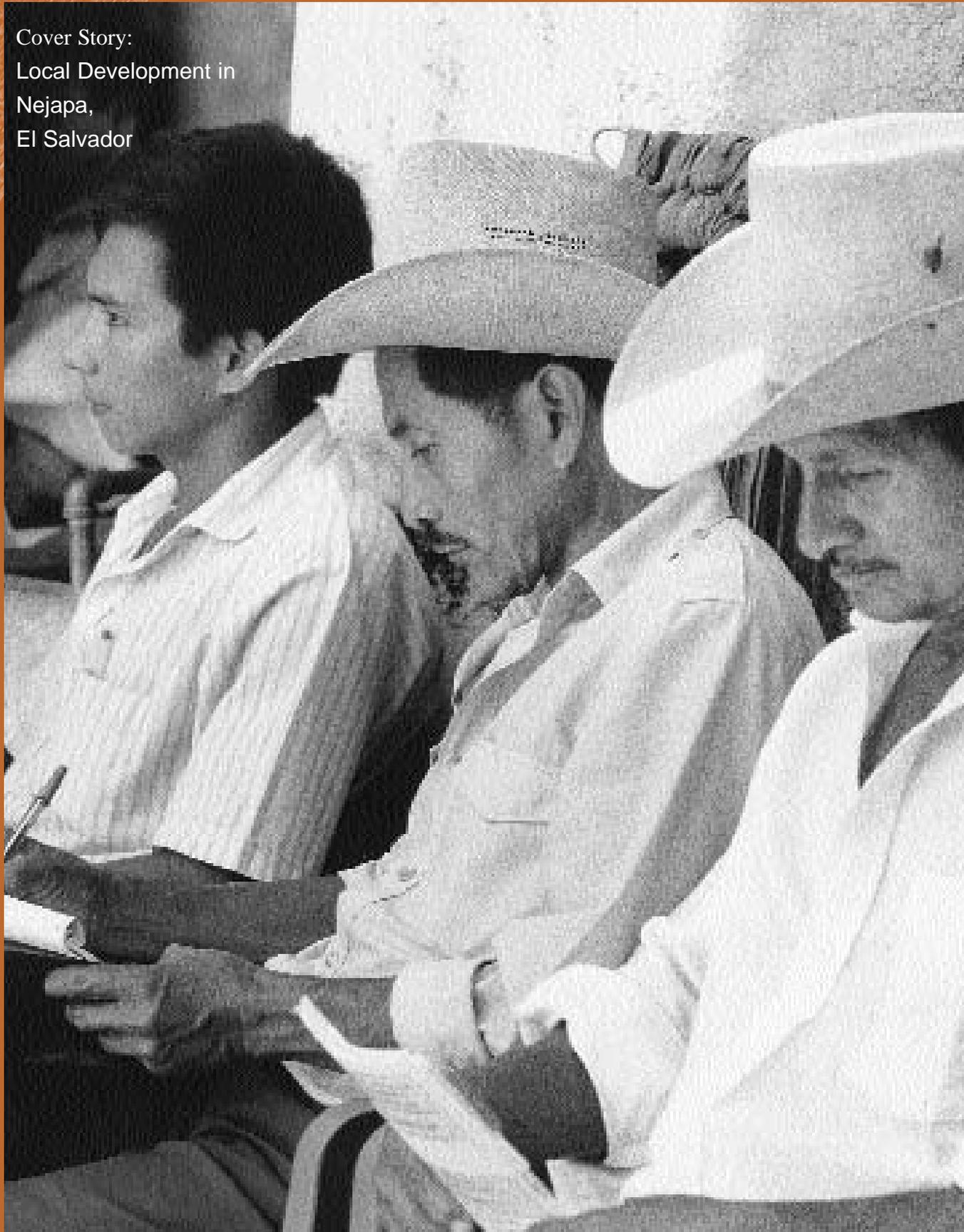


Grassroots Development

Journal of the Inter-American Foundation

Cover Story:
Local Development in
Nejapa,
El Salvador



Volume 22

Number 1

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The Inter-American Foundation (IAF), an independent agency of the United States government, was created in 1969 as an experimental U.S. foreign assistance program. The IAF works in Latin America and the Caribbean to promote equitable, responsive, and participatory self-help development by awarding grants directly to local organizations throughout the region. It also enters into partnerships with public and private sector entities to scale up support and mobilize local, national, and international resources for grassroots development. The IAF's operating budget consists of congressional appropriations and funds derived through the Social Progress Trust Fund.

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Grassroots Development is published in English, Spanish, and Portuguese by the Office of Learning and Dissemination of the Inter-American Foundation. Its purpose is to share grassroots development experiences with a variety of public and private audiences. The journal reports on how the poor in Latin America and the Caribbean organize and work to improve their lives, on issues and trends in the development community, and on how institutions cooperate to further the development of the region. The editor encourages submissions to the journal on grassroots development topics from Latin American, Caribbean and U.S. sources. Prospective contributors should write to *Grassroots Development* for further information [Terry Tracy: ttracy@iaf.gov or use the address below].

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Cover photo: Citizens of Nejapa taking notes during a town meeting
(Photo: Sean Sprague)

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Learning is intrinsic to the Inter-American Foundation's (IAF) work in grassroots development and sharing these insights, gained through the projects the IAF supports, is not only an obligation, but a principal mission. Over three decades the IAF has created an elaborate lesson plan comprised of case studies, oral histories, photographs, books, analytical monographs, videos, and the journal, *Grassroots Development*. The journal is the IAF's favored forum for discussion, for it is a place where, for nearly twenty years, development practitioners have learned from each other's successes and failures, but more importantly, the journal is a place where "they" have taught us how.

"They" are the beneficiaries, the stakeholders, the grantees—the people in Latin America and the Caribbean with the insight and the ingenuity to transform the poverty that surrounds them, but in need of support to progress ahead. In 1977, the IAF published *They Know How...*, which introduced a development methodology that transcended the typical donor-recipient relationship—making the beneficiaries partners in the development process, not merely subjects.

The IAF's partners in development work against the odds, often in a context of fragile national governments and limping economies, in countries with weak infrastructures. Devoted to their initiatives, their energy is concentrated on the survival of a project—whether a micro-enterprise, an agricultural cooperative, or a revolving community loan for housing improvements—and more fundamentally, the immediate survival of their families and themselves. Often the IAF finds its partners too modest to realize the valuable lessons they could offer others, but the journal is a remedy. *Grassroots Development* offers a continuing forum for those lessons, allowing us all to catch a breath—to reflect, assess, and consider how one mistake could be avoided or how one success could be magnified to benefit others.

Technical jargon can plague any professional field, and in development it can sometimes dehumanize the process to a conjunction of acronyms, terms, sequences, and tables. What makes

Grassroots Development unique is that the journal conveys information on methodologies and models by using human stories to illustrate, inspire, and teach; never forgetting that the essential task of development is to improve the condition of the impoverished. The IAF wants people to share the journal, learn from it, and apply its lessons. Incorporating this approach into our work allows the journal to speak to a variety of audiences—academic, business, health care, civil society, donor agencies, and government alike.

Development is growing into a multi-disciplinary endeavor, calling upon different sectors of society to cooperate in complex ventures and break new ground. Now more than ever before, a place is needed where a dialogue on grassroots development can occur across these sectors and the journal has been updated to reflect this change. The journal offers a genuine arena for understanding how each sector operates, what stakeholders think, and how projects evolve—all for the benefit of making grassroots development work.

Journal articles, as before, will continue to examine the mechanics of projects, track the growth of initiatives, and spot emerging trends. In addition, four sections have been introduced which, along with departments, will regularly appear in each issue: *Business in Development*, *Local Development Matters*, *Sustainability*, and *At the IAF*. The journal also welcomes the IAF Fellows as regular contributors to the journal. For each issue, a few Fellows will be selected to have an article published, bringing us research on grassroots development fresh from their fieldwork.

In this issue of *Grassroots Development*, the stories travel from Mexico, Guatemala, and Costa Rica, to Honduras, Ecuador, Brazil, and beyond. The topics are equally diverse, covering health care systems, microcredit, the aftermath of Hurricanes Mitch and Georges, and social investment. Nevertheless, one theme surfaces in several articles—unlikely partners are joining together to form successful grassroots development projects. Boundaries are moving and former adversaries, whether in the battlefield or the

marketplace, are realizing the social and economic benefits of alliances. The catalyst may be a charismatic individual, a tragedy, a non-governmental organization with foresight, a business that extends a hand to the community, or a philosophy. In each case the writers have captured that process in their stories.

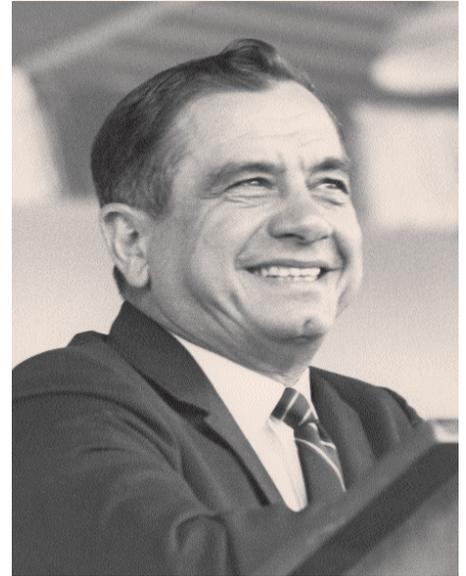
Certainly it is not news that since the end of the Cold War development practitioners have been searching for alternative paradigms and the next road to take. This issue of *Grassroots Development* cannot provide a paradigm, but it does offer some effective instances where swords are being hammered into plowshares. In and of themselves, these are worthy events to examine, and perhaps signposts that should not be ignored.

We hope that you enjoy this issue of *Grassroots Development*, its new format, and know that we not only appreciate our readers' feedback, but depend on it to improve the journal's quality. You are welcome to e-mail (ttracy@iaf.gov) or fax us (703-306-4371) with your comments.



Terry Tracy
Editor
Grassroots Development

In Memoriam



This publication is dedicated with respect and admiration to former United States Representative Dante B. Fascell, who died on November 30, 1998.

As Chairman of the Subcommittee on Inter-American Affairs, and later Chairman of the House Foreign Affairs Committee he supported emerging democracies, open trade, and development. Throughout his life, Dante Fascell sought to build economic, social, and political bridges with the peoples of Latin America and the Caribbean. With vision and unique leadership, he led the initiative to create the Inter-American Foundation.

A recipient of the Presidential Medal of Freedom, he was a constant champion of good relations between the United

From Conflict to Cooperation

Local Development in

The establishment of a Local Development Fund opens the door to ambitious undertakings and collaborations among the private sector, NGOs, and the municipality

By David Valenzuela, Vice President for IAF Programs

Four years ago, we probably would have been shooting at each other”, was the assessment of Ernesto Barrientos, General Manager of *Embotelladora Salvadoreña, S.A.* (Embosalva) as he described what might have been his relationship with René Canjura, mayor of the municipality of Nejapa in El Salvador. Today, the mayor and the businessman are on a first name basis and do not hide their mutual respect. They are partners in the management of the “Local Development Fund for Nejapa.” These two former adversaries in El Salvador’s devastating civil war, which concluded with the 1992 Peace Treaty of Chapultepec, are joined in their efforts by Ernesto Córdova, General Manager of Nejapa Power (owned by Coastal Corporation), Antonio Orellana, Director of the Association for the Concerted Development of Nejapa (ACDN), a broad-based grassroots organization, and Luis Castillo, Director of the *Fundación Salvadoreña de Apoyo Integral* (FUSAI). The subject of conversation at the regular meetings of the “Local Development Fund”, known locally as the *Fondo de Contrapartidas*, is how to improve the quality of life in Nejapa.

The people of Nejapa are quietly demonstrating that it is possible to overcome conflict and, through public and private sector cooperation, embark on the road toward sustainable development and a better future for everyone. Located 17 kilometers north of San Salvador, Nejapa’s 30,000 residents inhabit an area of 83.3 square kilometers. Approximately 65 per cent of the population live in the town of Nejapa and 20 smaller villages, with the remainder inhabiting eight rural districts. According to a study conducted in 1996 by The National Foundation for Development (FUNDE), 45 percent of the families in Nejapa live in extreme poverty, 30 percent of the population is illiterate, 15 percent completed high school, 16 percent of the households have potable water, and 50 percent of homes have no electricity.¹



Nejapa Development Council (CDN) headquarters located down the street, a short distance from the new market place and recreation

Problems Posed by Urbanization

Despite its relative proximity to San Salvador, Nejapa's economy is predominantly agricultural with coffee, sugar cane, and corn as the principal crops. Production is primarily in the hands of eight agricultural cooperatives that own 80 per cent of the land—the result of agrarian reform. In addition to Nejapa Power and Embosalva, which owns the local Coca-Cola concession, the other private businesses in Nejapa include sugar cane and coffee processing plants.

Nejapa has remained an impoverished, largely rural municipality with many of the social and economic deprivations of more distant communities. Over the past few years, Nejapa has begun to experience rapid change. The general expansion of San Salvador will soon reach the boundaries of Nejapa. A new four lane highway, which by-passes San Salvador and links eastern and western El Salvador, will cross Nejapa, bringing with it national and international traffic. Nejapa is being viewed as an area for the industrial expansion of San Salvador, primarily because of the presence of abundant subterranean water in the municipality, which already helps supply the needs of fast-growing San Salvador and other municipalities in the San Salvador metropolitan area. These changes are bringing new urbanization, demographic, and economic pressures to Nejapa, which threaten to overwhelm the capacity of the municipality to manage the process in an orderly and rational fashion.² Unless the leadership and community of Nejapa respond forcefully and positively to these pressures, it is likely that Nejapa will suffer further social, economic, and environmental deterioration, as has occurred in the eastern sections of the San Salvador metropolitan area. An already weak social and economic infrastructure is likely to further erode under the weight of the anticipated growth. Over the past two decades, a major portion of Nejapa has suffered serious environmental degradation, particularly through deforestation. The San Antonio River, which flows through the municipality, is polluted with urban waste and agricultural chemicals. Nejapa clearly faces a fight against time to resolve its many problems, while it is gradually drawn into the urban sprawl of San Salvador.

Funding a Solution

During El Salvador's decade-long civil war, Nejapa was the site of fierce combat and was known as an enclave of the Farabundo Martí National Liberation Front (FMLN). With the signing of the peace accord, four Salvadoran non-governmental organizations initiated a variety of health and community development activities in Nejapa. Apart from the agricultural cooperatives that were organized during the period of the agrarian reforms in the 1980s, few grassroots organizations existed in Nejapa. By 1994, when El Salvador experienced its first free and democratic municipal elections, Nejapa had become a highly organized municipal district with over 50 grassroots organizations, which created the ACDN to coordinate local development activities. During the

period 1993-94, the ACDN led a comprehensive survey of the social, economic and environmental conditions of Nejapa. While the citizens of Nejapa elected a mayor from the FMLN, which became a political party following the peace accord, they also elected an eleven-member city council with representatives from all major political parties. Thanks to the ACDN leadership, the Municipal Council of Nejapa resolved to "address the problems of the municipality and avoid struggling over political power."³

During the first four years of the administration of Mayor René Canjura, an impressive number of projects were engineered by the municipality in conjunction with the ACDN and its NGO partners. Jointly, they carried out approximately 197 projects for potable water and sanitation, electrification, cobblestone paving, public housing, waste disposal, a municipal library, a new market, schools, a sports and recreation center, and many more. Funds for these activities were secured from local municipal resources, special national government programs such as the Salvadoran Social Investment Fund for Local Development, local and national NGOs, foreign funds, and the beneficiaries themselves. In the local elections of 1997, the voters of Nejapa returned Mayor Canjura to office with 68 percent of the vote, up considerably from the 38 percent that first elected him in 1994. The largest project completed during this time was the construction of a municipal market with co-funding from a group of Spanish municipalities and NGOs.

The establishment of the "Local Development Fund" has opened the door to new and more ambitious undertakings in Nejapa. The idea for such a fund came initially from the *Fundación Salvadoreña de Apoyo Integral*, FUSAI, which had a history of work in Nejapa. FUSAI was also responsible for developing the conceptual framework, organizational structure, and governance for the Fund, which played a critically important role in persuading prospective members to join this new and untested enterprise. Patiently and deliberately, FUSAI approached each member, convincingly presented the idea and used their input in the ultimate design of the fund. FUSAI was particularly interested in facilitating an alliance between the municipality and the two recent private sector arrivals in Nejapa, Embosalva and Nejapa Power. With a grant from the IAF (Inter-American Foundation), which contained US\$108,100 in initial capital for the Fund, FUSAI was able to convince the two corporations to each contribute US\$57,500 to the Fund. The municipality of Nejapa also agreed to contribute the equivalent of US\$300,000 in community and municipal labor, materials, and other in-kind contributions. The municipality's contribution to the various projects to be undertaken by the Fund is decided on a project by project basis and is subject to its availability of resources. It is anticipated that the Fund will mobilize an additional US\$1.2 million in resources from other sources, such as central government programs and other donors. Recently, the Swedish government became a

What is Local Development?

The Inter-American Foundation (IAF) defines local development as a participatory process that addresses a wide range of social, economic, and environmental problems or needs within a given geographic territory (municipality, canton, commune, province, district, region, etc.) for the sake of improving the residents' quality of life. Local development leaders include institutions and organizations acting systematically within a territory to address priority community needs. Examples include local governments, non-governmental organizations, community associations, foundations, churches, educational institutions, and other civil society entities, such as representatives from the private commercial sector and other public or private institutions having a presence in a given location.

Local development is an effective strategy for carrying out sustainable, long-term activities to improve the quality of life of low-income populations and the community in general. It is a means of mobilizing local and national resources while strengthening democratic practices and local solidarity. Moreover, local development offers citizens the opportunity to create a common vision and determine priorities for public investment in their community. Local development depends on state reforms that ensure decentralization, open and direct elections of local and regional authorities, and respect for the rule of law. Finally, effective, sus-

member of the fund and approved a contribution of US\$300,000. Negotiations are currently underway for the Nejapa Local Development Fund's incorporation into the Fund of the Salvadoran Social Investment Fund for Local Development.

The *Fondo de Contrapartidas para el Desarrollo Local de Nejapa*, which is the official name of the Nejapa Fund, was formally launched in a ceremony in the municipality of Nejapa on April 2nd, 1998 with the participation of its founding members: the municipality of Nejapa, FUSAI, ACDN, Nejapa Power, Embosalva and the IAF. Also present at the ceremony were local citizens, invited guests representing non-governmental organizations, private sector colleagues of Nejapa Power and Embosalva, international organizations, and national government representatives. Anticipating the establishment of the Fund, on September 30, 1997 the IAF awarded a cooperative agreement grant to FUSAI for its share of the Fund, contingent on the participation of Nejapa Power and Embosalva. FUSAI and the municipality were entrusted by all parties to jointly co-manage the Fund on a provisional basis (FUSAI retains physical control of the funds and accounts for their use to all parties including the donors) until such time as the future of the Fund can be clearly determined. On the day of the ceremony, Nejapa Power and Embosalva signed separate agreements with the co-managers of the Fund to enable the transfer of their cash contributions to FUSAI and ensure their proper utilization in accordance with the operating procedures of the Fund. The

Fund was given an initial life until late 1999. At that time, the members plan to decide whether to continue in a second phase of operations of the Fund. They will also evaluate results and assess their operating methods and systems.

The founders adopted a detailed system for the administration of the Fund and awarding grants or loans for development activities. FUSAI, in addition to serving as a co-manager of the Fund, was given the task of carrying out the technical operations of fund activities. Power and decision-making, including the approval of all funding actions, was vested in the Board of Directors. Decisions are made with a two-thirds majority vote. Strict rules are in place to avoid favoritism or even the appearance of favoritism. The Board is selected by the Assembly of Shareholders, composed of the founding members and new members, such as the Swedish government. Membership is open to any national or international entity that wishes to contribute resources and participate in the governance of the Fund. Fund resources are available for community projects in Nejapa, encompassed in the Plan of Action for Local Development, which was developed by community groups and organizations, local non-governmental organizations, and other key stakeholders in the municipality of Nejapa.

Deciding on Fund Priorities

Initially, the Fund was viewed by many Nejjapans as a potential source for grants and loans for a host of small social and economic initiatives. However, as the Fund partners began discussing municipal priorities they soon realized that important municipal-wide problems needed to be addressed first. After considerable debate, three initial projects were agreed upon. The first is a major reforestation effort on the hills surrounding the town of Nejapa, which is being implemented by the municipality of Nejapa with the cooperation of the ACDN. This is a critically important project to help protect Nejapa's aquifers, one of Nejapa's most important natural resources. The reforestation activities are underway with the active cooperation of the community organizations in the affected areas. The second major initiative is a housing project for approximately 780 homeless families who occupy public spaces and land adjacent to the Embosalva plant and the banks of the San Antonio River. The Fund will purchase the land for the housing site from one of the local cooperatives. The land, in turn, will enable FUSAI, which specializes in self-help housing projects, to leverage financing for the project from the Salvadoran government's National Fund for Popular Housing. The third project involves cleaning up the San Antonio River. The Fund will pay for a technical study that will serve to obtain resources from government and international donors to carry out a variety of projects to reduce the sources of pollution.

