizations had to open a bank account in order to receive funds. This has encouraged organizations to establish a formal relationship with the financial system.

In the mid 90s the extension systems managed by the state organizations disappeared, few private service providers had stepped in for pro poor rural development and deepened marginalization of rural communities set-in. However, the learning process (from supply to demand approach) proved to be robust and the results of three IFAD projects in the Southern Highlands gained momentum as policies and a smaller role of the state as service provider evolved.

With the change of the Peruvian Government in 2001, new rural development concepts emerged and were fostered to combat rural poverty. By 2001/2002, IFAD and its partners' commitment to the new approaches had shown its advantages and impact. The institutionalisation of developed tools and changed mind-sets of decision makers contributed to far-reaching policy

change. The concept of “Economic Corridors” has now been taken up as a tool to promote sustainable rural growth for the Peruvian Highlands.<sup>16</sup>

## **Institutional Innovation**

### **Geographic up-scaling**

Up-scaling the demand-driven approach from one single project to the Southern Highlands would have never been possible without the acknowledgment of the government and the implementing development institutions to “give decision making power to the beneficiaries “.

### **Socio-economic and sectoral up-scaling**

MARENASS has an impact in the institutional and policy spheres at two levels: the national level and the regional/local level. Since 2001 The Ministry of Agriculture (MINAG) and the Ministry of Economy and Finance (MEF) have shown interest in the achievements and advances of MARENASS. Local governments, especially the municipal governments have played a leading role in promoting and establishing the project in their jurisdictions, fostering contact and dissemination of MARENASS among the communities.

### **Political up-scaling**

With the evolution of the IFAD projects the municipal governments changed their role from an entry point to establish initial contacts with rural communities to co-financiers and stakeholders in the project strategy supporting the complex process of demand, supply and market linkages in their municipalities.

The GOP views the IFAD financed projects as helpful pilot experiences for its own programs for poverty alleviation, especially through the national Compensation and Social Development Fund (FONCODES). FONCODES is the major national catalytic institution which took over the demand-driven strategy validated in MARENASS.

FONCODES absorbed the basic principles of the demand-driven approach applied in IFAD projects. Projects are chosen and applications prepared by the local communities themselves, with some technical assistance from the local FONCODES office. Projects are then ranked according to a number of technical criteria, and the best among all local projects are selected. This procedure maintains competition and project quality while at the same time guarantees that projects are selected really to meet local needs and desires.

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<sup>16</sup>IBRD/FAO, 2002 A rural development strategy for the Peruvian sierra: “The purpose of economic corridors is to help develop regional markets in the sierra by linking towns with their rural hinterlands and improving the connections between the urban and rural economies “

Diario Oficial El Peruano, Normas Legales, Julio 2001, p.207918: With regard to investment funds the concept of economic zones or corridors will be adopted with the aim to increase the income of the rural poor in border zones and with relatively low economic development.

**Up-scaling within/by the international development community:**

Out-of-area up-scaling is evidenced in different countries and sectors. Elements of IFAD's innovative experiences and local management tools (such as Pacha Mama Raymi) are being up-taken by other governmental institutions, IFAD projects and members of the donor community (Ministry of Transport, Peru<sup>17</sup>, Technical Assistance Fund -IFAD/IBRD in Nicaragua, projects financed by the EU in Guatemala and Chile).

Learning experiences from IFAD project strategies have been incorporated into the formulation of new multilateral financed projects, like INCAGRO (IBRD) which emphasizes the importance of the following characteristics:<sup>18</sup>

- Orientation and guidance for demand driven proposals by beneficiaries;
- Increase of a private market for service provision and technical assistance;
- Promotion of “matching grants” with co-financing public and private services;
- Fostering of economic and commercial linkages between the urban and rural area; and
- Decentralized management.

**Learning and Experimentation**

IFAD and its partners evolved from viewing rural households as the decision making entities towards farmer organizations and the Andean communities at large. This view called for changing the appreciation of a farmer from a client object into a citizen subject who is responsible for planning, defines priorities and administers funds (USD 30 million). This is the outcome of a series of methods and instruments with several key elements, such as: (i) fostering the planning process with financial incentives, (ii) competitions as a training and dissemination method, (iii) capitalization process by a business fund managed by women, and (iv) farmer-to-farmer training.

**Fostering the planning process with financial incentives**

One of the major planning tools has been the so-called “talking maps” with which the households, organizations and communities establish goals and a plan of action. The “talking maps” are based on the perception of house and farm land and own economic activity which is enlarged and value-added by the community vision and development strategy. Hence households and communal interests are strengthened in a mutual way. Incentives to elaborate a “talking map” are the prizes in cash for the “best plan”.

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<sup>17</sup> The Ministry of Transport is organizing inter-communal competitions for the maintenance of rural feeder roads which resulted in an increase of awareness for maintenance and cash income in the form of prizes for the communities.

<sup>18</sup> Milton von Hesse, Ministry of Economics and Finance, Asistencia Técnica en Proyectos de Inversión Pública en el Peru, in Pierre de Sutter, 2004, Diez claves de éxito para el desarrollo rural

The “talking map” is an instrument that enjoys wide social acceptance (bolstered by the competitions among communities) and it forms the true basis for “trial and participatory” planning in the community.