Beyond the initial projects that are fast becoming reality, the partners in the Fund envision a rich and rewarding future for the benefit of community residents. Nejapa Power has



The new market building, which just opened its doors for business, is just one of the 197 projects engineered by the municipality, in conjunction with ACDN and its NGO partners, during the first four years of Mayor René Canjura's administration. (Photo: David Valenzuela)

already pledged additional resources for the Fund. Embosalva is considering this possibility. Mayor Canjura is actively pursuing the incorporation of new partners interested in investing in the future of Nejapa. The Fund was designed to have institutional representation, transcending the terms of office of the current individual members. It is also viewed as a forum for the discussion of important matters dealing with the long-term development of Nejapa and the harmonious relationship of the members of the community.

Local development in Nejapa is the result of a series of deliberate steps taken by several courageous and visionary leaders. Mayor Canjura and his municipal council, despite varied political affiliations, resolved to bring about change and improvement to Nejapa through dialogue, cooperation, and good government. They also understood the importance of giving voice and participation to the citizens of Nejapa. This process was greatly aided by the organizing efforts of

NGOs, such as FUNDE and the *Universidad Luterana*, and the emergence of the ACDN as the “voice of the people.” FUNDE, in particular, played a vital role in helping to build the ACDN and encourage a positive relationship with the municipality. FUNDE had the trust of both the ACDN and the municipality thanks to its grassroots organizing work. FUNDE was aided in part by a grant for US\$50,000 from the IAF to cover some of the costs of the participatory strategic planning exercises that become a vital tool in the design of community projects and the relationship with the municipality. FUNDE would later play another key facilitation role in helping to persuade mayor Canjura that FUSAI's idea of the Fund was worthy of consideration.

Following the peace process, ACDN emerged as a forum for the nascent community organizations to come together to find solutions for their many pressing problems. ACDN is governed by a board of directors composed of seven community leaders, representing Nejapa's 56 community organiza-

tions and eight rural districts, two NGO representatives, one representative from the municipality, and one from Nejapa's Casa de la Cultura, a local program organized by the national government. Board members serve for two-year terms. The ACDN functions with complete independence from the municipality. However, Mayor Canjura wisely agreed to let the ACDN be the channel for most community requests presented to the municipality. This would ensure that community projects reflect the priority needs of the people, as well as ensuring their support and cooperation in their implementation and preservation. The ACDN, under the leadership of its president Antonio Orellana, has become a critically important partner of the municipality of Nejapa. Two ACDN representatives are included in the discussions of the Municipal Council, though they cannot vote. This has ensured good coordination, as well as community cooperation for a host of activities. It has also provided a mechanism, beyond the Municipal Council, to gather ideas and generate citizen participation. In large measure, this accounts for the impressive achievements of the past few years.

The ACDN, while satisfied with the results of its partnership with the municipality, is a proud guardian of its independence. The four NGOs that serve on its board helped the ACDN to carry out the 1993-94 diagnostic study of the needs of the municipality and continue to provide technical assistance and advice on the formulation of projects. In 1996, the Swedish international development organization, Diakonia, awarded a small grant to the ACDN to enable it to hire the services of two community promoters, purchase some office equipment, and acquire a small house for its headquarters and meetings. ACDN is currently negotiating an extension of the Swedish support. This independent source of funding and the strong grassroots participation in its membership has enabled the ACDN to become an effective civil society counterpart to the municipal government. It will also help to ensure continuity and sustainability for future development initiatives, regardless of who occupies the mayor's seat in city hall. Within the Development Fund, the ADCN is a key member, representing the will of the citizens of Nejapa.

Coming to the Table

The task of bringing the parties together to create the Fund was brokered by FUSAI, which had embarked on a deliberate effort to build bridges between the community and the local private sector. FUSAI assigned two of its staff to lend technical seriousness and credence, as well as transparency to the negotiating process. The first lucky break occurred when Ernesto Córdova was named general manager of Nejapa Power. Córdova was a school classmate of FUSAI director Luis Castillo, and had been recruited to become part of FUSAI's general assembly of members. When Córdova was named to head Nejapa Power, Castillo encouraged him to approach the municipality and the community leaders to



IAF's Vice President for Programs David Valenzuela is flanked by ACDN's Director Antonio Orellana and FUSAI's Program Officer and Fund Coordinator Rafael Ayala.

offer corporate cooperation. Nejapa Power responded positively, in part because of the strong social responsibility policies of its parent company Coastal Inc., but also because of the need to establish good community relations.

Various environmental groups had voiced concern about the environment impact of the power station, which relies on fossil fuels. Nejapa Power made the first move to establish a relationship with the municipal government by inviting six representatives to have lunch and visit the impressive, state-of-the-art plant. During the course of the visit, Córdova offered to contribute resources for community projects. The conversation immediately turned to the environment, reforestation, health, and education. Nejapa Power also had the opportunity to explain that the death of farm animals in the vicinity could not be attributed to the power plant. Moreover, the plant was not operational when the deaths occurred. Thus began a productive and mutually supportive relationship. As a first gesture, Nejapa Power built nine houses for families displaced from the site of its petroleum tanks and provided school supplies to the children in the municipality.

The experience of Embosalva was somewhat different. Embosalva had conducted a series of studies in the areas surrounding the city of San Salvador to locate a new site for a Coca-Cola bottling plant. The search for a new site was dictated by the need to find a location from which to draw 1,000 gallons of water per minute for plant operations. Water resources in most other locations in the vicinity of San Salvador are almost depleted, a serious threat to the future of the country. Embosalva concluded that Nejapa's aquifers had ample supplies for its needs. Having made the decision to build a modern bottling plant in Nejapa, general manager Ernesto Barrientos was faced with the need to negotiate

building permits with the Nejapa municipal authorities. In other times, this would have been an easy process, handled through national ministry offices in San Salvador. However, Nejapa was now a self-governing municipality with its own elected officials and decision-making authority.

Ernesto Barrientos admits to some fear when he ventured to Nejapa to initiate discussions with Mayor Canjura. He was not quite sure what to expect from an area known as a combat zone and a mayor affiliated with the FMLN party. Though the first moments were tense, as described by both sides, pragmatism and good sense soon prevailed. Embosalva offered 25,000 seedlings from its own nurseries to help the reforestation process, critical to preserve the aquifers. The municipality also sought help for other projects, such as the cleaning of the San Antonio River. Ernesto Barrientos now looks back on these early days and is open in his assessment that the future of the country needs solutions or ways of resolving problems based on cooperation and trust.

FUSAI's effort to recruit Embosalva into the Fund was facilitated by Juan Valiente, a FUSAI Board member who works for one of the companies of the Grupo AGRISAL, one of El Salvador's most important economic groups and the owner of Embosalva. Valiente, together with Luis Castillo of FUSAI, visited Barrientos to initially explain the idea of the Fund and invite Embosalva's participation. Embosalva's positive response came approximately four months later. Castillo believes that Embosalva's decision to become a member of the Fund was in part due to the favorable support provided by Robert Murray, Chairman of *Grupo AGRISAL* and a highly respected businessman in El Salvador, known for his social concerns.

The municipality of Nejapa voices some disappointment that Nejapa Power and Embosalva are not creating new jobs due to their high levels of technology and low manpower needs. Nevertheless, it hopes that the community can generate small enterprises to provide support services, such as food catering, cleaning, maintenance and repair, and others. Both companies openly promote this possibility. Embosalva has indicated the possibility that other members of the *Grupo AGRISAL* could find that Nejapa is an attractive place to locate industrial plants, due to its proximity to San Salvador, good access routes, abundant water, congenial atmosphere, and positive relationship with the community.

FUSAI's idea to create the Local Development Fund for Nejapa was well received from the outset. The grant from the IAF helped give momentum to the initiative and to challenge the parties to contribute to the Fund. FUSAI also deserves credit for perseverance and a high degree of professionalism, which ultimately gained the trust and confidence of the two no-nonsense corporations, the municipal authorities and the citizens of Nejapa. Soon thereafter, the principal stakeholders in Nejapa were ready and willing to begin working. Meetings are currently held every month with the full attendance of all partners. Minutes are kept and decision-making memoranda prepared. A brochure advertises the

Fund and invites new members to join, such as the agricultural cooperatives (who are represented indirectly through the ACDN) and the coffee and sugar cane processing plants.

It is still early to predict the future of the Fund over the long-term. Will its resources be replenished? Will it continue to be a forum for dialogue among the different sectors of the community? Will it succeed in moving beyond the initial priority projects and focus on the critical issues of employment generation and education? There is a great deal of interest in the possibility of providing start-up capital for local small enterprises. Whatever the outcome, the Fund has already produced impressive results that will have long-range effects. The Fund has enabled the principal players to come together to discuss matters of mutual interest. More importantly for El Salvador, Nejapa has demonstrated that past conflicts and ideological divides can be permanently bridged in favor of a future of progress, mutual respect, and civility. Nejapa's success is a direct product of peace, democracy, and decentralization. These are the essential conditions for local development. It is extremely difficult to embark on sustainable local economic and social development without 1) democratically elected local governments that reflect the community will and are willing to exercise a supportive leadership role, and 2) an organized and cooperative civil society.

Lessons Learned

- The presence of a broad-based community organization is key to the success of a local development project of this kind. The ACDN, acting independently, is able to consult with and represent a significant portion of the Nejapa population. Through the ACDN, citizens of Nejapa feel they have a voice that is heard and responded to positively. Many of the ideas that flow through the ACDN ultimately became realities through the actions of the municipality and other support organizations. The ACDN and its membership, in turn, provide the community backing, labor, and resources that make it possible to implement many small infrastructure and development projects. ACDN's participation in the Fund ensures that the community also has a voice in dealing with Embosalva and Nejapa Power, the new corporate partners of the community. Funding from Sweden was strategically important for the independence and evolution of the ACDN. Hopefully, the ACDN will be able to continue on its own when funding eventually ceases.
- Another key to the success of the Nejapa experience is the positive and constructive relationship between ACDN and the municipal government. With representatives on each other's governing councils, they are assured of good communication. Rather than becoming fiercely competitive forces, as might have been the case, these two representative bodies of the citizens of Nejapa chose to work together. Both Antonio Orellana and Mayor Canjura, as leaders, have mutual respect for each other's roles and are willing to bow to the wishes of the community.

Lessons Learned, cont

- A willingness to set aside partisan politics is fundamental to the cooperation that underlines this project. Though Nejapa is still viewed as a bastion of the FMLN, politics has not played a strong role. The ACDN is fiercely protective of its non-partisan position. Orellana considers himself a political independent. Though Mayor Canjura was re-elected in 1997 with an impressive margin, his party was decisively defeated in the 1999 national elections when the citizens of Nejapa cast their votes for Francisco Flores of the Arena Party.
- NGOs, such as FUNDE and FUSAI, have played a constructive role by encouraging the formation of community organizations while restricting themselves to accompanying and enabling the process. Without the emergence of independent minded organizations, including the municipal government, it would have been difficult for Nejapa to have undertaken such a large number of development projects and successfully negotiated a mutually productive relationship with two sophisticated corporations. FUSAI, while being a part of the Fund, limits its role to that of facilitator and host. Fund meetings take place at the FUSAI offices, a conveniently neutral ground for the guests from Nejapa.
- The relationship between the corporations and the community succeeded because both parties negotiated in good faith by presenting their points of view and interests. However, it is also clear that without the presence of an entity such as FUSAI, it would have been difficult to make the contacts which ultimately led to the incorporation into the Fund of the two businesses. Such cross sector linkages are greatly facilitated by NGOs and other forms of intermediary organizations that function at the grassroots level, but also can gain access to the top levels of government, business, and civil society.
- The presence of the two corporations also brings a new and critically important dimension to the growth and future of the municipality. They are in Nejapa for the long-term. They expect to grow and attract new businesses. The quality of the community in which they are located has a direct bearing on their own success and the well being of their employees. Nejapa and its government are now realizing that an alliance with the private sector is also critically important for their own economic and social success. The reforestation and housing projects already agreed upon promise to have a significant impact.
- The municipal government of Nejapa plays a pivotal role in the community. As part of the public sector, the municipality has access to its own and other public resources that can serve for investment purposes. It is also able to attract funding from other sources, such as sister municipalities in Spain, the European Union, and other private funders. The achievements of Nejapa would not have been possible without the leadership role of Mayor Canjura and the Municipal Council.

1. *Fondo de Contrapartida para el Desarrollo de Nejapa, Estudio de Caso*, Aída Herrera Morán, February 2, 1999. *Fundación Nacional para el Desarrollo* (FUNDE), is a private, non-profit, research and policy analysis foundation, founded in 1991, that develops and promotes alternative development strategies to improve the lives of El Salvador's disadvantaged population. FUNDE's principal activities are to evaluate and promote El Salvador's National Reconstruction Plan and to work with municipal governments within the context of local development.

2. *Ministerio de Coordinación de Desarrollo Económico y Social, San Salvador*, Marcos Rodríguez, FUNDE, "El Montaje de Alianzas entre Empresas y Municipio en un Proceso de Desarrollo Local Sostenible." Working paper, September 1997.

3. Antonio Orellana Trejos, President of the Association for the Concerted Development of Nejapa (ACDN), April 14, 1999.

Taming

A New Health Model for the Indigenous Populations in

By **IRIÁ Leitão Martins**

Jacir de Souza is the major *tuxáua* (leader) of the Macuxi, an indigenous group that lives in the state of Roraima in the extreme north of the Amazon region of Brazil. As *tuxáua*, de Souza has led the campaign for official recognition of Macuxi lands. In 1990 he lost his wife to malaria and almost abandoned his work. “It was so sad and tragic to lose my wife and partner in our struggle that I thought about moving to [the neighboring state of] Amapá,” says Jacir. At the time, his village of Maturuca lacked even the most minimal medical facilities, and it took nearly two weeks to arrange her trip to the nearest hospital in Boa Vista, the state capital. By the time transportation was arranged, it was too late; she died enroute. This was not only a personal tragedy for Jacir; several others suffered the same fate, and the epidemic grew. The following year there were approximately 10,000 cases of malaria in the Macuxi territory.

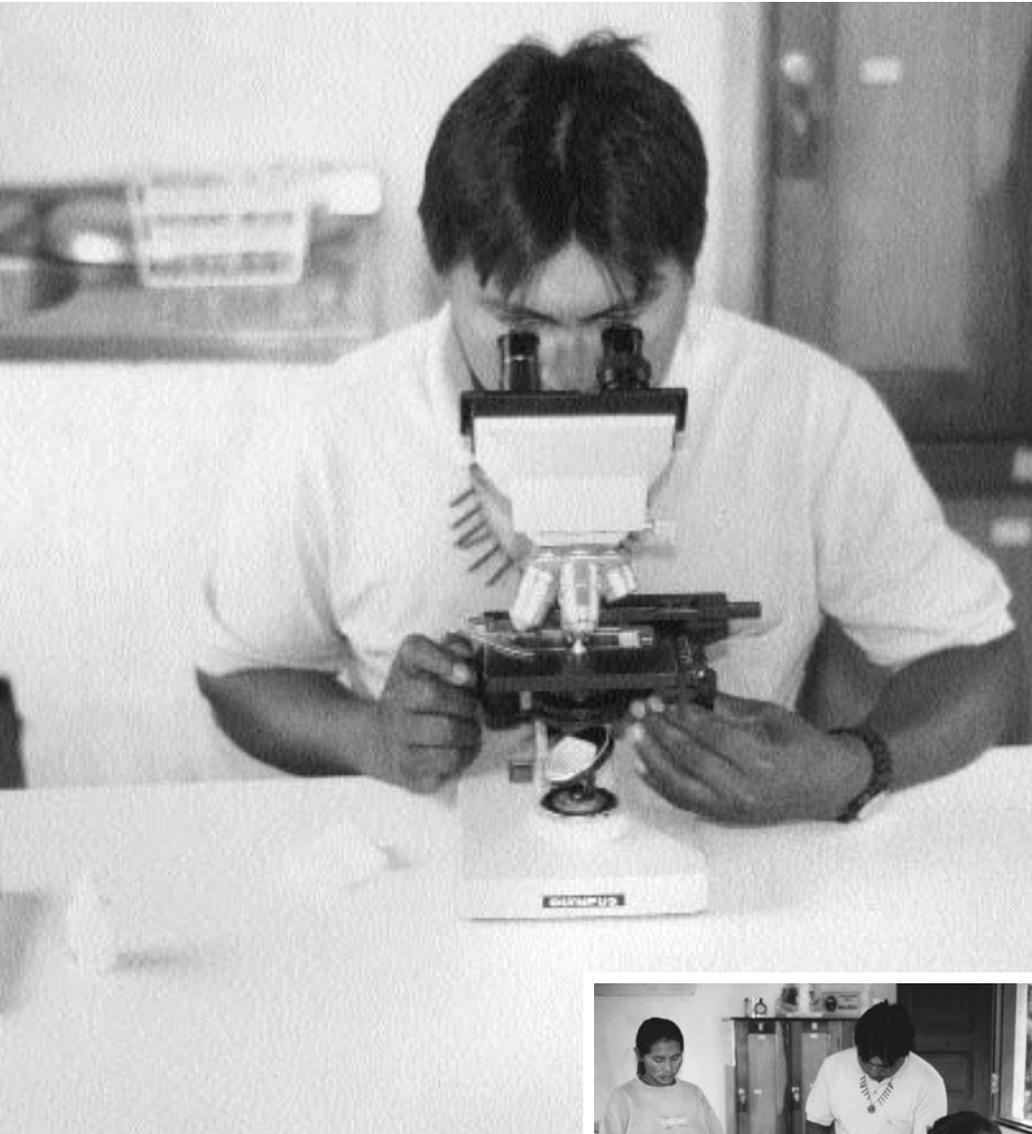
Now, a decade later, Maturuca has a clinic with a laboratory, solar panels that provide electricity, and six indigenous health agents. People with medical emergencies are evacuated by airplane and malaria is well under control. They have registered only 358 cases of malaria in that region so far this year. Maturuca’s clinic now serves 15 villages in the mountain region and even some of the Macuxi Indians who live in neighboring Guyana. The experience of Jacir and his wife should not have to be repeated. A new health system has emerged that combines the assets of

NGOs, the Brazilian government, but most importantly the Macuxi.

The Macuxi

The Macuxi is the largest tribe within the indigenous territory called Raposa-Serra do Sol in the northeast corner of the state of Roraima. The reserve lies along the borders between Brazil and Guyana, to the east, and Venezuela, to the north. Members number approximately 19,000 people, including those living on both sides of the border. The southern half of Macuxi territory is savanna. The northern half sits astride the mountain ranges of the Guyana Shield, one of the oldest land formations on Earth. It is a region characterized by mesas, waterfalls, and prehistoric species of plants, which inspired British author, Sir Arthur Conan Doyle, to write *The Lost World*.

In the thirty year struggle for official recognition, the Macuxi have developed a complex and well-structured system of internal political organization and interaction with non-indigenous organizations. The Indigenous Council of Roraima (CIR) has enabled the Macuxi to become important actors in the indigenous movement at the national level. In 1996 the *New York Times* called them “the most organized Indian group” in Brazil. Their organizational capacity contributed to the transformation of the health system. Moreover, the Macuxi’s desire to improve their health-care, their ability to secure assistance from non-governmental, religious and governmental organizations, and their dynamic involvement in the creation of a system specific to their needs was fun-



(above) Dionito JosØ de Souza, A microscope technician in the Maturuca lab examines a patient's blood sample for malaria.



(right) Dionito JosØ de Souza checks a patient's blood for anemia. Nearby stands his mother, Tereza Pereira de Souza, who is also a microscope technician in the clinic. (Photos: John Norvell)

damental to the health system. Changes in the governmental policy toward indigenous people—specifically their inclusion in the planning and evaluation of their health care system—were also key to improving the conditions in the Macuxi villages. The result is that the Macuxi health care system is a pioneering example that is being implemented in the rest of the country.

Gastão André is probably the most experienced Macuxi health agent and currently serves as coordinator of all the agents in the mountain region. He was chosen to work as a health agent in 1978 when Jacir was chosen by the community to be the tuxáua of Maturuca. At that time, Gastão had to travel almost two days to a Catholic mission where he received his initial training. Catholic nuns trained as nurses gave the courses that Gastão and others received in 1978 and later in the 1980s. “There were just a few of us on that occasion, and we had never studied about health before, but we wanted to learn.” They wanted to be self-sufficient, not dependent on charity, explained Gastão.

After that first training course, the people of Maturuca built a small hut where Gastão attended his patients and stored the medicine distributed by the priests. Most of his cases were colds, intestinal parasites, skin diseases, and some respiratory problems. If there was a serious case that he or the shaman could not cure, the patient had to go to one of the two mining settlements for radios to call for transport to the state capital. Because of mistreatment and discrimination in the settlements, the Macuxi went there as a last resort, so Gastão and the shaman, a tribal medicine man, tried their best to treat any patient that would come to them.

In addition to the Catholic Church, the Protestant missionaries of the Evangelical Mission of the Amazon (MEVA) trained health agents and provided the communities with medicine and some health services. *The Fundação Nacional do Índio (FUNAI)*, the Brazilian equivalent of the US Bureau

of Indian Affairs, sometimes distributed medicine in the villages, offered transportation of patients to Boa Vista, and provided minimum care by housing sick indigenous in the city.

The Epidemics

The Macuxi health situation started to deteriorate in the 1987 goldrush, which was precipitated by a gold rush in the Yanomami Indian area in the western part of Roraima. Malaria spread rapidly through the pools of stagnant water created by mining techniques and coursed through the Macuxi villages as well as those of the Taurepang, Ingarikó and Wapixana Indians of the region.

The miners also brought other respiratory and sexually transmitted diseases, which, together with the increasing violence in the area, were the major causes of death and social disintegration among the Macuxi. Paulo Daniel, a doctor who has been working with the Macuxi for five years, explains that no one knows the exact number of Indians who died or fell sick between 1990 and 1993 because there was no organized system of health care or data collection. He surmises, "In those critical years there were probably more than double the number of cases that were registered in 1995, when the indigenous population was already receiving regular health care." This means that in 1990, when Jacir's wife died, there were possibly 10,000 cases of malaria among a population of 12,000 people.

Gastão, the shaman, and the little health post in Maturuca were unable to handle the explosion of malaria around Maturuca. Dionito de Souza, the current microscope technician of Maturuca, describes the chaos, "there were sick people coming from other villages looking for help all the time. There was not enough space in our old health post for everybody, so people would hang their hammocks on the trees and houses around the post. Nearly everybody fell sick to malaria in Maturuca. People could not work in

Medicines, Microscopes, & Shamans

With adequate medicine and the ability to diagnose malaria in Maturuca, Gastão and the other health agents started immediately to treat the patients that came to the post and also do what is locally called an active search, a method of treating the illness before it shows its symptoms. A health agent and a microscope technician go to a village and test everybody for malaria so they can start treating the infected people even before they can fall ill and infect other people. This team is usually accompanied by a group of exterminators that kill the adult mosquitoes in the village and interrupt the transmission of infected blood. This is an efficient method to control malaria, especially if the visits are frequent and the arrival of infected people in the area can be prevented. The Macuxi carried out active searches in the 50 villages of the mountain region where 5,626 people live.

The laboratory technicians also learned to detect parasites, urinary infections, tuberculosis, leishmaniasis and oncocercose. Dionito is disappointed that he cannot run other blood tests, such as for anemia, in Maturuca since he lacks an electric centrifuge. Gastão and the other health agents are now trained to make small sutures and prescribe drugs for minor respiratory infections, parasites, skin problems, and other common diseases. The Catholic Church has encouraged the Indians to use their knowledge of medicinal plants to treat certain health problems, such as aches, infections and swellings. In Maturuca there is a medicinal garden beside the health post with many native plants and a few others from different parts of the country that the nuns have brought to the Macuxi.

The Macuxi people have been able to combine Western medicine with their shamanic tradition. Behind the post there is an adobe and straw house where the pajó, or shaman, beats leaves on the patients. The pajó sings, prays, and dances around the patient with a powerful and rhythmic beating or shaking of special leaves. The Macuxi pajós no longer use hallucinogenic drugs, but they do employ tobacco and native alcoholic drink. They invoke spirits to help them diagnose and cure the illness. The shamans also prescribe herbal teas for their patients as part of the treatment. Gastão usually checks his own diagnosis with the pajó, and when asked about a patient's status he gives his opinion and that of the shaman. In most of the cases in Maturuca, the patients receive shamanic and Western treatment.

The Macuxi people attribute most of their illnesses to the spell of a half human, half animal being known as Canaimó. They believe that the black magic of a Canaimó can weaken and kill their spirits, and only the shaman's prayers are able to cure the spirit



A well-stocked medicine cabinet in the Pedra Branca health clinic. (Photo: John

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their gardens or hunt and fish. So, there was also hunger here.” Adding to the hardship, in 1993 there were no microscopes or trained technicians in the Macuxi villages to diagnose the types of malaria and prescribe the right treatment. Gastão and other health agents had to send the blood samples to Boa Vista and wait ten days or more for the results. In the meantime people would die. Desperate, some would take any medicine they could find, in the belief that it would cure them, but this actually increased problems of resistance against certain malaria drugs. Others simply left the health post. Transportation to the city was difficult for the Indians since they had to rely on FUNAI or the settlers.

Macuxi Health Agents

The participation of different organizations in the Macuxi health program is an important feature of the type of service that was developed in the area. Since 1993 health posts and equipment for health agents and microscope technicians have been organized, funded, and taught by professionals from various organizations. From 1993 to 1999, the international organization *Médecins Sans Frontier* (MSF), was also responsible for medicine distribution and the supervision of health agents and microscope technicians in the mountain area of the Macuxi territory. Today there are 88 indigenous health agents and 19 indigenous microscope technicians working within the Raposa/Serra do Sol territory.

In 1994 MSF began an emergency program in the area. MSF worked together with other religious and governmental organizations and in accordance to the internal politics of the Macuxi villages. Dionito de Souza and several other men and women (the latter were fewer in number) were chosen by their villages to be trained to do laboratory work as a microscope technician. Transportation to the training was arranged by FUNAI; food, lodging, and course materials were paid for by MSF. The FNS (National Health Service) provided the instruction.

Indians chosen to work as care givers are selected according to the internal dynamics of the villages regarding kinship, gender, age, and personal interest. Dr. Paulo Daniel thinks that the people appointed by their communities have a higher rate of success in doing their job and stay longer in their positions than those who are selected by the non-indigenous institutions. Moreover, this process establishes a contractual relationship between the health agents, microscope technicians, and the communities. In 1996, when the health agents and technicians started to receive a minimum wage per month (paid by the FNS through CIR) the Macuxi villages decided that the positions and the salaries would belong to the communities and not to individual people. That way, should a health agent leave a community, the village can assign the salary to another person who will work there.

The six health agents of Maturuca found a solution for the challenges of combining health care work with taking care of their children, tending their gardens, making the staple fermented manioc drink known as *caxiri*, hunting and fishing, to mention a few daily tasks. They take turns in the clinic every week, so everybody has time off. When it is Gastão's week on call in the health post, the village knows that there will be little game and fish, for Gastão is still the best hunter and fisherman of Maturuca and well known for his generosity as well as his dedication to the health of his people.

The health agents' and microscope technicians' work fits within an overall organizational structure that the Macuxi have developed to deal with problems and needs that emerge from contact with Brazilian society. Six villages are local centers that support the communities around them. These villages must be equipped with good airstrips, schools, radios, large huts for meetings, health posts, trained indigenous teachers, microscope technicians, health agents, and large gardens to provide food for meetings. The centers function as resources for the other vil-

lages and an alternative to the state capital or the settlements. What the Macuxi seek are groups and organizations that can work as partners in helping them implement this plan. The Macuxi believe that this mode of organization reduces the exodus of young people to the city, minimizes cultural conflicts with the outside populations, and improves living conditions.

The success of the work of the Macuxi health team in Maturuca is evident in the decreasing rate of malaria in recent years. In 1995 the clinic registered 1,179 cases, in 1996 the number of cases fell drastically to 101. So far this year, Dionito has diagnosed only three positive exams of malaria in his village.

From Health Posts to a Health System

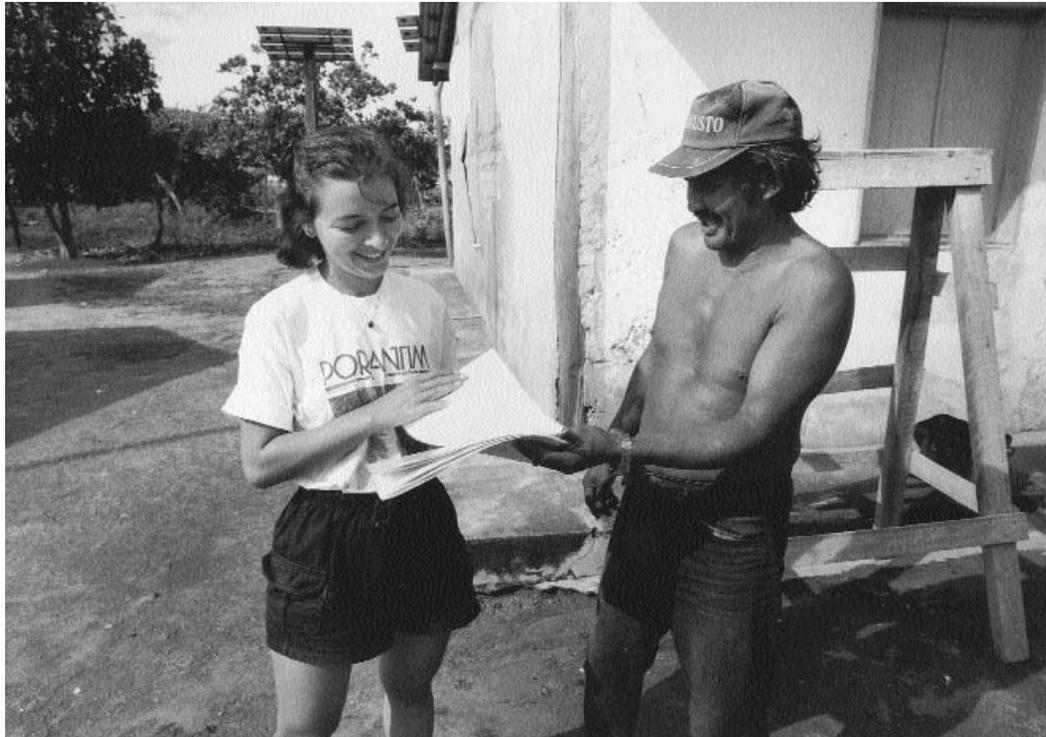
The transformation in the Macuxi health system and situation was due to a combination of the Macuxi's own organization and a few important changes in governmental policy toward indigenous people. The first practical step in this direction was the creation of an entity composed of all the organizations concerned with health care for indigenous people and of the Indians themselves, with an equal number of votes. This body, known as the Inter-Institutional Nucleus of Indigenous Health (NISI), was instituted in Roraima by the Ministry of Health in 1993. NISI has the function of coordinating and integrating the activities of all health care providers and facilitates the participation of Indians in the decisions about their health care. Each Brazilian state will eventually have its own NISI. The NISI is made up of representatives of all eight Indian groups that live in Roraima, but only the Macuxi, Wapixana, and Taurepang participate regularly and actively at the meetings. This is because only these tribes have formal organizations, relatively easy access to Boa Vista, and representatives fluent in Portuguese. The Macuxi's organization, CIR, became the most influential indigenous member of NISI, and through it the Indians were

able to mobilize the support of several non-governmental and governmental organizations.

Médecins Sans Frontiers had come to Roraima to assist the Yanomami, in the eastern part of the state, but the Macuxi were able to shift MSF's project to their own territory through their participation in NISI. The importance the Macuxi place on being able to decide what health programs are best suited to their culture is aptly demonstrated in their relationship with MSF. When MSF originally agreed to work in the mountain region of Raposa/Serra do Sol, the NISI recommended that MSF construct laboratories, distribute microscopes, and train indigenous people to identify and treat malaria and other common illnesses. MSF, however, decided on their own to install some of the laboratories and health posts in the encampments of the gold miners. For the Macuxi, this decision flew in the face of their struggle to strengthen their own communities. Moreover, the Macuxi were afraid to approach the camps due to the violence some members experienced in their visits.

The Macuxi, joined by Taureapang and Wapixana leaders, voiced their complaints concerning the MSF strategy to the NISI. Together the Indian leaders then communicated their dissatisfaction to MSF headquarters in Amsterdam, which responded with a site visit and a replacement of local MSF leadership. In this situation, the Indians used a legitimate arena, the NISI, to achieve their goals. The legality and institutionalization of NISI gave a platform for the well-articulated pressure from indigenous and non-indigenous members, and persuaded the MSF to reconsider its position. The NISI emerged strengthened by this experience, and the Indians grew more confident of their ability to alter events that affect their way of life.

MSF's program ended in December 1998, and the FNS was supposed to take its place, but this has not yet occurred. The Macuxi health system continues, but more precariously. Gastão, Dionito and Jacir fear that without medicines, well-maintained



Gastão and Dionito, the first indigenous health agent in Maturuca with Ilda Martins, the author of this article, outside the clinic. The solar panels that provide energy for the health clinic can be seen in the distance behind Ilda. (Photo: John Norvell)

equipment, and continuous training they can not sustain the same quality of care for their people. "I am concerned that the number of evacuations to Boa Vista will increase and that we will not be able to keep the numbers of malaria down," affirms Gastão. The clinic lacks even aspirin to give to the patients.

Dionito hopes that the Health District that is about to start working will solve their current problems. The Indigenous Health Districts are the core of the new strategy of the Ministry of Health to provide care for the indigenous population of Brazil. Emerging out of the organizational network of NISI, the District model is designed to put into full practice the coordination of actions among institutions and full participation and control by the Indians. In the District system, control over the process is held by the District Council in which municipal, state and federal institutions participate together with non-governmental and religious organizations and the indigenous communities. Half of the votes in the coun-

cil belong to Indian organizations and half to the organizations that provide the services. The District Council will have more legal power than NISI to approve and evaluate health projects and will have jurisdiction over one specific area. The Health Districts are conceived on the basis of the geographic distribution of Indian groups and not political boundaries. Thus a given District can spread over several municipalities and states.

Ubiratan Pedrosa, the director of the operations divisions of the FNS in Brasília, believes each District will tailor its own program after the Macuxi model. The Eastern Health District of Roraima (also known as Macuxi District) is one of the first two to be implemented in the country. The other is the Yanomami District, also in Roraima. Municipal health departments will run immunization campaigns and will be in charge of the construction of new health posts. Non-governmental and religious institutions will continue to provide medical professionals, assis-

tance, and equipment. The Catholic Church will receive governmental funds to run a hospital and provide lodging for sick Indians in Boa Vista. Everything will be done in accordance with Macuxi political and cultural organization.

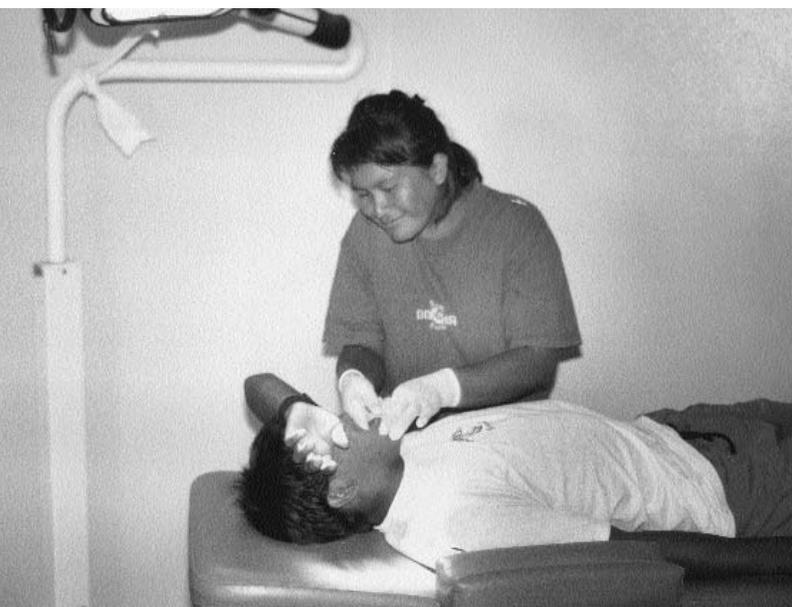
The revolutionary element of this health program is the increased participation by the Macuxi organization. The federal government will transfer funds to CIR to pay, train, and supervise the indigenous health agents and microscope technicians and to buy and distribute medicine. Since it is extremely difficult and expensive to bring medical professionals to work in remote places in the Amazon region, most of the primary care in the Eastern Health District will be given by the Indians themselves. In general, the cultural differences between non-indigenous and Indians

result in misunderstandings and conflicts. Furthermore, CIR and other non-profit organizations can buy material and contract people faster and at lower cost than governmental institutions; due to bureaucratic requirements that the latter must follow.

In conclusion, the Macuxi District is a less expensive and more efficient solution for the Brazilian government. The Health District will cost three million reais in federal funds (approximately US\$1,700,000) per year to serve a population of almost 20,000 people, including all the Indian groups in the Eastern District. This is half the cost of Yanomami Health District, which provides care to only 12,000 people. The Macuxi hope that the District will provide the means to deal with illness, death, and life in their own way. ■

Lessons Learned

- Coordinating activities between different organizations that have similar goals saves people, money and time, elevates the quality of the service, and increases the number of activities that can be accomplished.
- When the beneficiaries assume the role of partners in a project they take on more responsibility and work harder to help achieve its goals.
- Projects involving an indigenous population should be flexible enough to incorporate new approaches to accomplish familiar tasks which may be molded to Western cultural standards.
- Involving all the participants, especially the beneficiaries, in planning and executing a given project not only increases the chance of success of the project but can also produce creative solutions to old obstacles.



Maturuca health agent Edilasomara Sampaio treats a patient for an infection in his mouth. (Photos: John Norvell)

Lêda Martins has worked with indigenous groups of the Amazon region for the last eight years and was born and raised in Roraima, Brazil. She is currently an Anthropology Ph.D. candidate at Cornell University. In 1992 she worked for the National Health Foundation (FNS), the federal institution in Brazil charged with providing health care for indigenous people. She has accompanied the development of the Macuxi health system as a journalist, government employee, and volunteer (for the last seven years). She was also an IAF Fellow in the U.S. Graduate Study Fellowship Program.

The author wishes to thank John M. Norvell who reviewed the early drafts of the article and provided the accompanying photographs for the piece.

Partnership



A few of the products available from the El Guasmo Integrated Community Development Center (CDIC). More than just a marketplace, these centers provide basic services and become an engine for development.

Developing a Community Through its

In the town of El Guasmo, Guayaquil, Ecuador, a partnership establishes a community center that becomes an engine for

By Manuel Alcazar Garcia

In 1998, the Inter-American Foundation (IAF) and *Fundación de Cooperación al Desarrollo y Promoción de Actividades Asistenciales* (FUNDACIÓN CODESPA), a Spanish non-governmental organization with its headquarters in Madrid, Spain, entered into a partnership where they could place their combined skills and resources to seek out development projects in Latin America and the Caribbean. CODESPA's belief that self-

help efforts are the fuel that drive social and economic improvements dovetails with the IAF's support and encouragement for such projects throughout the hemisphere. In August 1998, the IAF and CODESPA launched their first collaborative venture in Peru, after discovering the innovative work that *Fundación para el Desarrollo Solidario* (FUNDADES) was doing with an extremely marginalized, and rarely recognized, community—impoverished people with disabilities.

The IAF awarded FUNDADES a grant of US\$228,502 over three years, to establish a vocational skills training center for approximately 2,800 handicapped adults in the municipality of Villa El Salvador, Peru. The grant provides for training in carpentry, shoe repair, sewing, and other vocational skills to give these adults the independence to earn a livelihood and the self-esteem that comes with that achievement. Additionally, the grant creates a revolving loan fund to provide loans to the newly-trained micro-entrepreneurs who have graduated from the center's programs.

FUNDADES has put US\$125,041 towards the project and CODESPA has devoted US\$262,936 to the initiative, for a combined total of well over US\$600,000 from the partners. The municipality of Villa El Salvador has also recognized the benefit of entering into a partnership to advance this project. Not only did it donate the land for the training center, but it took on the responsibilities of publicizing the project, referring people to the program, and coordinating with local trade associations to secure job placement for the center's graduates.

The IAF and CODESPA continue to explore ways in which to collaborate with each other and other organizations, using the underlying premise that partnerships to reduce poverty is an effective mechanism in grassroots development. One example of an effective partnership is occurring in Ecuador.

Background

Major cities in Latin America suffer from a phenomenon of rapid, uncontrolled urbanization caused by massive immigration of the poor from the countryside. As a result, these cities are surrounded by *barrios periféricos*—marginalized, impoverished communities located on a city's outskirts. These “new” neighborhoods have a seemingly urban infrastructure, whereas in reality their infrastructure is informal and improvised. Clustered together in cramped spaces on hillsides and along

the sides of main roads, the residents in these make-shift towns have no sewage systems, no drinking water, no paved streets, and no electricity. Their houses are made from materials that the occupants have found while scavenging the city streets and trash dumps. The living conditions in these barrios are what spawn physical and mental health hazards—depression, disease, and epidemics.

Moreover, inhabitants of these slums also have little or no education, which limits their opportunities for long-lasting, gainful employment. The ones that do find jobs, usually find odd jobs that are unstable, usually low-paying, and with few or no benefits at all. In such circumstances, families just barely survive, and adult members live day-to-day, often hand-to-mouth, with little opportunity for improving their lot. The children suffer from malnourishment from the time of their birth, with minimal or no chance at the type of education that could enable them to leave this cycle of poverty. In time, other problems appear, such as drugs and gangs—anything that serves as a respite from the poverty and the marginalization.