### **Competitions as a training and dissemination method**

One of the driving factors to achieve mass dissemination and application of new and proven technology is the training methodology “Pacha Mama Raymi” which was introduced in the MARENASS project. It was originally developed in Bolivia.

Pacha Mama Raymi- the celebration of Mother Earth- uses the modality of competitions in which rural households participate voluntarily, competing among themselves, first within individual communities and then between communities. Participation is motivated by the project-financed monetary awards given to the winning households in each community and the winning communities organized at watershed level. The three keys to the success of the methodology are the “competitiveness” of the farmers, the possibility of winning cash prizes, and the fact that Pacha Mama Raymi is basically managed by the beneficiaries themselves, hence reducing external presence to a minimum. By managing their own programme of experimentation and learning the participants multiply the existing potential of knowledge at local, communal and regional level.

The competitions are a catalyst, an efficient and effective means of sharing, disseminating and replicating local technological innovation throughout the entire project area. Two objectives were achieved: First community cohesion and secondly mass dissemination of technology and skills. The level of participation in the competitions amongst households varies widely, but the competitions among communities necessarily involve all households in each community.

Not only have the competitions had implications on the up-scaling and replication of knowledge and techniques, but have also showed economic and social impact:

- The surplus generated by the agricultural production and small businesses, including the prizes won by villagers in the competitions has led to increases in beneficiaries’ financial and fixed assets, such as housing, corrals, terraces and irrigation infrastructure.
- The cash prizes received through the competitions were small<sup>19</sup> in comparison to the pre-investments made by the competitors prior to the competitions as a condition for participation. Through the competitions additional financial resources were mobilized by the beneficiaries to participate in the competitions.
- Prizes were invested in social and economic assets which allowed for improvement of the living conditions of individual households and the whole community.<sup>20</sup>

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<sup>19</sup> The range was between USD 20 for a winning household up to 3,000 USD for the group or community per competition.

<sup>20</sup> An illustrative example that one community bought computers for the school after having won the competition

- Production has doubled or tripled on a large part of the land farmed by each household participating in the competitions between the households.
- Self-esteem and social organization capacities to conflict resolution were boosted as participation in the competitions represents honour, social merit and social coherence.

### **Capitalization process by managing a women business fund**

For the horizontal up-scaling process from natural resource management to wider economic activities with strong/urban market linkages, a special fund provided to women organizations obtained remarkable success. The funds were transferred to the bank accounts of women groups entrusted with the administration. Then loans were directly extended to members of the group to form seed capital. In most cases, the seed capital was used for micro-enterprises, e.g. marketing of traditional cottage cheese. With the fund, women groups in 360 communities achieved an average capitalization of around 50 percent.

### **Farmer(s)-to farmer(s) training**

One of the major project strategies of MARENASS was the expansion of services offered basically through local services providers. A cascade training programme with special emphasis on traditional local leadership and knowledge was implemented with the so called *yachaq and yachachiqs* were trained. The *yachaq*<sup>21</sup> or lead trainers transferred their knowledge to *yachachiq* (contract farmers in the community or “paratechnicians”) who directly assist the households in their respective communities. The community contracts and pays the *yachaq*s as service providers, the *yachachiqs* provide the services ad honorem. With the *Yachachiqs* system demand for direct assistance to farmers increased especially during the preparation phase for the competitions. Costs of technical assistance decreased significantly. Many trained *Yachaq* and *Yachachiqs* are now able to offer their services outside the communities ranging throughout the Southern Highlands.

The *yachaq*s and *yachachiqs* contribute to reducing social and knowledge isolation of the marginalized rural poor and assume a bridging role between the rural world and the urban service centres.

## **Lessons Learned**

Up-scaling the demand-driven approach from one single project to the Southern Highlands would have never been possible without the acknowledgment of the government and the implementing development institutions to “give decision making power to the beneficiaries”.

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<sup>21</sup> Some of the local service providers were former technicians from agricultural extension organisations, but the communities gave preference to the less formerly qualified communal facilitators - so called *yachaq*s

Similarly, this devolution of decision-making focusing on turning around governmental supply services in one economic subsector (agricultural extension) towards a wider spectrum of socio-economic issues is perceived as important by poor rural households and their communities.

The demand driven approach was implemented by dove-tailing household and community capacity building with service providers development. This parallel and synchronized process counted on intensive feedback and mutual learning agendas. Awareness rising on accountability of service providers to client farmers/communities was critical in achieving a lasting win-win situation. On the other hand, the farmers and the communities had to bundle their interests and priorities in order to create a minimum critical mass and attractive purchase power ensuring attention and coverage to the required services.

Conscientious information and intensive dialogue with all stakeholders in all stages of the innovative approach reduced controversies, contributed to achieve expectations and increased a sense of ownership towards change. But the real drivers of this process and uptake by third parties as IBRD and FONCODES are the undeniable and lasting results achieved in poverty reduction, showing the feasibility of meeting the Millennium Development Goals.

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