Ironically, the cost of the basic family food basket in these *barrios periféricos* is more expensive than in downtown Guayaquil. The basic family and household necessities are scarce and only available in small shops set up in shopkeeper's homes. These necessities, though of poorer quality, are sold at higher prices—the result of a long chain of suppliers and middlemen, each tacking on a profit margin. Regrettably, the prices for these necessities, such as sugar, milk, bread, oil, and other staple goods and necessities, are priced higher than better-quality products sold at supermarkets in higher-income Guayaquil neighborhoods. This is especially the case with pharmaceutical products, electrical appliances, and books, which are almost impossible to find in the barrios. Moreover, merchants have no access to credit to expand their small businesses, and are victims of loan sharks who charge sky-high interest rates.

To address these problems, *Fundación CODESPA* of Spain developed an innovative approach, it created and supports a string of Integrated Community Development Centers—



CDIC shopkeepers at one of the training sessions offered at the center.

Cost Of Basic Foods	in a city supermarket	CDIC in El Guasmo	CDIC Shop in El Guasmo	non-CDIC* Shop in El Guasmo
1lb. Sugar	1280 sucres	1090 sucres	1200 sucres	1400 sucres
1lb. Oil	5400 sucres	4740 sucres	5150 sucres	5800 sucres

* A non-CDIC shop is one that is not affiliated in any way with the CDIC program, does not purchase goods from the CDIC or does not rent CDIC space. Some CDIC affiliates are not residents of the actual building, but participate in the

Centros de Desarrollo Integral Comunitarios (CDIC). More than just a marketplace, these centers not only provide basic services at cut-rate prices to barrio families, but are an engine of development in the community—an engine fueled by the participation of barrio residents themselves.

The *Fundación CODESPA* developed these programs throughout Latin America over the last several years, while searching for viable partners in the communities. Two of these Centers have been built in Cali by the *Fundación Carvajal*—the developer of the CDIC model. A third Center was established in conjunction with *Fundación Propal*, also in Cali. Two others have been built in Guayaquil by the *Fundación Huancavilca* (one in 1995 and the other in 1999), which was created through a partnership of *Fundación CODESPA* and *Fundación Offsetec*. Presently, *Fundación CODESPA* is researching constructing a CDIC in Lima, Peru, as well as pursuing further funding ventures and alliances to construct more CDICs in Guayaquil, Quito, and Cuenca, in Ecuador.

Partners

Fundación CODESPA:

A Spanish non-governmental organization (NGO) with its headquarters in Madrid, *Fundación CODESPA* was founded in 1985 by a group of business executives, professionals, and academics. From the start, *Fundación CODESPA*'s focus has been the promotion of employment through vocational training and access to credit as a means of relieving poverty. *Fundación CODESPA* works in collaboration with NGOs in over 40 countries around the world. Its funding comes from the

Spanish government, the European Union, the private sector, and individual donors.

Fundación Offsetec:

Fundación Offsetec in Quito, Ecuador, is the non-profit foundation of Offsetec S.A., the Ecuadorian arm of the *Grupo Carvajal of Colombia*, which established the *Fundación Carvajal*. Founded in 1989, the *Fundación Offsetec* works to promote micro-enterprise and social investment in Ecuador. Headquartered in Cali, *Fundación Carvajal* is the non-profit organization of the Colombian company *Grupo Carvajal*. Founded in 1961, *Fundación Carvajal*'s mission is to share development lessons with business and community groups throughout Latin America and Colombia.

Fundación Huancavilca:

Founded in 1992 by a group of business executives, *Fundación Huancavilca*'s inaugural project was the design and creation of a CDIC in “El Guasmo,” a *barrio periférico* outside of Guayaquil. *Fundación Huancavilca* was launched by Marcel and Rodrigo Laniado de Wind as a result of a proposal from *Fundación CODESPA of Spain*. *CODESPA* proposed that the brothers organize a group of entrepreneurs to work with the marginalized communities of Guayaquil. *La Jabonería Nacional S.A.* and *Sociedad Agrícola e Industrial San Carlos S.A.* are among the members of the *Fundación Huancavilca*, and were instrumental in building the first CDIC in Guayaquil.

The municipality of Guayaquil:

Though unable to devote fiscal resources, the municipality stepped in with political support and an apportionment of 10,000 square meters to construct the CDIC. The office that has

been most active in the project has been the Department of Land and Community Development in the municipality of Guayaquil.

Catholic University of Santiago de Guayaquil:

The university provides the CDIC with students from various faculties to assist in the activities of the center.

The Partnership Project

The main function of a CDIC is as a central warehouse where barrio shopkeepers can purchase products at wholesale prices, with notable savings of money and time. Some entrepreneurs rent space and open a shop in the CDIC itself. The savings realized benefit the merchants' businesses, which is reflected in a noticeable reduction in the retail price, which local consumers appreciate. By making the links between the retailers and the wholesalers more direct, a CDIC can reduce the cost of the family food basket by as much as 12 percent.

Perhaps the effect of a CDIC can best be illustrated through the experience of one shopkeeper, Martha Castillo, who entered the CDIC program in 1995. When she started, she sold four types of items, and now her shop inventory includes over 50 types of products. Before her affiliation with the CDIC, her daily sales were 1000 sucres; now her daily sales amount to one million sucres. The suppliers she works with have grown from one to eleven, and she has even begun a credit program for her clients.

The profits a CDIC earns, from rent paid by resident shopkeepers, go towards its maintenance and sponsorship of other services. A CDIC is also a site for continuing education, a place

where the shopkeepers in the CDIC and the area can learn accounting, management, cost analysis, and techniques to improve product presentation, customer service relations and other practical lessons. In El Guasmo, over 650 shops have become members of this service, which is known as the “The Huancavilca Super Shops Club.” At a CDIC, microentrepreneurs can take advantage of the services necessary to run their businesses, such as accountants, and the use of telephone and fax lines. In addition, the CDICs support the creation of microenterprises through a financial information service and credit program.

A CDIC also becomes a magnet for community activities—approximately 65,000 people use the centers in El Guasmo in one way or another. Local leaders count on the CDIC as much as the people in the community, who see a CDIC as a forum to discuss community needs. In this way, the Center strengthens neighborhood organizations, encourages participation in solving local problems, and trains local leaders. A CDIC also provides additional schooling for community youths. By educating the young people, the CDIC hopes to create a capable work force for the expanding businesses of the community’s shopkeepers and the CDIC.

Pharmaceutical products at reasonable prices and a first-aid clinic are often available at a CDIC, with some CDICs providing nursery and child-nutrition educational programs for mothers. A CDIC also houses a library, computers, a study hall, and audio-visual equipment, all made available to the teachers and students from the various schools in the neighborhood. Teachers can borrow equipment to use in their classes and students can come to the center to do their homework.

The CDIC also sponsors a housing program to encourage El Guasmo residents to build and improve their own homes. Through the CDIC, residents can apply for loans for housing improvements, or hire contractors and use a revolving fund to purchase con-

struction materials. The Center also has a warehouse of construction materials available at affordable prices. On some occasions, the CDIC is a site of a recycling program, as well. The neighbors collect recyclable waste and carry it to the CDIC, where it is then packaged and sold in bulk quantities. The money earned from the sale goes towards paving roads, digging a sewage system, and the building or maintenance of other community projects.

The shopping list of services provided by a CDIC is neither closed nor static. Each center adapts its programs to what is most needed in the community it serves. This allows the CDIC to be flexible with its beneficiaries.

How the Partnership works

In 1992, *Fundación Carvajal* of Colombia approached *Fundación CODESPA* with the idea of replicating its community center model in another country. Quito, Ecuador, was selected as the first site. Unfortunately, the lack of private sector support for the project sank the proposal; however, before abandoning the idea, *Fundación CODESPA* visited Marcel Laniado, a local charismatic businessman, who after two hours committed himself to creating a foundation that would establish a CDIC. The resulting foundation, *Fundación Huancavilca*, named after the indigenous tribe that lived in Guayaquil during the time of the arrival of the Spanish 500 years ago, was born. Marcel Laniado, along with his brother, Rodrigo, would be the keystone and motivating force behind the development and success of this new CDIC.

Business, public sector agencies, and development agencies joined together in this project; a difficult, if not overwhelming challenge for any organization. The CDIC in Guayaquil received initial donations from the founding members, as well as counterpart funding from the government of Spain, the *Generalitat Valenciana*, and the European Union. Later funding came from the Inter-American Development Bank and the Ecuadorian-Canadian Fund among others.

Fundación Offsetec, based in Quito, Ecuador, and the affiliate of the Colombian *Fundación Carvajal*, through a technical assistance agreement, worked with *Fundación Huancavilca* to adapt the Colombian model to the needs of Guayaquil. This collaboration continues today. *Fundación Offsetec* is an active member of the board of directors of *Fundación Huancavilca*. Nearly five years after the start of operations, *Fundación Huancavilca* is in a position to reciprocate and provide “adaptation lessons learned” to *Fundación Offsetec*, which is overseeing the creation of a CDIC in Quito.

Construction began on the first CDIC in Guayaquil in 1994, and opened its doors for business one year later. The center cost an initial US\$700,000 to build and maintain for two years. This initial cost also included the operation of four community programs. Each of the 30 members that make up the *Fundación Huancavilca*, businesses executives in Guayaquil, annually provide between US\$5,000 to US\$10,000 for the maintenance of the CDIC. However, after its second year, the CDIC became self-sufficient. The shopkeepers’ rents cover the maintenance costs, and each social program approved and managed by the CDIC usually finds its own funding after its second year of operation. The initial investment, however, is never fully recuperated, and this is the capital that must come from the donors.

Because a CDIC is recognized as a non-governmental organization, it is permitted to solicit funds for the programs it hosts. Each of the programs have their own donors. For example, in the El Guasmo CDIC, the farmers’ association is financed by the *Fondo Ecuatoriano-Canadiense de Desarrollo*, the training and employment program is funded by the Inter-American Development Bank, and the school resources center is funded by the government of Valencia, to name a few. Each CDIC has its own annual report and its individual board of directors. The CDICs are subject to an annual

external audit by Deloitte & Touch and *Fundación CODESPA*. Throughout the year, follow-ups and reports are made to donors.

Problems Encountered

- Poor communities suffer from violence and crime, which affect the CDIC personnel, and can lead to a high staff turnover. Moreover, CDIC staff personnel receive NGO-level wages, which are not economically rewarding, though their work is personally satisfying.
- The El Guasmo CDIC lacked a clear methodology by which to evaluate its progress and for participatory planning. This is being corrected in the construction of the second CDIC.
- The economic crisis in Ecuador had repercussions on the national donors, members of the *Fundación Huancavilca*. In its first year of operation, the diminished funds had an effect on the administrative apparatus of the CDIC.
- In the beginning, there was a lack of coordination in programming. When several programs were placed in the same site, some efforts were duplicated, which wasted already scarce resources.
- The partnership encountered obstacles from those who did not see the value in grassroots development and investment in poor, marginalized communities. ■

The author is the FUNDACIÓN CODESPA representative for Bolivia, Ecuador, and Peru.

Social

By **Walter Price**,
Senior Foundation Representative,
IAF Office for External Affairs

Throughout 1998, the Office of External Affairs met with executives from the **AES Corporation** (AES), a global power company with headquarters in Arlington, Virginia, to present social investment options available with the Inter-American Foundation (IAF). In January 1999, the IAF and AES signed a memorandum of understanding (MOU) wherein the parties agreed to identify opportunities for collaboration in the Mexico, Central American and Caribbean Region.

The AES Corporation is the world's largest private power company with revenues for the first half of 1998 of US\$1.5 billion, up 118 percent from the previous year. Expanding rapidly in Latin America and the Caribbean, AES has purchased companies in Mexico, El Salvador, Panama, the Dominican Republic, Puerto Rico, Brazil, and Argentina. Moreover, AES is considered among the premier U.S. corporations dedicated to the promotion of progressive corporate social responsibility worldwide.

Under the terms of the umbrella agreement signed with AES, the IAF will seek alliances with AES-owned companies in the Mexico, Central America and

Caribbean Region to establish sustainable, country-based programs to support self-help development efforts. The **Compañía de Luz Eléctrica de Santa Ana** (CLESA) in El Salvador is the first AES affiliate company to sign a working agreement with the IAF under the terms of the umbrella agreement.

CLESA is a majority-owned subsidiary of AES and *Energía Global*, a Boston-based developer of power projects. The IAF/CLESA agreement, signed in January 1999, commits the IAF and CLESA to work together to identify and support community initiatives throughout El Salvador and foster greater participation of municipal governments and other private companies in local development activities. This project will work in conjunction with a CLESA program to extend electrical service to poor, isolated communities. As CLESA brings electrical power to these low-income communities, it will work with the IAF to insure that partial funding is made available to support community development efforts.

Recipients of IAF/CLESA funding will be nongovernmental organizations engaged in sustainable development initiatives designed to improve the living standards and quality of life for low-income people through self-help efforts.

The IAF/CLESA program will respond to written funding requests submitted to it by non-governmental organizations, and both IAF and CLESA staff will engage in the review of these proposals. Both entities will also share responsibility for project monitoring as well as for learning and for dissemination of project outcomes to a broader audience. Other ventures underway follow...



The **BP-AMOCO** Corporation and the IAF signed a memorandum of understanding to co-fund grassroots development activities in Venezuela. Over a three-year period, the IAF will invest US\$1.05 million and BP-AMOCO will invest US\$2.1 million to support this effort. BP-AMOCO will also share the costs of the Foundation's in-country support contractor (ICS) in Venezuela. Both entities are currently co-funding *La Fundación La Salle de Ciencias Naturales*, a Venezuelan foundation to provide training and technical assistance in health, basic education, and income generation opportunities to indigenous communities in the Orinoco Delta. Currently, BP-AMOCO and the IAF are exploring other collaborative opportunities in Bolivia and Brazil.

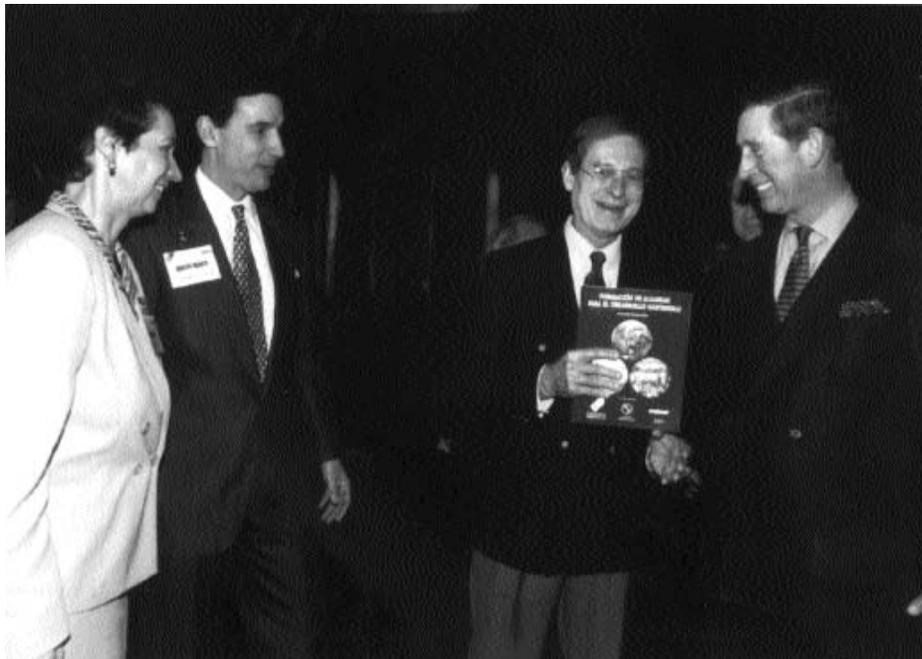


The IAF has been awarded a grant of US\$30,000 from the **Levi-Strauss Foundation** to be used to support grassroots development projects in northern Mexico. The monies will support a program to

provide training, credit, and marketing assistance to 1,500 Nahua women in the Sierra Norte of Puebla, Mexico through the NGO, *La Asociación Civil Centro de Estudios para el Desarrollo Rural-Promoción y Desarrollo Social, A.C.* (CESDER). CESDER will contribute US\$109,130 and the IAF will grant an additional US\$194,010. The women will receive business management training and a full-time marketing specialist will design a sales strategy for the microentrepreneurs. Additionally, the project will establish two lines of credit: investment capital for start-up micro-enterprises and working capital for nascent enterprises. At least 3,000 people are expected to benefit from this project through increased employment, decreased emigration, and increased management and production skills.



The *Compañía Minera Antamina S.A.* (Antamina) and the IAF are exploring ways of jointly identifying and financing development projects in the Ancash region of Peru in the amount of US\$3 million over a period of three years. Antamina is a Peruvian company created and wholly owned by a consortium of three Canadian mining companies—Noranda, Inc., Rio Algom, Ltd., and Teck Corp.—with extensive mining operations already in South America, as well as in North America, Central America, the



IAF President George A. Evans presents a copy of *Formación de Alianzas para el Desarrollo Sostenible* to HRH The Prince of Wales in Buenos Aires, Argentina. Joining them are Linda P. Brst, IAF Vice President for External Affairs and Adolfo A. Franco, IAF Senior Vice President and General Counsel.

Caribbean, Europe, Africa, and Asia. Antamina's copper and zinc mining operations are expected to increase Peru's total mining exports by 25 percent by the year 2002.



In collaboration with the **municipal government of Nejapa**, the IAF, **Coca-Cola**, and **Coastal Technologies of Texas** are co-financing a small projects fund, created by the *Fundación Salvadoreña de Apoyo Integral*, that supports local development activities in El Salvador (see the article in this issue From Conflict to Cooperation for more information).



The IAF and the *Fundación Inti Raymi* are co-financing a local development fund that finances small-scale economic development projects in rural Bolivia. *Inti Raymi* is owned by the **Battle Mountain Gold Company of Texas**.



The IAF, together with the *Consortio Interinstitucional para el Desarrollo Regional* (a consortium of eight Peruvian NGOs) the **municipal government of Cajamarca**, and the gold mining company *Minera Yanacocha, S.A.* are co-financing a local credit fund. *Minera Yanacocha* is a subsidiary of the **Newmont Gold Company of Colorado**. The credit

fund gives loans (and occasional donations) to small-scale farmers and cattle ranchers, artisans, and other micro-entrepreneurs to improve their operations and production. The fund also enables impoverished communities to improve their infrastructure.



The IAF has expanded its collaborative activities with the **Prince of Wales Business Leaders Forum** (PWBLF). The PWBLF is an international non-profit organization that promotes the practice of good corporate citizenship and sustainable development as a natural part of successful business operations. Under the terms of a memorandum of understanding signed by the IAF and the PWBLF in December 1997, the IAF and the PWBLF have continued their work. Together the IAF and PWBLF are working on partnership development through training and technical assistance, results measurement, dissemination of good practices in corporate social investment, and the identification of corporate partners that may be interested in co-financing arrangements to support grassroots development programs. The PWBLF and IAF staff conducted its first joint INSIGHT partnership development program in Chihuahua, in November 1998 (see Development Notes). Based on the successful Mexico workshop, similar initiatives are being planned in Peru for September 1999 and in other regions of Mexico for November 1999.



In July 1998, the PWBLF conducted a training program for IAF staff and representatives from Pact, Ashoka, *Centro Mexicano para la Filantropía*, Peru 2021, and the Monterrey Technological Institute on “How to Engage Business in Social Investment” and “How to Establish and Maintain Partnerships” using PWBLF’s methodology of INSIGHT exchanges and training.

Together with *Kvaerner de México*, the PWBLF and IAF published a training manual on partnerships in Spanish: *Formación de Alianzas para el Desarrollo Sostenible*. Kvaerner de México is a service and sales arm for Kvaerner, specializing in gas turbines, wellheads, safety and energy. A global company, Kvaerner has over 60,000 highly skilled staff operating in over 100 countries. *Formación de Alianzas para el Desarrollo Sostenible* offers practical guidelines to those interested in forming partnerships. The chapters are arranged in the sequence of a partnership building process. It starts with the early planning stages and takes the reader through the construction of a partnership, ending with a technique for measuring the impact of partnership activities. Examples of actual working partnerships throughout Latin America and the Caribbean are also included. On March 9, 1999, HRH The Prince of Wales and IAF President George A. Evans launched the Spanish language edition of the Forum’s book, *Managing Partnerships: Tools for mobilising the public sector, business and civil society as partners in devel-*

opment, at a meeting of 55 senior corporate executives in Buenos Aires, Argentina. To obtain a free copy of the book, *Formación de Alianzas para el Desarrollo Sostenible*, write to: IAF, Dissemination, 901 N. Stuart St., 10th Floor, Arlington, VA 22203.



The IAF, the Inter-American Development Bank (IDB), the *Corporación Andina de Fomento*, the **Ford Foundation**, and **Citibank** provided funding for the Latin American Regional Micro-Credit conference held in Mexico, as a follow-up activity to the Micro-Credit Summit of January 1997.



Kimberly Clark, Corporativo Machado, a Mexican sugar company, and the IAF provided funding to the *Fundación Comunitaria de Oaxaca, A.C.* (FUNCOM) to promote collaboration among business, government, and community organizations, and to mobilize local resources for sustainable grassroots development projects. The FUNCOM grant will establish a local development fund to support small-scale economic development projects carried out by local community organizations. Citibank is also providing support to FUNCOM for other program activities.

Q & A

by Terry Tracy, IAF Editor

Samuel G. Kalisch is a successful entrepreneur whose commercial interests include steel and iron retail, a cargo-freight company, and a scrap-metal company. Since 1994, he has served as the President of the Board of Directors for the non-profit organization, Fundación del Empresariado Chihuahuense (FECHAC). As a founding member of FECHAC, Samuel Kalisch leads a group of business executives in a unique social venture in which companies pay a voluntary 10 percent tax on the two percent payroll tax and administer these monies through social programs. With 30,000 businesses participating, FECHAC has collected approximately US\$3.5 million annually, with five percent designated for administrative costs and ninety-five percent devoted to programs. He explains...

Q : *How did FECHAC begin?*

A : A severe storm struck Chihuahua in September 1990, which resulted in loss of life and severe property damage throughout the city. This prompted a meeting among 34 local business associations and chambers of commerce in the area. We were looking for a way to help the victims. After some discussion, we decided to petition the state government to raise business taxes, with the proviso that we administer the revenue collected. We agreed that this would last for a period of one year—1991. The funds that were collected were more than sufficient to reach set goals. As a result, the remaining funds were used to help impoverished children and senior citizens housed in institutions.

In light of the Chiapas uprising in January 1994, the business executives of Chihuahua recognized a similar danger facing us with the marginalization of local ethnic groups, the lack of resources for civil society, and an erosion of social values. So, once again the 34 business organizations met. The Chiapas uprising was only one of the many reasons which prompted our involvement and was not necessarily the most important. We proposed to the state government that we use the same mechanism as before, the voluntary tax—but this time, extend the period over six years. The proposal was accepted and we established a trust fund. In 1996, the *Fundación del Empresariado Chihuahuense* (FECHAC) was launched and charged with the responsibility of managing the fund, projects, and ownership over certain assets.

Q : *Who are your members and what is FECHAC's basic organizational structure?*

A : Some 29,000 companies across the state of Chihuahua contribute money to the fund. The majority of our membership is mid-range businesses, with annual earnings between two and 10 million dollars. The first year contributions totaled two million dollars, and for this year, 1999, we expect contributions to come to five million dollars.

As of June 1999, we have collected 18 million dollars in total income through contributions and proceeds. FECHAC's Board of Directors consists of 19 business executives, four state representatives (two representatives from the governor's office and two from the state legislature), and one

president. Additionally, there are nine other advisory boards in as many cities, with a total of 100 voluntary advisors.

Q : *What type of programs does FECHAC support, and how does it choose those areas?*

A : In order of program priority, we chose the following four areas to focus our efforts: education, health, sustainable economic development, and the promotion of philanthropy. Our priorities are based on the need to bring stability into the lives and livelihood of needy individuals and any given group that society has marginalized. FECHAC realized that it was not enough to just build homes, health clinics, and schools. We recognized the opportunities to modify behavior and better our social conditions. Therefore, we decided in 1997 to broaden FECHAC's scope and started a series of programs and activities such as Parenting Seminars, in which parents



Samuel Kalisch delivers a presentation on FECHAC's history and organization at the INSIGHT Workshop, see Development Notes, Pg. 62 for further details on the conference.

(Photo: Courtesy Prince of Wales)

attend weekly classes on family values over a six-month period; (22,000 actual enrollments, with a goal of 60,000). To expand financial opportunities among the residents of the state, we have set up 85 community savings banks. [Note: FECHAC and the IAF are co-funding a community bank program. Focused on women borrowers, these banks in the rural and urban areas of Chihuahua, provide credit for the establishment of micro-enterprises, along with marketing, management, credit administration, and organizational development training.]

In addition, FECHAC recognizes the need for complementary participation among three sectors (business, government, and civil society), which we call: Integration, Inter-sectorial, and Inter-institutional—The Three I's.¹ We have developed two projects using our own methodology to provide care for senior citizens and the state's indigenous tribes. Despite the change of administration following the elections, we have been able to continue the program. We are also in the midst of establishing a similar program to educate people concerning AIDS prevention and street children. Finally, we have programs to train and empower community organizations. We are also planning to launch the *MIRA por los Demás* (Looking Out for Others) program with the *Centro Mexicano para la Filantropía*, to promote social responsibility among businesses.

Q : *How does FECHAC work? How are projects selected?*

A : FECHAC has 83 employees, and spends five percent of its funds on administration and five percent on monitoring. Each project has its own budget and proposals are received in the different cities. FECHAC's local advisory boards analyze and pre-approve projects and/or proposals, which are then sent up to FECHAC's Board of Directors for final approval. FECHAC's Board of Directors also reviews and approves the rural propos-

als. Resources are distributed according to a city's or town's ability to successfully raise funds. Fifty percent of the monies collected goes into a community fund for projects that are statewide or rural in nature.

Each activity exists within a boundary of stated objectives, policies, and procedures, which must be approved by FECHAC's Board of Directors. Once a year, a strategy planning board meets. The boards in each of the nine cities meet monthly, as does FECHAC's Board of Directors, in Chihuahua's state capital.

Q : *Who is responsible for internal and external monitoring of procedures?*

A : All of FECHAC's activities are audited and there are several internal evaluations at the same time. External auditors monitor the Foundation's finances, and the finances of and for projects. The secretary of FECHAC's Board of Directors acts as a comptroller. FECHAC has carried out approximately 15 in-depth audits. Moreover, our monitors make periodic visits to projects to audit personnel and to evaluate project results. Every project has a short-term, follow-up date, and we try to evaluate the results just as soon as possible. There are evaluation and follow-up meetings every 15 days and, when necessary, on-site inspections.

Q : *FECHAC has entered into partnerships with civil society and the government on various projects. What has your experience taught you?*

A : In the case of the civil society organizations, our experiences have been varied. At times it has been difficult to help them, some of them suffer from a lack of training among their personnel and an inability to plan strategically. Moreover, some of them have not formalized their legal status prior to venturing on a project. We also find that

their financial records are not always clear, nor do they want us to see their books. There are many people who want to help, but they lack a clear vision of how to go about giving that help efficiently. Overall, our experience has taught us that once these flaws have been corrected, results have been positive. There is a lot of work to be done with these organizations if they improve their performance, especially in time management.

In the case of the government, we find no problem in those construction projects where we contribute resources, starting from the ground up. However, it has not been as easy when dealing with projects that work to change an existing social condition of the target beneficiaries. The government, in these cases, is very jealous of its position as administrators of society, and considers us invaders of that sphere. Government representatives have a tendency to say they are interested in collaboration, but once the work is in progress and going forward, they shut the door on collaboration because they feel pressured.

Q : *What are some of FECHAC's principal achievements?*

A : We have completed over 600 projects—large and small—with positive results in 90 percent (540) of them. We have had problems of permanence and/or not reaching objectives in 7 percent (42) of projects, and almost total failure in 3 percent (18) of these projects. The projects dealing with changing existing social conditions (the three I's) are always ongoing; they never finish—we have give them our constant focus, because they represent our most important function.

Q : *What obstacles has FECHAC had to overcome?*

A : There have been many, and all of them have been a learning experience and a challenge. The most important one will come in the year 2000, when it

is time to renew the decree that gave us life—and that will be when we discover whether the government truly respects this initiative. Other obstacles have been the difficulty in maintaining FECHAC's independence, keep it free from links to political parties and religious groups and/or communities. Another obstacle is that since we are considered an administrator of public resources, we are obliged to conduct our operations as if we were a government agency.

Q : *Are there other groups following FECHAC's model?*

A : We did not know of a single one in all Latin America, up to now. In the state of Sonora, Mexico, there is a growing movement to implement a similar model, but it has yet to materialize. They have carried out about 95 percent of the steps needed to employ the model and we hope they succeed. Every part of the country has urgent social problems that need to be addressed.

Q : *Parting thoughts?*

A : Throughout the world and over the course of time, various forms and systems of governments have existed, and the conclusion that one comes to, is that there are, proportionally, more governments with less resources available to them—acknowledging the advances made in science, especially in the area of health. This inequality of resources, according to the Gini methodology,² is a worrisome problem in some countries. Because of this, we must ask ourselves if we are going to use obsolete social development schemes or programs, or are we going to place into society's hands the methodology and wherewithal, so that society itself becomes an important actor in its development. Today, there is strong tide of support for the latter, of which FECHAC is one current.

We must stabilize the economy and harmonize social development. And even though democratic societies facilitate these kinds of changes, those soci-



This piñata workshop is just one of the many activities offered to people with disabilities as a means of emotional rehabilitation and productive therapy. The program is coordinated by Apoyate en mí. Lean on Me another one of FECHAC's grantees. (Photo: Courtesy

eties need to be strengthened in such a way as to eradicate corporate statism and authoritarian forms of government that use society for personal gain rather than as an end in itself.

Eligible members of society must be permitted to have access to government and community resources for specific needs without it lessening or taking away from governmental participation or responsibility. On the contrary, these government regulatory bodies should be strengthened and their areas of responsibility clarified—especially the areas they promote. They should incorporate change in their structure to keep up with societal and environmental changes. Yesterday's rules are not today's rules, and government and community agencies must be able to adjust to present circumstances and conditions; problems are progressing at an exponential rate while their solutions are calculated less quickly. Society and business must turn this around.

FECHAC is one of many alternatives to find ways and means to attain higher standards of living; a responsibility we assume, and a responsibility

that implies that a better today makes for a brighter tomorrow. ■

1. According to FECHAC, "Integration" projects are those that address not only the symptoms of a societal problem, but look towards prevention.

2. The Gini methodology is an economic formula for measuring income inequality. Theoretically, Gini coefficients vary between zero, which is perfect distribution of income and one, which is complete concentration of wealth in one individual. Applied to the practical world, Gini coefficients usually vary between 0.25 and 0.60 among the 100 countries that have compiled the necessary data needed to calculate Gini coefficients (i.e., extensive household surveys that examine education, age, occupation, etc.). Inequality indices for countries in Europe vary between 0.25 and 0.3. In Latin America, the Gini coefficient average is 0.52, with Mexico measuring slightly above that according to a 1996 study by the Inter-American Development Bank.

LOCAL



Inverting Corruption

OTTÓN SOLÍS

Giving a community the authority to distribute public funds

By Patrick Breslin, IAF Representative and Duncan Campbell, IAF Assistant Editor

Can one person make a difference, go against entrenched ways and win? If you are an Ottón Solís, you can. This bespectacled, intense man—a deputy in the Costa Rican congress—packed a political snowball in 1994 that started an avalanche. Transcending party lines, party loyalties, and political personalities he introduced reform to

the county of Pérez Zeledón, that rolled into other cantons of Costa Rica. Despite being squarely situated in the tropics, *bola de nieve*—snowball, or snowballing—are the terms many Costa Ricans use to describe the speed and scope of changes that widely affect their society. This particular *bola de nieve* left citizens with a renewed sense of pride in their community, a trust that they each have a voice and will be heard by their elected and appointed government officials. This change

showed them that they do have the power to better their communities, better their standard of living, and better their government.

While serving as their deputy to the national congress, Ottón Solís, returned the authority over discretionary funds apportioned for public works to the people of Pérez Zeledón. Previous to Solís' reforms, there was neither debate nor oversight on how the deputy allocated these funds. They were subject to a deputy's sole discretion. Under the patronage system then in place, the deputies of the governing party took two percent of the national budget and split it equally among themselves (elected deputies from the losing party received nothing), with each deputy having absolute control over their portion. This procedure, prone to corruption and favoritism, undermined people's trust of the government. "Typically," said Saul Quiros, an official of the Rural Development Program of the Ministry of Agriculture and Animal Husbandry, "deputies gave that money to campaign helpers, family members, etc." In his campaign, Solís told the constituency that he would turn over all this money to local decision making.

Once in office, Solís lived up to the promise and turned over all the discretionary funds apportioned to his canton to the District Councils of the eleven districts that comprise Pérez Zeledón. However, he set conditions for the District Councils. Solís explained "I set a requirement that the opposition party be represented on the councils, and that at least one woman be included on each council." Some bureaucrats in the government ministries did not accept this new approach, nor did many of his

(opposite) Students use a pedestrian bridge that straddles a busy highway in Bane, in the canton of Pérez Zeledón. The graceful footbridge was constructed so that children could safely walk to school without having to dodge speeding cars as they did before. Following the devolution of public funding authority, this is just one of the community projects that sprang up.

party colleagues accept the fact that he had "refrained from a typical wholesale replacement of the leadership in the district offices." The first year, Solís distributed the funds equally among his canton's councils. Since then, however, the funds have been allocated on the basis of district population, geographic size, and poverty levels.

The results of Solís' decentralization reforms are visible throughout the varied landscape of Pérez Zeledón. Hundreds of kilometers of new roads either built or upgraded show a quick recovery from Hurricane César, which ripped through the area in 1996. New schools have been built and old schools improved, amidst the construction of additional housing and community centers, health posts.

Even more dramatic is the visible transformation in people's attitudes towards local government. The people revived the old community development associations. The District Council informed their community how much money was available to them, and the community development associations then decided and prioritized public works projects. They contributed the labor to complete the projects. Thus public works projects became a matter for community involvement, community ownership, and community pride. Alexis Zamora Arce, mayor of San Isidro de El General, makes the observation that "without it [decentralization], there is almost no [community] participation," while "with it, we can support the initiatives of the people." "We don't decide what the communities need," Arce states, "We tell them there is a certain amount of money available. What do they want to do with it?"

Before the reforms, municipal workers would travel to distant communities for public works projects. It was always a long trip back and forth, with much of the workers' time spent being transported to and from the work site, lunch, and breaks, and little of their time actually working on the public works project itself. "The result was that the community saw very little work accomplished" said Arce, "that

affected the municipal government's credibility." The mayor also pointed out the fact that "we didn't have much money for these projects in the first place." Now, however, it is different. People from the local communities are the ones that work on many of these projects. Rather than arbitrarily dictating and controlling projects, the mayor's office now limits its role to providing technical oversight. "The people," Arce emphasizes, "see these projects as theirs, and they take care of them."

The Anti-Corruption Formula

Labor constitutes nearly fifty percent of the average cost of public works projects, according to local officials. But with the communities contributing labor, public works money goes further. Maintenance costs go down, because once the community people themselves participate in building something, they tend to care for it. School children, for example, regularly patrol the new roads to report potholes, and make sure drainage ditches are not clogged. District Councils are becoming adept at getting government agencies to lend heavy equipment for construction efforts. Solís explains, "What we did was, invert corruption." According to him, corruption in government is typically stealing 20 percent of what is budgeted for public works. Solís noted, "In our case, we multiplied the value of the government funds for public works." The average project is worth "five and one-half times, its original budgeted cost."

The reform started to change politics in the canton, as well. With resources to control, the District Councils took on new importance and new responsibilities, which freed up the municipal council, and the mayor, to start thinking about the canton's general welfare. "The local government can really be a local government" Arce says, "instead of spending all its time responding to details." The council and the mayor began to focus on municipal reform, streamlining the administration, reducing staff, and cutting expendi-

tures, all of which left more funds available for public works projects. The traditional role of the deputy was changing as well. “Before,” said one local official, “you would see a line of 60 or 70 people every Saturday in front of the political party’s clubhouse, waiting to ask the deputy for a favor.” But now, when Solís comes back to his district on weekends, said another official, “he can sip a coffee near the plaza without a line of people waiting to ask him for favors. He changed the system.”

Solís would like to see decentralization “extend to the point that all public officials be judged, and even sacked, by the community—not on technical issues, but on their service. Make public officials genuine employees of the public. If the public oversees them, they’ll be efficient.” “Power is not a zero-sum game,” Solís goes on to say, “In Latin American politics, politicians think it is.” Solís observes that in Latin America “Local leaders are [the] key during political campaigns. The candidates rely on them, consult them, take their advice. But when they’re in government, the relationship changes. The person who guided and advised the candidate on local matters becomes a supplicant.” And finally reform, change, according to Solís, has to do with democracy; participatory democracy, which is relatively a new thing in much of Latin America.

Fundación Lead

As Solís’ four-year term drew to a close, supporters inside and outside the party were worried that his reforms would not survive past the election. Since deputies may not serve successive terms in Costa Rica, and not all politicians—including members of his own party—agreed with Solís’ reforms, these concerns were real. Solís remembers that some party colleagues even called him a traitor. However, at the last minute there was a dramatic stroke from congress.

The Pérez Zeledón experience had generated national interest—delegations from almost half the country’s 81 can-

tons had come to learn about it—as a result both presidential candidates supported the changes. This helped push legislation through congress that extended the reform, by law, to the entire country. Beginning in 2002 on, all five district council members will be elected on a proportional representation basis. However, a legal framework was not enough to insure sustainable, continued change. “We need training, capacity building,” Solís said, “And we need dissemination of the Pérez Zeledón experience.” As a result of these concerns, Solís, and several local leaders who had become believers in the process, created a bipartisan group, *Fundación Localidades Encargadas de la Administración del Desarrollo* (*Fundación LEAD*), to keep the process going.

Fundación LEAD was legally chartered in February 1997. Its main purpose is to ensure the involvement of local citizen’s groups, the municipal government of Pérez Zeledón, and local non-governmental and business enterprises in the process to decentralize control over local development activities. To this end, it has established a trust fund in the municipality’s largest credit union, *Coopealianza*, and has conducted seminars and fora on the topic of local control over the decentralization process.

Despite these efforts, changes in government has slowed the process in Pérez Zeledón. While the funds are available, the all-important supplementary support from government public works agencies has stalled in many cases. Local leaders, though, are optimistic. “It’s a problem,” said Rodrigo Aguero, who moved from the district council in Paramo to the municipal council as a result of the last election, “but not an obstacle.” “Politicians don’t want to let go of power,” Aguero adds, “But I think this is an irreversible process. It’s taken off. The local leaders know this is the only way we’re going to develop.”

With the assistance of an Inter-American Foundation (IAF) grant, *Fundación LEAD* is carrying its govern-

ment reform training seminar and workshops to five other cantons. These training activities will cover such diverse topics as alternative methods of negotiating and decision making, sustainability of local development processes, selection and planning of development projects, as well as other topics related to *Fundación LEAD*’s mission. It is anticipated that 330 local leaders will participate in these training activities.

Part of the grant monies—a minority portion—will also go towards capitalizing *Fundación LEAD*’s trust fund, which will finance approximately 120 local development projects selected, planned, and administered by the local communities. The projects will range from access roads and bridges, housing, vocational training workshops, health and nutrition clinics, community centers, recreational facilities, and environmental conservation. A total of 115,000 local residents will directly benefit from one or more of these projects. The *bola de nieve* is slowed, but by no means stopped. District and municipal council leadership in several Costa Rican cantons will continue their efforts to institutionalize this formula. *Fundación LEAD*, too, is doing its part in educating the public, and in the training and workshops it provides to present day public, and future, leaders. ■

P ● INT O F

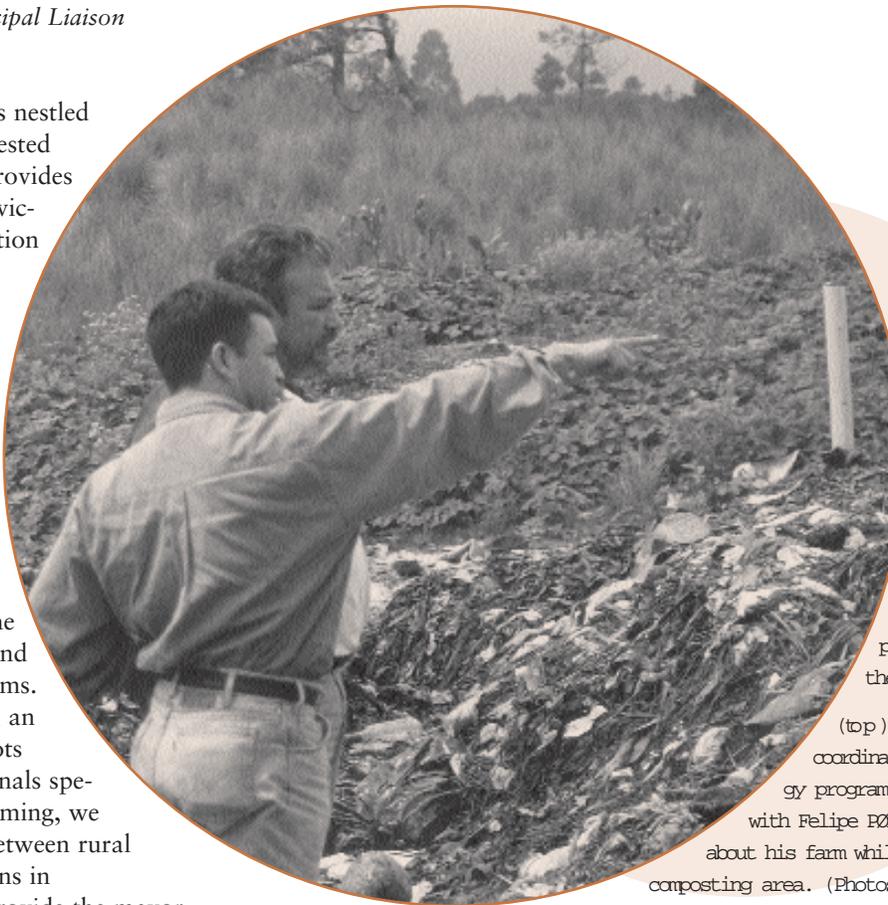
Point of View from Palajunoj

Agroecology in the western plains of

By *Erick Granados*, Director of *Equipo de Consultoría en Agricultura Orgánica (ECAO)* and *Judith Gomez Mijares*, ECAO Project Coordinator and Municipal Liaison Officer

Quetzaltenango is nestled in a heavily forested region which provides critical “ecological services” such as the generation of clean air and water for lands further west. Its beauty, though, is fleeting, since large areas of this valuable forest are being laid to waste due to unsustainable farming practices, population growth, and the lack of public resources to address the area’s environmental and socio-economic problems. As members of ECAO, an association of grassroots development professionals specializing in organic farming, we coordinate activities between rural development institutions in Quetzaltenango and provide the mayor with technical assistance to help him formulate sound rural development policies and address the problems facing the region.

Curiously, Quetzaltenango simultaneously exhibits urban-rural characteristics. Though located in a forest, it is the country’s second largest city. Moreover, odd conjunctions extend to Quetzaltenango’s population, which is



(left) Julio Tumax Robles and Erick Granados Otiz, of ECAO discuss how they will employ a small tractor, which the municipality of Quetzaltenango will loan the project. The tractor will be used to turn over the compost pile created from municipal garbage, mainly from the town’s produce market.

(top) Julio Tumax Robles, coordinator of ECAO’s agroecology program in Quetzaltenango, talks with Felipe Pérez of Llanos del Pinal about his farm while they review Felipe’s composting area. (Photos: Jim Adriance)



Hector Saquic Citalán, a farmer from Chuicavioc explains how to produce organic fertilizer through composting crop and animal by-products (Photo: Jim

divided into two ethnic groups: Quiché (indigenous to the area) and ladinos (Spanish-Indian parentage primarily). The population of Quetzaltenango is a people divided culturally in how they act, think, and feel. Therefore, it is important to note the first-time election of a Quiché indian, who was endorsed by a Quiché organization, as mayor in Quetzaltenango. This is just one reflection of the changes the country is undergoing as a result of the recent reform of the Guatemalan constitution, which officially recognizes the country's ethnic diversity.

Widespread poverty is another characteristic of Quetzaltenango. The area's economy is dependent on the small family farm. Most plots are less than a manzana (a manzana is approximately 1.6 acres), and much of the land is still covered with trees. Nevertheless, the cleared land already shows evidence of erosion—mostly due to conventional agricultural practices. The farmers in this area exist at or below subsistence levels.

Given that local government is the first pillar of a democracy and closest to the people's daily life, it is important to note another "first" for local development in Guatemala. In an agreement signed among the municipality of Quetzaltenango, government organizations, non-government organizations, and community representatives, they have formed a coordinating committee to plan and execute sustained rural development policies and practices in hopes of raising the standard of living in the area's communities and strengthening local power.

In a project, funded by the Inter-American Foundation (IAF), ECAO and the Quetzaltenango municipality, we are selecting 10 rural communities to serve as buffer zones for the region's protected areas. In these 10 communities, we have six program areas through which we hope to generate sound environmental practices and improve agricultural production: recycling, agroecology, reforestation, agroindustry, marketing, and cooperative organization. This work is part of the politics of sustainability and the vision of creating an agricultural food chain that will provide people with a higher standard of living without damaging the environment. It is also an attempt to preserve conservation-oriented Mayan farming techniques, which are in danger of disappearing.

The logic of the "Green Revolution" relies on the intensive use of fertilizers and other chemicals to sustain arable land, which not only increases the cost of production and dependence on expensive technology, but also contributes to soil degradation, decreased biodiversity, and the loss of flora and fauna. In addition to restoring more ecologically sensitive farming techniques, two of ECAO's programs are designed to train farmers and organizations to conduct and administer farming cooperatives.

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Another problem facing the municipal government of Quetzaltenango is city beautification and cleanliness. Because it is a large city, it generates huge volumes of trash and solid waste which litter the city streets and the countryside. Quetzaltenango has a small municipal waste disposal program, but it is limited by the lack of funds and recycling facilities for the disposal of organic and non-organic waste. In an earlier development project, the municipality created an elaborate recycling plan which only later was discovered unsustainable and unsuited to the region. Now the city is confronted with the harsh reality of managing recycling plants while external financial and technical assistance for that project has disappeared. ECAO has established an agreement with the municipality to research solutions to its organic waste recycling problems which take into account the region's conditions

Complementing the program to manage agroecological farms, ECAO is also working with the municipality in compost production. This will multiply the organic benefits of the development plan since the municipality can dispose of its organic waste by turning it into compost, and then use the compost as a substitute for the more expensive and land-damaging chemical fertilizers. However, this program for solid waste management has not gone smoothly due to the lack of cooperation among the city's residents. Very few people actually go to the trouble to separate organic from inorganic waste material. To encourage greater participation in this recycling program and reverse this indifference, we are planning an extensive public education campaign.

Forestry science also is part of the agroecology program. The farmers we work with are planting natural boundaries of trees in and around their farms. These fences become living barriers to replenish the land with nitrogen, produce organic matter (humus), and generate kindling—and provide some fruits as well. Small farmers need to break free from the current agricultural practices which put them in a vicious cycle

Mutual Benefits

By Jim Adriance, IAF Representative

According to the United Nations Development Programme, 75 percent of Guatemala's population lives in poverty, and those living in the most extreme poverty live in rural areas. Most of the lowest income rural residents are subsistence farmers working plots of land less than two acres, and who have little access to the financial and other resources (e.g. credit) necessary to buy the modern agricultural package of seeds, fertilizers, pesticides, and other inputs. Equipo de Consultoría en Agricultura Orgánica (ECAO) began in the mid 1990s as a small group of grassroots development professionals with a shared vision of an agricultural model that would better answer the needs of these low income rural residents. The three-year grant, which the Inter-American Foundation (IAF) awarded to ECAO in 1998, is just one phase in ECAO's long term grassroots development strategy, and the fruit of ECAO's early work as a non-governmental organization (NGO) specializing in organic agriculture. The ECAO project is also planting seeds for the future—not only for Quetzaltenango but perhaps for municipal development throughout Guatemala.

ECAO's organic farming model builds on what small-scale farmers do have: soil, organic matter, alternative sources of nitrogen, practical knowledge, beneficial insects and plants, and ingenuity. ECAO has worked with hundreds of farmers who have notably increased and diversified their production and lowered their costs while building healthier and more productive soil, water, and other environmental systems. With these kinds of results not only do farmers look to ECAO, but increasingly, mayors are seeking their advice. Rural mayors realize that a NGO with technical skills in organic agriculture can offer something practical to the low-income farmers in their municipalities. Mayors face other responsibilities in which organic farming methods can help. Two examples include watershed protection and garbage disposal.

The lowest income farmers often live on the steepest hillsides in a municipality, and often these hillsides are the last forested frontier of the municipality's watershed. Instead of merely prohibiting environmentally damaging activities, a municipal government can work constructively in a partnership with a NGO like ECAO, and offer alternatives to farmers that also yield improvements in agricultural harvests. Moreover, ECAO can help address the municipality's garbage problem through an organic solution: composting the town's organic matter into fertilizer.

ECAO's partnership with Mayor Rigoberto Quenó Chay's administration began originally to train small-scale farmers in Quetzaltenango's Palajunoj valley, many of which rent municipal land. Composting part of the city's garbage complemented this rural work by creating fertilizer from organic municipal garbage. Mayor Quenó has brought together in the last several months a variety of the NGOs (six grassroots support organizations, two international organizations, three farmer organizations) and two national government agencies working in rural Quetzaltenango to focus beyond the Palajunoj valley on rural development in general in the municipality. These organizations have created a formal coordinating body that meets on a regular basis and helps member groups stay aware of each other's work. This group is planning to map the social conditions of the municipality so members and the municipality will have an overview of the needs of the municipality's rural residents. Like a healthy plant, this partnership has grown, but it also works to steer clear of partnership pitfalls. Hollow collaboration, laden by laborious meetings and too ambitious an agenda, can undermine the work of individual organizations and the morale of the partnership. One issue that arises in many partnerships is the time spent in meetings. Field staff are already pressed for time before joining a coordinating group, and if coordination becomes tedious, member groups will leave. An important challenge in Quetzaltenango, and elsewhere, is to make sure that coordination is agile and focused.

Just as ECAO is a NGO with special skills and vision, the mayor of Quetzaltenango, Rigoberto Quenó, is a special mayor with an uncommon vision for how local government should collaborate with the people and organizations in his municipality. Nominated to the ballot in 1995 by a temporary Civic Committee outside the realm of Guatemala's political parties, Quenó, Quetzaltenango's first indigenous mayor, came from the non-traditional political base of a local university and various non-profit development organizations. This unconventional background contributes to the mayor's innovative analysis of municipal problems and an uncommonly high comfort level he has with NGOs and community

of depending on greater and greater amounts of expensive chemical fertilizers that despoil and erode the land. Through more sustainable agricultural practices, we plan to teach farmers to produce more, and then what they produce will be of higher quality, thereby contributing to healthy eating standards.

Finally, farmers experience a bottleneck between production and the market, which prevents them from realizing profits. The lack of storage facilities (individual, communal, or commercial) and communications among farmers (there are no cooperative systems in place) can remedy this situation. We want to give the farmer added value for his produce as well as greater opportunities in the marketplace, thus maximizing possibilities for greater commercialization. Since these farmers lack economic organization, their commercial experience leaves them at the mercy of ruthless buyers or a single middleman. The farmer earns barely enough to cover production costs, with a few farmers making a skeletal profit at best. Nevertheless, this cycle of subsistence living can be broken through the formation of strong community organizations and cooperatives.

Local governments are important channels for changing that top-down notion of the state in which authority is distributed more vertically and is not shared throughout the country. They can facilitate the integration and participation of ethnic groups, NGOs, and community organizations, in planning, administering, and executing programs destined to contribute to the economic, social, and cultural development of the community. As a participant in this coordinating committee for Quetzaltenango, ECAO sees it as a joint venture that complements local development by offering a forum to create a plan of action and a means to order efforts, optimize resources, and prevent duplication. ■

Consider

Are economic growth and equality compatible? While growth may not automatically lead to equality, lack of equality may in the long term, hinder growth. Thus, one approach to sustainable development is to address the factors that contribute to inequality. Development economists still debate these links, but in large measure agree on the importance of education in poverty reduction. The IDB's **Facing Up to Inequality** (see Resources for the book review) is a comprehensive collection of surveys and analyses that points to education as a primary channel for development efforts and achieving equality.

- The income level of more than 150 million Latin Americans, 33 percent of the population, is **under US\$2 a day**.
- In 1980, 35 percent of Latin American households lived in poverty. **By 1994 that percentage was at 39 percent**.
- Latin America has the most unequal income distribution in the world. Five percent of the population earns **twenty-five percent of total income in the region**. The poorest 30 percent of the population, earns **just 7 percent of the income**.
- Education for men, but especially women, is critical to income. Members of the richest 10 percent of the population average 12 years of education, while members of the poorest 30 percent of the population have **less than four years of education**.
- A worker with a high-school education has the opportunity to earn at least **120 percent more** than a person who lacks any formal education.
- If income distribution in Latin America maintains its current rates, poverty reduction efforts will lag, regardless of high growth rates. Even if the region were to achieve a 3 percent annual rise in per capita income, it would take between **15-25 years (depending on the country) to lower the poverty rates by half**.

Source:

Inter-American Development Bank, (1998-1999) **Facing up to Income Inequality**, Economic and Social Progress in Latin America, Johns Hopkins University Press, Washington D.C.

Businesses for Social Responsibility
Global Business Responsibility
Resource Center
www.bsr.org/resourcecenter/

This Website offers information on a range of social investment projects, foreign and domestic. It also houses papers, which analyze different approaches to socially responsible business practice in the global market. The home page of Businesses for Social Responsibility, www.bsr.org provides a detailed account of activities, the member companies, and how BSR established national and global networks for corporate philanthropy.

On the Web

Prince of Wales Business Leaders
Forum
www.pwblf.org

With ten years of experience in social investment, the Forum has been able to collect a global membership of corporations and amass information for a useful database available through its Website. Visitors can read company profiles, order publications, and socially responsible business practices can be searched by region, issue, business function, business contribution (i.e. mentoring, in-kind goods, and cause-related marketing) and business benefit.

Council on Foundations
www.cof.org

With a plethora of information on different types of foundations, this Website can provide insight on how to form a foundation.

National Center for Non-Profit Boards
www.ncnb.org

A resource for executive boards of non-profit organizations, this site discusses how a non-profit organization can strengthen its leadership both within the United States and abroad and also highlights some of the ways to determine the success of a non-profit organization.

Independent Sector
www.indepsec.org

The membership of the Independent Sector is comprised of non-profit organizations including corporate foundations. The Website offers information on contributions of the non-profit sector as well as tips on how to make non-profits more effective.

Foundation Center
www.fdncenter.org

A top resource for information on foundations and philanthropy trends, this Website offers a directory of foundations and grants as well as access to the Philanthropy News Digest, the official magazine of the Foundation Center.

University of Iowa Center for International Finance and Development
www.uiowa.edu/ifdebook/

This site is sponsored by the University of Iowa School of Law and centers around a discussion based on the E-Book, which is a collection of essays written about finance and development issues from around the world.

World Business Council for Sustainable Development
www.wbcsd.ch

Providing information on ecological initiatives that provide employment, this site offers information on what constitutes a sustainable development program and how to go about finding or creating a program that is ecologically sound.

Overseas Private Investment Corporation (OPIC)
www.opic.gov/

An agency of the United States government, OPIC encourages corporations from the United States to participate in direct investment programs around the world. The Website provides such information as how an insurance program works and details the risks of foreign investment.

Boston College Center for Corporate Community Relations
www.bc.edu/bc_org/avp/csom/cccr

This Website provides links to articles and essays on the importance of corporate involvement in the community as well as the most effective methods of social investment and the benefits to corporations who participate in philanthropic projects.

Conference Board
www.conference-board.org

Mainly a resource for business executives, this Website provides information on what motivates a corporation to become involved in philanthropy and the benefits of social investment.

Country Commercial Guides
www.mac.doc.gov/tcc/country.htm

The Country Commercial Guides offer important information on the economic status of countries around the world including the best markets for future investment, the largest current investors from the United States, and any outstanding circumstances that the country is currently facing.

By Meghan Dilley, an IAF Student Volunteer in the External Affairs Office (June-August of 1999) who is a Senior at Valparaiso University, Indiana. For information on the IAF Student Volunteer program contact the IAF Personnel Office by

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Funding for

A PAEB's Natural

A small farmers cooperative grows into a successful manufacturer and credit institution by creating lucrative links with exporters and banks, while staying true to its mission



At A PAEB, the sisal fiber is processed in three phases: It is first extracted from the leaves of the plant with a simple hand-operated machine and sun-dried at the farm site



it is then gathered in a processing plant (batedeira), where it is selected, purified and dyed. Only the highest quality fiber reaches

By Tito Bianchi

Twenty years ago a visitor to the town of Valente, in Bahia, Brazil would have seen a low-income farming village that suffered from arid soil and scarce rainfall. It was an agricultural community with no factories, and no experience in manufacturing or marketing and little potential for economic development. Today, Valente is a town bustling with production, trade, and the marketing of its major crop—the sisal cactus. This desert weed, which was once an eyesore, has now become a source of pride for Valente's residents.

Who would have thought that this community in the drought-prone interior of Bahia would become the most prominent case of collective economic development in the Brazilian northeast?

Though the change seems miraculous, it is not a mystery and the catalyst for Valente's progress is Associação dos Pequenos Agricultores do Município de Valente, (APAEB) a non-governmental organization (NGO) that succeeds in the competitive world of direct export marketing, without abjuring its original mission of social justice. APAEB - the Small Farmers' Association of the City of Valente - was created in 1980 by 70 farmers who wanted to improve their terms of trade and their bargaining position vis-à-vis local traders and government authorities. It has since grown to 320 members and is administered by a 22-person board of directors.

APAEB's experience contradicts several widely held convictions about the Brazilian northeast, and the development process in general. For one, APAEB's commercial success is based on a local agricultural product, turning a disadvantage, the region's arid soil, into a resource. Moreover, this experience is the result of years of sustained small scale farmers' cooperation - another resource that in the northeast, as in other developing areas, is usually found lacking. Finally, this is a story in which marketing intermediaries, considered the traditional enemies of small-scale producers, have collaborated with producers, helping them break into international markets.



in which the fiber is spun and woven into carpets of different sizes and patterns, while the lower quality is exported raw. APAEB decided to keep technology simple and labor intensive in order to exploit the competitive advantage of the region, excess labor, and improve the

Global Marketing as a Luta

What made these farmers succeed where many others have failed? Moreover, how have they been able to develop a market-oriented competitive mentality, while remaining true to their mission for social justice? If one had to choose a single factor, it would be APAEB's ideology, which conceives collective action as a struggle (uma luta). Their strength lies in seeing themselves as active participants in their circumstances, not victims. This struggle for

economic development has evolved throughout APAEB's history, from introducing improved farming techniques to meeting the challenges of collective production and international marketing.

The exclusionary nature of this culture, which characterized APAEB from the start and guided some of its decisions, has proved critical for the project's initial successes. For example, APAEB's membership is reserved for farmers with similar economic interests and excludes large landowners. APAEB's more recent decision to collaborate with marketing intermediaries, might appear in conflict with the group's identity and membership for the poor and disadvantaged.

In fact, the opposite is true. Their social justice values are so uniformly accepted by the members, that APAEB is less dogmatic about the means through which the association pursues its social goals. The association's objective - the collective economic development of a well-defined group of disadvantaged people - is so clear to its membership, that it allows the managers the latitude necessary to experiment with innovative strategies, to strike advantageous deals with "outsiders" and to function as competitive capitalists in a global marketplace.

Exporting a Cactus From the Desert

APAEB has turned the sisal cactus[1] - one of the few plants indigenous to the region— into the base for a successful export-based development strategy. Today sisal is the core commercial product that produces the most revenue for the association. In the trade and industrialization of sisal, though a NGO, APAEB operates like a business in the pursuit of profit and market share.

APAEB started out by collectively marketing the members' crop production, in an attempt to capture part of the profit margins usually retained by intermediaries. By the mid-1980s, it started processing the raw sisal. More recently, the association has entered the

critical "third phase" by investing in a manufacturing plant producing finished sisal carpets (see box on page 44). In 1997 - the first full year of activity of the carpet industry - APAEB was already processing 464 tons of sisal per month in the 4 processing plants it operates. Seventy percent of the sisal fiber thus obtained has been sold raw; the remaining thirty percent of the product - the highest in quality - has been used as an input by the carpet factory. Using only this share of total sisal production, in 1997 the factory made US\$4.4 million in carpet sales, much more than the revenues collected by the batedeiras—sisal processing machines—which amounted to US\$2.7 million. After many years of constant growth in the output of the batedeiras, (whose production capacity ten years ago was only 7 percent of what it is today), APAEB started to industrialize the product locally. Since the introduction of that change, APAEB has increased its revenue by four times, while processing the same amount of fiber. About 70 percent of the value of both the raw sisal and the carpets produced were exported.

This strong export performance has produced dramatic development effects in a region in which approximately one million people are estimated to derive part of their livelihood from sisal. Although APAEB promotes the development of the region in several different ways, the clearest gains come from the creation of new jobs in the carpet factory, and the increased price of the fiber.

Employment at APAEB has grown steadily in the last few years, and made a leap in 1996 with the construction of the carpet factory. Starting with 83 employees in 1993, APAEB now employs 492 workers. This five-fold increase in employment in the last five years is in part due to the labor-intensive technology chosen by APAEB for the manufacturing of carpets. More than 300 workers are assigned to the carpet factory, 41 in the batedeiras, and the rest are divided between the administration and other activities in part

funded with external grants. The average salary distributed by APAEB is 50 percent higher than the current minimum salary, which appeals to Valente's young people. APAEB hires locals almost exclusively and offers individuals the expectation of a better life without leaving the countryside. Moreover, the steady increase in employment assures residents that this export success is going to benefit the community at large, and not only a restricted number of people.

The effect of APAEB's work with small farmers is best reflected in the significant increase in the market price for raw sisal in the region. Before APAEB entered the business, buyers paid as little as US\$0.21 per kilo of unprocessed fiber. After APAEB entered the market and started to process and export sisal directly, the price went up to US\$0.25/kg. Finally, with the industrialization of the product in the collective carpet factory, the price has risen to an average of US\$0.33/kg. Even though APAEB buys and processes only about 5 percent of the overall production of sisal in the state, this quantity is large enough to influence the regional market price and increase it by as much as 50 percent or more. Very likely, this is the most widespread benefit of APAEB's work.

At the Roots

How did APAEB hold on to the social goals so clearly embodied in these programs, while at the same time fighting the uphill battle of export marketing? Why didn't it become a private firm like any other? The answer lies in the association's history, in the culture upon which it was founded, as well as the choice to preserve its identity.

The original reason the farmers organized to form APAEB in the 1970s, was to overcome the extreme weakness of their bargaining power on the local markets. In the case of sisal, the intermediaries buying the fiber could dictate the price. The creation of APAEB came, after several years of interaction with local Catholic priests and NGOs. Villagers were inspired by notion of a

moral responsibility to act collectively and change their social and economic status quo and they created APAEB. These principles are still reflected in the association's membership rules, like the maximum land ownership provision, and that agriculture be the main source of income.

With international assistance APAEB moved forward in the sisal-processing chain. From CEBEMO (which is now known as Bilance, with its headquarters in the Netherlands) APAEB received US\$50,000 in 1984 to build a *batedeira*. Members donated their labor and built the shed with their own hands. Yet this first step was not enough to solve the problems with intermediaries. Local traders, who paid little as 20 cents per kilogram of sisal, were still the only buyers for APAEB's sisal, whose final destination was Brazilian industry or foreign markets.

Two major problems closed access to direct export markets: bureaucratic impediments and insufficient productive capacity. APAEB did not possess the permit to sell abroad and the process necessary to obtain it proved particularly difficult for a total outsider to the private business sector. When APAEB finally obtained this permit from the public authorities, it was time to take on the challenges of increasing capacity and working capital.

The first order received from a Portuguese buyer was for 70 tons of fiber. APAEB's newly built *batedeira* had a capacity of only 30 tons/month. Market custom forced APAEB to pay the fiber to farmers at delivery, while the international buyers paid 90 days after delivery. This meant that APAEB needed to make large advances to farmers five months before revenue was collected. This is a well-documented circular problem that links insufficient productive capacity, long cycles of production to fulfill orders, and high financial costs for working capital.

To address this problem APAEB started to act as a savings institution: to raise money from the same small farmers the very money it needed to pay them for the sisal. By doing this APAEB



was not only solving its own problem with working capital, but also helping address the small farmers' need for a means to protect their savings from inflation. The decent interest on cash deposits offered by APAEB quickly attracted a steady stream of farmers' savings. In 1991, the first year of operation, the savings program of the association collected US\$27,000. In the following two years this amount reached US\$76,000 and US\$134,000 respectively. These funds allowed APAEB to finance the production of sisal, and, with the help of several grants from international institutions, to break out of the low capacity impasse by investing in the *batedeiras*.

APAEB viewed its ever-increasing number of depositors as an advantage, but also as a threat—the risk that the association would be taken over by a new group of members. Therefore, to keep the association in the hands of the original group of founders without limiting the number of the possible future clients, APAEB created a different institution, the credit cooperative COOPERE, to act as a financial intermediary. This allowed APAEB to maintain its original homogeneity, by allowing everybody to deposit without having to become a member of APAEB.



(top) Workers applying design with dyes.
(above) Israel F. de Oliveira, APAEB Program Coordinator, demonstrates the high quality sisal fiber that APAEB produces in its Valente plant to the President of Brazil Fernando Henrique Cardoso.



A member of APAEB cares for plants that are grown in the nursery and distributed for reforestation. (Photo: Courtesy of APAEB)

Through COOPERE, in 1998 APAEB received deposits from a pool of 1,300 residents of the region.

During the same period APAEB was pursuing internal homogeneity in another way. As we have seen, APAEB was founded as a regional organization of farmers from different municipalities of the area, which was difficult to manage. The regional character made APAEB internally too diverse, including producers of different crops: growers of fruit, sisal, traditional subsistence products, and livestock. In 1992 the association broke up into five different organizations based in different municipalities. This allowed the APAEB of Valente to concentrate on sisal, the dominant crop in that municipality. The break-up has enabled the membership base to become more homogeneous in APAEB,

and sisal has become the clear single focus of the group. Because the goals and interests to be promoted have become clearer, APAEB can today give more autonomy and freedom to its management. This strategy of alliances is at the root of the recent export boom.

Making Alliances: Banks and Intermediaries

Directly exporting the raw fiber was not the ultimate goal. APAEB was still getting a price of US\$0.25/kg from foreign buyers for sisal, not much more than it received from domestic intermediaries. The key to increasing its revenues further was to increase the product's value on the local market. This led APAEB's leaders to investigate the fiber products that were exported from

Bahia, and look for allies to finance an investment in the industrialization of sisal. While APAEB quickly found a financial partner, the Bank of the Northeast, the association was aware that it needed help on the marketing front.

Here is where the story of APAEB departs from that of most of the other producers' cooperatives, and becomes a case of collective economic development, which is exemplary for its ingenuity. In the late 1980s, the leader of APAEB decided to contact most of the sisal traders that the farmers had originally intended to by-pass. He finally found one, the owner of a trading company based in the state capital Salvador, who showed some interest in the association. Although skeptical about the chances of a group of inexperienced

The Double Identity of a Social Enterprise

While in its core sisal activity APAEB acts and thinks as a private business, other projects it administers are more directly social, and reveal the soul of an organization that is deeply concerned for the conditions of the poor.

- APAEB runs a technical boarding school teaching modern farming techniques to 75 children in grades 5 to 8. The school uses a progressive educational model called Altman a²
- APAEB owns and runs a variety store, recently expanded in the center of the town of Valente, whose sales are constantly increasing. This store serves as a vital link to the market for area farmers and artisans who sell their goods.
- APAEB has installed a radio station and will soon operate also a TV station. The main purpose of this project is to provide rural villagers with educational programs.
- As part of a reforestation program also financed by external NGO funds, APAEB has distributed, free of cost, 20,000 drought-resistant fruit and fodder plants in 1996, and as many as 27,000 in 1997.
- The association is active in the field of research on agricultural practices and experimentation of techniques appropriate for the semi-arid region. The two most important of these practices are goat-herding and the related use of solar energy-powered fences.³ Research on agricultural techniques conducted directly by APAEB in a small best-practice farm is used as a basis for analyzing investment projects to be approved by the credit cooperative.

farmers becoming industrialists, the businessman accepted an invitation to visit the association and to meet its members.

Impressed by the motivation and cohesion of the group in its fight for social mobility, the international trader decided that this was the opportunity he had been searching for—the chance to make a social contribution without abandoning his reasonably lucrative business. A more cynical interpretation is that the businessman saw APAEB's potential as a strong partner in growing his business into something more than reasonably lucrative. Whatever the motivation, the export intermediary linked his firm to APAEB with a long-term agreement, based on mutual trust and advantages. The agreement stated that in the first phase of the business' development the trading firm would work as the sales and marketing office of APAEB, remunerated on a salary basis.

Today, the traders talk about the activities and plans of APAEB as their own, and have become so involved in this business that they have even

offered their own property in guarantee for the loans contracted by APAEB. Most of the organization of factory production in Valente, and international distribution channels developed in Europe would have been unthinkable without the collaboration with these marketing experts.

It was the marketing consultants who decided to enter the sector of sisal carpets, which promised rewarding market developments in the light of international trends towards the use of natural fibers in home furnishings. At the end of 1993, APAEB presented a project to the BNB for a loan of almost US\$1.5 million to build a factory producing sisal carpets. By 1996, when the factory was in production, it became immediately clear that the capacity installed was insufficient to satisfy demand. The factory had to be expanded with a new loan from the BNB, and ended up costing about US\$7 million, 80% of which was covered by loans and the rest by the association's own funds and donations.

A Shared Culture

Part of today's unexpected success rests on APAEB's ability to incorporate from outside the skills that it needed for global marketing. The creation of a partnership with a trading firm, that has been fundamental for this export success, has required the overcoming of the sentiment of hostility against marketing intermediaries, that is so common in grassroots organizations. In this view of the world, marketing intermediaries are the cause of the rural producers' state of dependency, and therefore cannot represent the solution.

The unifying background of many of the members, the "culture of struggle" that can be traced back to their education, somewhat counter-intuitively, has not reinforced the traditional antagonistic view of intermediaries, but rather helped APAEB collaborate with them. By preserving and reinforcing the association's identity, this culture has built a trusting relationship between members and management, based upon a shared view of the goals and the criteria to measure those achievements. This common culture helps the association see the new alliances with the private sector only as a new means to the old end, and keeps the group focused on the social goals that the new marketing strategy makes possible to pursue. The controversial decision to ally with the traditional antagonists of small farmers, the intermediaries, has not diminished the social benefits from the project. The facts demonstrate that the old dreams of broad-based collective advancement are being realized today. ■

From a Craft to an Art

By Judith Morrison, IAF Representative

APAEB's original product a durable, rustic, natural fiber rug is ideal for industrial carpeting and environmentally conscious American and European homes, but what happens when or if consumers' tastes change? Demand for finished products fluctuate with consumer preferences. Like any market-savvy company APAEB anticipates these demands and constantly innovates to stay one step ahead of its current and future customers. It is this foresight that spurred APAEB's most recent IAF grant for US\$205,000 in 1997, to implement new finishing processes, and to increase the market for sisal rugs. This grant builds on the IAF's initial partnership forged in 1989 to assist with training, marketing, and building costs.

Improvements to rugs are a vital path for growing the cooperative because finished rugs garner a much higher price in the market. Although finished rugs represent about 10 percent of APAEB's total rug production (700,000 square meters in 1998 and 800,000 in 1999), they account for a significant 39 percent of APAEB's total sales revenue, representing US\$2.4 million in 1998 and US\$2.6 million dollars in 1999.

Staying true to its objective of using practical, environmentally sustainable technology APAEB has developed several simple yet highly effective techniques for finishing its rugs. A worker intensive manual technique pounds natural dyes into the rugs to assure design durability and coverage. Originally experimenting with geometric shapes APAEB has expanded their production to include professionally designed company logos and messages using a modified home computer. To maximize efficient use of production by-products, the highest quality remnants from industrial reams are carefully selected and cut to popular rug sizes. To capture the regional and national market APAEB is sewing plastic and tapestry designs on rugs with a basic heavyweight sewing machine to meet the demands of Brazilian consumers. Ingeniously adapting low-cost technology, APAEB purchased five of these basic sewing machines for the cost of two standard industrial machines and has achieved higher quality results. The professional quality of APAEB's workmanship generates special orders for rugs and welcome mats from some of the largest department stores and companies in Brazil.

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A stack of sisal carpets with various design patterns, ready for the market.
(Photo: Courtesy of APAEB)

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[1] Sisal (or Agave) comes originally from Yucatan, Mexico, where it is mainly used to produce the well-known Tequila liquor. Around 1903 it was introduced in Brazil, where it is now grown for the vegetable fiber that can be extracted from its long leaves.

[2] This model was invented in France in the 1930s and diffused in Europe and Latin America after World War II. It is designed to suit the special educational needs of the children of rural workers and farmers. It requires that students spend two weeks at school studying academic courses and farming techniques, then two weeks at home, where they can apply the notions learned to the reality of their farms. It is intended to prevent the students from breaking their ties with the rural world of origin and become, instead, a force for innovation in the countryside. A vivid account of this pedagogic movement in the context of rural development in Brazil is provided in: Pessotti 1995.

[3] APAEB works as an extension agent for the installation of solar energy systems in remote farms of the region that are not reached by conventional electrification. One hundred eighty-six of these systems have been installed in 10 surrounding municipalities in the last four years with the advice of the technicians of APAEB, and financed by the credit cooperative. Seventy-three more solar systems have been sold by APAEB without any accompanying credit. Goats are more appropriate than the more traditional cows to a dry and variable climate, because they are more efficient in the use of the scarce natural pastures, and represent smaller, more saleable assets. Unfortunately, they create additional fencing requirements. Electrified fencing is less costly than the ordinary fencing

needed to raise goats, because it uses one pole every ten meters instead of every meter, and because it requires only four simple wires instead of ten barbed wires to run around the perimeter of the farmer's property.

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Guadalupe's Story: The Complexities of

Maximizing the impact of microcredit programs requires a balance of fulfilling client needs, a regard for NGO sustainability, and cooperation from the

By Serena Cosgrove

Guadalupe* sells cheese outside the marketplace of Apopa, a satellite city of 380,000 inhabitants on the outskirts of San Salvador, El Salvador. Together with three other marketers she organized a communal bank and they now receive small loans—or microcredit—for their businesses from the non-governmental organization (NGO) Fundación Salvadoreña de Apoyo (FUSAI). When Guadalupe refers to her husband, she says they share a house, but nothing more. She has not spoken to him since he forced her hand in a doorframe and then slammed the door on it—and that was only a petty disagreement.

Sixty percent of the economically active population of El Salvador earns its living in the informal sector. Street vendors make up the largest portion of informal sector workers, the majority of whom are women, many single mothers. Furthermore, studies indicate that domestic violence—referring to physical and psychological abuse within the household—affects sixty percent of Salvadoran families. In El Salvador there are few battered women's shelters. Given the high incidence of domestic violence and limited number of services available, battered women and single mothers sometimes need more than just a loan if they are to move forward in their lives.

The debates are many and varied about the best approaches and benchmarking in the field of microenterprise lending. They focus on the advantages of more comprehensive programming—

credit-plus models with other services—versus streamlined credit programs—credit-only models aiming for scale and financial sustainability. Credit-plus advocates argue that disenfranchised sectors of the population, especially women, need business training and other services to overcome the barriers they face. Credit-only proponents focus on how their programs increase income and free clients from usurious relationships with loan sharks and provide needed capital to women too busy for training and extensive meetings.

No single model will answer all marketers' needs. Some marketers have stable support systems, strong businesses, and only want increased access to capital to maximize their loans. Other marketers, especially very low-income single heads of household, want more services. Local situations and conditions determine the needs, and programming should respond to these situations. Though some women want comprehensive programming, others feel they have limited free time for extra meetings or training. In my research among microcredit clients, there was a general consensus against a heavy schedule of meetings for training or orientations. Many informal sector workers are women, who live on the edge of survival and watch their children go hungry or worse. Their harsh daily schedules include long bus trips, work, domestic and childcare responsibilities, community activities, and kin obligations. The lack of desire to attend obligatory meetings in a credit program should not be interpreted as a rejection of the importance of services such as legal assistance, literacy training, battered women's shelters, adequate health

care, etc. NGOs can ensure that their clients are aware of where they can seek further services in their municipality. But what happens when a municipality does not offer those programs?

This brings us back to the credit-plus vs. credit-only debate, which misses the key issue of how microenterprise programming could maximize its impact, regardless of the model. Given that NGOs have limited access to resources, even a successful credit-only program is a rare gem. Unable to stretch themselves to always provide the additional programs their participants may want, today's local development context offers an opportunity for NGOs to dovetail their programs with municipal government plans. Municipalities, these new dynamic agents of development, can play more of a role in microcredit programs—if they are willing. It depends on their strategy for development and if they view the informal sector as a tool for progress. The Inter-American Foundation recognized early in the mid-1990s that municipal development was a key development pole for the decade, especially in a country like El Salvador facing reconstruction after twelve years of civil war. Salvadoran mayors have successfully persuaded the national government to increase federal allocations for the municipalities. However, with increased resources come increased responsibilities for promoting local development.

Searching for a Microcredit

Guadalupe gets up at dawn and catches a bus to the outlying municipality of Aguilares where she walks out into the countryside to buy the cheese. By 9 am,

*Her name has been changed to protect her

she is back at the Apopa market selling cheese. Guadalupe stands behind a little table in the marketplace waving a fly swatter over a metal box filled with cuajada (farmers' cheese) and little plastic bags of crema (sour cream). She stays at the market until she's sold everything she has, returning home in the mid-afternoon.

Tired and harassed by the loan sharks, Guadalupe and a group of three other marketers approached FUSAI, a local NGO and asked for information about forming a communal bank. Guadalupe had been financing her microenterprise with high interest loans from one of the many moneylenders working in the Apopa market. Paying an exorbitant interest rate of 10% per day (compared to 3.5% per month with FUSAI loans), low income market vendors end up “dandole de comer al gordo,” (feeding the fat man) instead of feeding their own kids, as Guadalupe explained. Guadalupe conveyed the consensus of the group she organized into a communal bank: “We want a break—we want out from under the loan shark.” Furthermore, there was a general feeling among the three women and one man that they did not want a program with a cumbersome set of meetings due to the heavy work and family schedules of each person. They wanted quick turnaround on loans and were ready to meet the weekly payments of the three-month repayment schedule.

When the FUSAI promoter met with Guadalupe and her fellow microentrepreneurs, he reviewed the businesses of their potential communal bank and helped them fill out the application forms. Outside an already bustling market building, sellers set up boxes and baskets occupying the streets in their allotted areas under the black tarp tent. When the loans were ready for disbursement, Guadalupe and the other members of her communal bank gathered at the FUSAI office in Apopa. They were preparing to sign the contracts and take their checks to the local bank around the corner to be cashed. Anxious and nervous, Guadalupe



Ara, a FUSAI client, sits amid the shoes she sells in her stand on the fringes of the Apopa market place. (Photo: Edgar Romero)

turned to me and told me she was getting a headache because she could not sign her own form. Guadalupe cannot read or write; she has received no formal education. She can just barely scrawl her initials, but that does not qualify as a signature in El Salvador. In Salvadoran banks, a check is not valid to be cashed unless it has been signed. Guadalupe had to ask one of the other members of her communal bank to accompany her to the bank and sign the check for her. Holding her head in dismay she explains that her father used to say that it made no sense to send a girl to school just so she could learn to write letters to a boyfriend.

Guadalupe is the primary income-earner for her family; her husband no longer contributes financially to the household. She would just put his things out in the street, but his name is on the title to the small, cement-block house they share. “What can I do to get rid of him?” she asked, “What about the fact that his name is on the deed to the house?”, “Do I have any rights?”, “How could I even afford a lawyer?”. She is also concerned for her three

teenage sons. Trying to keep them occupied after school so they don't get into trouble, she has apprenticed them to a baker where they earn some money, get job experience, and keep their distance from the gangs.

Guadalupe struggles to make ends meet and provide a home for her sons. Though beset by a number of problems—ranging from her abusive husband to the fear for her sons because of local gang activity—Guadalupe did experience concrete improvements in her life and business after receiving a loan. Not only did her income increase during her loan period but she was also able to increase her inventory by 15 percent. As I followed her progress after the first loan disbursement, she told me that sales were up. “I feel calm working with FUSAI,” she said explaining how she felt less stress now that she was not working with the loan shark. Loan sharks demand a 21-day return on their loan as opposed to the 90-days in FUSAI's credit program. In Apopa loan sharks charge a 10 percent daily interest on loans and throughout El Salvador



A busy shopping center underneath the plastic shade, these street vendors contribute significantly to the country's economy. Sixty percent of the economically active population of El Salvador earns its living in the informal sector. These are the type of clients who seek loans through

the interest rates range between 10 to 20 percent, a day. "I was drowning working with the loan shark." Guadalupe definitely benefited from her FUSAI loan; she increased her inventory, broke out of the loan shark cycle, yet she still faces an untenable situation at home as a battered wife.

Guadalupe is a community organizer; she organized fellow vendors and approached FUSAI and advocates for the rights of other vendors whenever she has a chance. Though a leader, Guadalupe is also a survivor, who has to contend with numerous challenges, and wants access to services for battered women. She is unaware of her rights and services that may be avail-

able to her. She has the leadership potential to be a powerful community organizer but she doesn't know how to read and needs information about different services and techniques for organizing. The FUSAI program is successful in provisioning credit services, especially if compared to other NGOs forced to spend their loan portfolios to pay institutional overhead. Nevertheless, as the loan ameliorated some of the challenges facing Guadalupe, she articulated new needs.

Often Latin American and Caribbean NGOs make programming choices based on donor priorities due to the dif-

ficulties of either generating income themselves or raising local donations. FUSAI is a well-respected Salvadoran NGO founded in 1987 under the auspices of the United Nations High Commission on Refugees (UNHCR), to administer to Salvadoran refugees returning to their communities of origin in El Salvador toward the end of the civil war. From its inception, FUSAI provided credit along with other services to the returning refugees, but this program did not have a high repayment rate. During a period of strategic planning in the early nineties, FUSAI decided to offer additional programs that focus on the urban poor, be it people displaced by the war or not. They

observed that urban market culture might be more conducive to higher repayment rates. At the time of Guadalupe's loan, FUSAI had a total loan portfolio of US\$2 million. FUSAI serves 5,000 clients with four credit lines. Though most of FUSAI's loan portfolio is with individual and housing loans, 58% of their clients were women. 40% of individual loans go to women; 67% of housing loans are in the names of women; and 80% of the *colectivos*' (communal banks) clients are women.

They designed a streamlined and cost-efficient microcredit model—*colectivos*—to generate the necessary income for the institution's other work, which includes integrated development efforts around the country. The FUSAI microcredit model does not have an obligatory savings component and requires that each client provide collateral or a co-signer in order to qualify for a loan. Once loans have been approved, loans are disbursed to microentrepreneurs who pay FUSAI 3.5% interest per month—significantly less than what marketers have to pay to local loan sharks. Paying less interest, marketers are often able to expand their businesses while FUSAI decreases dependency on outside funding.

Though FUSAI's interest rates are above official banking rates (which range between 17-24 percent annually), FUSAI's clients (who operate on 90 day repayment schemes) acknowledge that since they are perceived as high-credit risks by official banks, they are seldom approved for loans from the banking system. Moreover, the illiteracy among microentrepreneurs also prohibits them from entering a formal contract with a bank—they cannot sign their name to an agreement, let alone read it. Additionally though the rates may be lower in the banking system, the loan applicant is always responsible for paying for the legal services to draw up the loan agreement. In a NGO microcredit program, often the NGO provides this service, which makes the overall cost of

BONDS OF FRIENDSHIP ESTABLISH A FOUNDATION FOR RESEARCH

It shall be the purpose of the Inter-American Foundation to...

“Strengthen bonds of friendship and understanding among the peoples of this hemisphere”

Part IV, Section 401 (b) Foreign Assistance Act of 1969

As a development sociologist with training in anthropological field methods, understanding a particular social reality is tied to a visceral experience of that reality. My research has always been guided by a quote I found years ago in a Nadine Gordimer novel: To know and not to act is not to know. For my fieldwork research, this means actually putting myself into the shoes of the people I am researching. Though I employ quantitative and qualitative research methods, participant observation is my starting point. Days of working side by side with marketers helps me to establish deeper levels of trust and mutual learning.

Since I began carrying out research in 1994 about Salvadoran market-women and microcredit clients in particular, I have accompanied women marketers selling in market-places in and around greater San Salvador. In the company of these women, I have joined them making tortillas, baking bread, selling, working in small restaurants, and sewing clothes. It gives a researcher the background to understand the complexity of these women's lives. As I struggle to keep up with them, I learn more about their simultaneous obligations to care for family members, doing community organizing, or even additional income-generating activities. Participant observation also allows me to get to know marketers and vice versa in a setting much more comfortable for them than a structured interview or a questionnaire.

Up at 5 am, I followed Guadalupe and we took a bus northward bumping along the potholed road to purchase her cheeses in the countryside. I accompanied Guadalupe to sell cheese in the marketplace where marketers raised a makeshift covering of black plastic over numerous streets to protect themselves and customers from the harsh rays of the tropical Central American sun. Under the black plastic tarps, shoppers mill over the produce and goods in a thriving center of commerce. After days of dialogue about her business, about her income, her life at home, the prospects for her sons, the microcredit program and her plans, she finally let me swing the fly swatter over the cheeses and sing out the bargains to prospective customers. I knew then that she had accepted me.

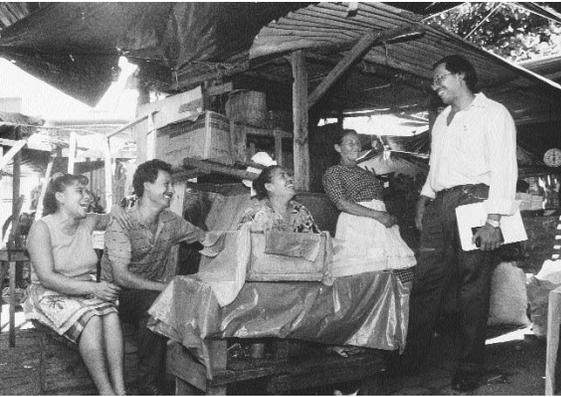
This research, knowing the people and their circumstances, is an important complement to quantitative research. Development projects deserve long-term studies using integrated research approaches, since they are subject to so many factors. This approach to field work is especially important for accessing information about such taboo

a FUSAI loan less expensive.

FUSAI has had a promoter working in Apopa since the early 1990s, but now Apopa is one of two municipalities around San Salvador where FUSAI has chosen to concentrate its communal banking efforts by establishing an office near the center of town. FUSAI has the advantage of significant donations and low interest loans for loan capital and they have managed that amount very efficiently. FUSAI director, Luis Castillo, explains that that streamline programming means little attention to follow-up, training, or other services borrowers may need. He says, “We do not want the loans to cost too much even though we see people's need for training. Really all we are doing...is helping

people survive.”

Nevertheless, FUSAI's clients appreciate the NGOs services and their consistently professional approach. Though FUSAI provides training and more comprehensive programming in other parts of the country, its program in Apopa only provides loans and this program has become the backbone of financial sustainability for the institution. According to Samuel Ayala, the manager of the credit program, noted that as of two and half years ago, FUSAI has been able to cover 100 percent of the credit program's expenses and provide 40 percent of the budget for the rest of the foundation's develop-



These communal bank members meet with Roberto (standing), a FUSAI promoter. Eighty percent of FUSAI's communal bank clients are women. (Photo: Edgar

ment activities. By meeting the credit needs of microentrepreneurs, FUSAI has found an important source of income thus decreasing their reliance on international assistance.

A grid of about twenty blocks crisscrossed with cobbled and paved streets, Apopa proper quickly converts into a maze of alternating one-way streets. Though the municipal offices face the Catholic Church across a central plaza, all traffic, both for pedestrians and drivers, is obstructed by an improvised marketplace that sprawls around the nearby streets of the marketplace building. Street vendors have filled the central plaza and the streets surrounding the actual marketplace building. From the marketplace building, street vendors selling anything that can be bought and sold with makeshift stalls cover streets, sidewalks, driveways, and building entrances. Whether shopping for perishables, basic grains, clothing, toys, prepared food, you name it, you can find it on the streets of Apopa. Shoppers, loan sharks, gang members, and marketers mingle under the shade created by the black plastic overhead.

Where mayors are sympathetic to marketers and have experience fundraising for local development efforts, microenterprise-lending programs play an important role in municipal

development by facilitating increased income and business activity within the municipality. Some municipalities have local economic development plans that focus exclusively on attracting big business like Apopa. But given the de-facto role of the informal economy in certain cities, programming like FUSAI's can offer municipalities another channel for local development and an opportunity to maximize benefits.

During my stint of fieldwork, I had the opportunity to compare FUSAI's microcredit program in Apopa with a comprehensive microcredit program in Nejapa, a nearby municipality (see cover story). Though Nejapa does not face some of the challenges that Apopa does (such as a dense population and active youth gangs) the mayor of Nejapa, René Canjura, has been able to build consensus throughout the municipality about development priorities. While NGOs provision credit to local informal sector entrepreneurs and marketers, Mayor Canjura has successfully raised funds for and built a brand-new marketplace, as well developing a plan for a local municipal bank that would keep capital and interest from microcredit loans in the municipality.

Nowadays, NGOs face great challenges to reach institutional sustainability in the face of great client needs. Streamlined credit programs have proved successful generating the needed income for NGOs, thereby decreasing donor dependence. Streamlined NGO projects such as credit-only programs can have increased impact if they form part of integrated local planning efforts.

Urban marketers, like Guadalupe, deserve the chance to leave batterers, increase skills, and contribute to local organizing efforts as well as increase their incomes from their businesses. In some cases, this may require more comprehensive programming from NGOs working in that area. However, given the high costs of this kind of programming, the impact of NGO programming can be maximized when municipalities involve local inhabitants and promote synergies between NGOs and municipal

development plans. ■

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Where are They

Centro Agrícola Cantonal de Hojancha

Twenty years later, an early IAF grantee continues to be a thriving community of farmers and leaders in reforestation and sustainable

By *Wilbur Wright*, IAF Representative

Last year, the *Centro Agrícola Cantonal de Hojancha* (CACH) celebrated its twentieth anniversary. The banquets, testimonials, special publications, official resolutions, toasts, congratulatory announcements, and gifts were well-deserved acknowledgements for its toil, ingenuity, and the spirit of cooperation it effected to improve conditions among impoverished farmers in the canton. The accolades were witness to the successful efforts of local small-scale farmers in a once isolated part of Guanacaste Province in Costa Rica to generate hope by creating a local non-governmental organization (NGO) that is organizationally vibrant, well managed, economically viable, and planning for a fruitful future.

Since its modest beginnings in 1978, CACH's membership has grown to 225 active members, with another 400 receiving one or more of its many services. CACH's trek has been difficult but helping hands along the way have made its achievements possible. Over its twenty years, CACH has not only survived but expanded from giving training in agriculture techniques to providing credit, processing and marketing many of the local farmers' crops, and continuing research in seed germ improvement and farm diversification. Whether it is assisting the farmers manage their 5,400 acres of valuable hardwood forest, milling the wood into lumber for furniture, bottling honey from the farmers' apiaries, investing in



Melina and teakwood lumber waiting to be processed into furniture and other wood products. CACH assists its farmer members to manage their 5,400 acres of valuable teak and melina hardwoods. (Photo: Wilbur Wright)

eco-tourism, or preparing selected tree seeds to be sent to Belize, CACH is serving the economic and technical needs of the local farmers and their families.

The IAF first entered into a relationship with CACH in 1981, only three years after the center was founded. Through a two-year grant for US\$90,000, the IAF helped the center expand its livestock production, improve its harvests through crop diversification, and address environmental problems through an experimental

reforestation program. CACH itself was an experiment, but the last 20 years have proved it to be a success, providing a variety of services to local farmers, profitably marketing numerous local products both domestically and internationally, and instilling a sincere desire within local citizens to promote environmental conservation.

In the Beginning

As with every stage of CACH's development, its formation came about because of unique circumstances and individu-

als. The creation of the Municipality of Hojanca in 1971 was the preliminary event that provided the political space in which the *Centro Agrícola* could be formed. The national government encouraged this process when it passed authorizing legislation in 1976 for the formation of a local farmer association within each county called a *Centro Agrícola Cantonal*. Each Centro was set up as an autonomous entity to be monitored by the Ministry of Agriculture, but capable of generating its own revenue, receiving direct support, and developing its own operating plans.

This novelty of local governance attracted special consideration in 1976 when a USAID-funded program coordinated through the *Instituto de Fomento y Asesoría Municipal (IFAM)* designated Hojanca as a participant in its integrated rural development program. IFAM contracted the US technical advisory firm, *Acción Internacional (AITEC)*, to provide technical assistance to the municipal government and help organize non-governmental entities to promote local development activities. On May 10, 1978, 35 local farmers in Hojanca took advantage of this organizational window and formed CACH.

Over the years, CACH has attracted and nurtured a treasure in human resources. In its formative years from 1976 to 1978, local leaders, as well as specialists from outside the community, played important roles in fomenting enthusiasm for a training and service center operated by and for local farmers. The local Catholic priest, Father Luis Vara Garro, shared the message with the people from his pulpit on a regular basis. Angel Marín Madrigal, the President of the Municipal Council and later Deputy to the National Assembly, used persuasive skills and political connections to acquire the approvals and resources needed to get the center off the ground. AITEC advisors, Roy Eckland and Campos Elias Duque, brought the technical and organizational skills to train and motivate local farmers in the many responsibilities to be assumed with the management of the Center. Perhaps CACH's

best tribute to itself is that the children of CACH's pioneers are earning a good livelihood in the same canton where they were raised. They have become members of CACH instead of becoming part of the migration from the countryside to the city that is common throughout Latin America. Because CACH has made the canton prosperous, it has given its members' children a reason to stay and make it even better.

At its initial gatherings in the seventies, CACH set its priorities clearly: reforestation of the cantón, natural resources protection, shade coffee production, and the introduction of honey production as an economically viable venture. Now, two decades later, the results of CACH's effect are quite evident. Coffee is one of the principal cash crops of the area generating approximately 25 percent of the farmers' income. Reforested areas now total 42 percent of the arable land as compared to 8 percent in 1978. There are now 32 active apiaries in the municipality with 1,800 hives.

The farmers also set their sights on the modification of local cattle to animals with greater milk production, and an increase in the volume of basic grain and vegetable production on small-scale farms. Although some of these priorities have been successful and provided excellent returns to local farmers, others have never proved beneficial and remain ongoing challenges that have been continually addressed. The introduction of cattle with both milk and meat production capacity, and the increase of vegetable and grain production never achieved the objectives that were anticipated. The lack of stable markets and the high infrastructure costs necessary to make these activities commercially viable inhibited their success. However, CACH has not abandoned these priorities, but in 1988 undertook an evaluation of what had been achieved from the efforts it put forth and altered its strategy for these priorities.

Additionally, CACH strengthened its credit program for grain producers and limited its support to dairy farmers.



A sampling of the products and services that CACH produces: a brochure promoting the benefits of reforestation, packaging seeds for export throughout Central and South America and the Caribbean, CACH's honey product, La Pampa and a t-shirt celebrating their 20th anniversary.

It also initiated a micro-enterprise support program to provide credit and training to local women interested in starting agro-processing businesses. Learning, adapting and applying knowledge gained to practical ends is what has helped CACH survive and grow.

A Community Development Project

Hojancha is a farming community and therefore the leaders of the local government, the local school system, the lay church activities, and most other civic and social leadership positions have been farmers. These same farmers are members of CACH and participate in local development projects and involve their community organizations wherever possible. The regents of the municipal council voted to donate land to CACH for its tree nurseries and a small warehouse. Students at the local technical high school conducted research and ran tests on the wood being produced on the reforested plots. The church was used as a forum to discuss ideas and announce new services. The local coffee cooperative, Coffee Growers' Cooperative of Pilangosta (COOPEPI-LANGOSTA), shared its marketing know-how and technical support.

Representatives of national government agencies, especially local officials of the Ministry of Agriculture, have been among the first to cooperate with CACH in extending services to its members. Often this is done on a voluntary basis due to the particular affinity of the two organizations. CACH also has received technical assistance for many of its activities from the Ministry of Natural Resources and the *Dirección General Forestal* (DGF). Most of CACH's members acknowledge that the reforestation program would never have achieved the level of success it has attained without this technical assistance from the Costa Rican national government.

CACH has also extended an invitation to international organizations to participate in development projects and to make them a member of the local partnership. In its early years, AITEC, based in Cambridge, Massachusetts, played a crucial role in training the new leadership of CACH and providing the technical assistance the group needed to initiate its first activities. AITEC also helped to knock on doors of potential donors and providers of various forms of assistance. It was on the advice of AITEC that the first contact was made with the Inter-American Foundation (IAF). Similarly, AITEC provided CACH an entrée to USAID, Participating Agencies Coordinating Together (PACT), and the *Centro Agronómico Tropical de Investigación y Enseñanza* (CATIE), the agricultural graduate school and research center of the Organization of American States. CACH has used this experience to garner support from the Inter-American Development Bank (IDB), the Government of the Netherlands, and the *Fundación Trópico Verde* Foundation of Germany. The IDB is providing credit for crop production while the latter two organizations are supporting environmental conservation projects that complement CACH's reforestation program.

And it continues. CACH and its members continue to join with neighbors, other local organizations, and groups from around the world as partnering remains an integral part of all of their initiatives to improve the local economy. In 1992, out of concern for the dwindling watershed to protect the water supply to Hojanca, members of CACH formulated a unique procedure to begin setting aside land in the municipality's principal watershed. The initial effort started with twelve farmers forming the *Fundación Pro-Reserva Forestal Monte Alto (Monte Alto)* to hold land as an environmental reserve to regenerate native species of trees, plants and flowers. The forested area serves as watershed and a recreational space where students and families can come to appreciate the flora and fauna of the region.

The uniqueness of the procedure used to acquire the land is the farmers pooling their resources to do something that would have been complicated or impossible to do, as individuals. Every month, each member of Monte Alto agrees to deposit the equivalent of US\$4.00 in a fund that, in turn, is used to purchase land—one hectare at a

The Costa Rican government has recognized the Monte Alto project by awarding it two special honors. The first came in 1996 when Monte Alto was awarded a Guayacón prize, which is given annually for the best local initiative in environmental conservation. Then, in 1998, it received the first place award as the best local project in improving its municipal environment. These recognitions attracted the attention of the German environmental protection group, *Fundación Trópico Verde*, which signed a cooperative agreement with Monte Alto to establish a research and eco-tourism facility on the acquired lands. Today Monte Alto can provide lodging for 35, dining and meeting rooms, three marked trails, a museum of rural life, and an observation post.

A Leadership Development Project

The formation of CACH brought out the leadership skills in many local farmers. Men such as Carlos Coto and Victor Manuel Villaga became import motivators of the center and shared their enthusiasm with their fellow farmers. Both men remain active leaders in CACH. Moreover, the children of the

The IAF first entered into a relationship with CACH in 1981, only three years after the center was founded. Through a two year grant for US\$90,000, the IAF helped the center expand its livestock production, improve its harvests through crop diversification,

time. Its first purchase was a 14-hectare parcel in the heart of Hojanca's watershed area. The project soon attracted both local and national attention, which encouraged more CACH members to begin adding their monthly quotas. A total of 175 local residents participate in Monte Alto and have contributed to the purchase of 340 hectares and the oversight of over 800 hectares of watershed area.

farmers have become the new leaders of CACH, and in some cases taken that experience to even greater heights. Oscar Campos joined the staff of CACH as a young man recently graduated from an agricultural-technical high school with a desire to share his knowledge and enthusiasm with his community. After his initial position as a rural promoter, Campos assumed the responsibility of executive director. He then moved on to become manager of

COOPEPILANGOSTA, co-founder of the Consortium of Coffee Growers' Cooperatives of Guanacaste and Monte de Oca (COOCAFE), Vice Minister of the Ministry of Agriculture, an executive of the *Asociación Guanacasteca de Desarrollo Forestal* (AGUADEFOR), and now has been elected Deputy to the National Assembly. Other young individuals, such as Dimas Rojas, one of CACH's leaders, Emel Rodríguez, director of a local forestry program, and José León Vargas, president of the Municipal Council, have honed their leadership and management skills through their involvement with CACH.

A Coffee Project

Coffee plants came to Hojanca with the early settlers from the central highlands during the first decade of the twentieth century. It was always an important crop in the local economy, but it was not viewed as an exportable cash crop until the 1960s when the collective economic power of rural cooperatives allowed the farmers to construct coffee processing facilities, called *beneficios*. By the time CACH was organized in the late '70s, coffee was second to cattle as a dominant cash crop in Hojanca. Even the smallest of farms had a parcel dedicated to coffee. For that reason, one of CACH's initial priorities, as mentioned above, focused on improving the farmers' cultivation of coffee. CACH led a promotional campaign to have the *Instituto del Café de Costa Rica* designate the highlands of Hojanca as a "coffee production zone." Such a designation would entitle local farmers to special credit terms at commercial banks and allow them to receive technical services and supplies that otherwise would not be available to them. As a result, nurseries with new coffee varieties were introduced into the area and credit under far more reasonable terms became available to the farmers.

The real economic benefit from growing coffee comes from the ability to market it internationally. The only way for the farmers of Hojanca to

undertake such an activity was to act collectively. COOPEPILANGOSTA and another local cooperative, Coffee Growers' Cooperative of Cerro Azul (COOPECERROAZUL), had been organized to process the farmers' harvests and seek domestic and international buyers, but their skills and experience were very limited. To overcome these deficiencies, both organizations joined the National Federation of Coffee Cooperatives (FEDECOOP). That membership brought some new services, but the long distance from FEDECOOP's facilities in San José and the relatively small local production meant the level of attention received was very limited.

In 1987 CACH became a sounding board for the cooperatives as they considered the various options regarding the marketing of the local coffee harvest. One option that was well received called for the formation of a regional union of six cooperatives within the Province of Guanacaste. In January 1988 that option became reality with the creation of COOCAFE, R.L., the earlier mentioned Consortium of Coffee Growers' Cooperatives of Guanacaste and Monte de Oca.

Today COOCAFE has expanded to eight cooperatives and is marketing coffee to Europe, the United States, and Japan. It manages a credit program to enable farmers to have sufficient operating capital at harvest time. It also administers a training program for women, a scholarship fund for children in rural areas, and an environmental program to expand the production of organic coffee and address the environmentally detrimental effects of processing coffee. Its programs have received support from many international agencies, including the Friedrich Ebert Foundation of Germany, the World Wildlife Fund, CATIE, and the IAF.

A Forestry Project

Growing trees, especially valuable hardwoods, is now a significant income generator for many of the farmers. However, twenty years earlier, no one

wanted to wait the eight or more years for the revenue from the first harvest. Although CACH's members agreed with setting reforestation as an organizational priority, most believed they had neither the time nor land to wait such a long time to see a return. In addition, as cattle raisers, their land was needed for pasture not planted with trees.

By 1981 farmers were feeling the negative impact of a severe economic recession and alternative sources of income began to receive greater interest. As prices for traditional farm products—milk, meat, basic grains, and fresh vegetables—dropped radically, the availability of land for reforestation conversely rose. It took until 1984 to acquire sufficient financial resources to begin a reforestation program in earnest and another three years of planting commercially valuable hardwoods to approach a sustainable growth. Ten years later, the earliest plantings were harvested and the farmers received the benefits of their earlier expenditures.

Today, more than 4,000 acres of land have been reforested with valuable timber that is being harvested and processed in Hojanca. CACH is operating a modern sawmill with ten employees and provides numerous other people with employment by cutting and transporting the trees to the mill. CACH sends the lumber from the mill to furniture makers and builders throughout the country, creating more jobs and generating income.

The success of the reforestation program attracted the attention of CATIE (an Organization of American States' graduate school in agricultural sciences located in Turrialba, Costa Rica). It heard of CACH while administering a Danish-funded project to improve the genetic quality of tree seeds distributed for similar programs throughout Central America. In 1997, CATIE invited CACH to join with eleven other NGOs in Central America to organize the *Red Regional de Semillas Forestales para América Central y el Caribe* (REMSEFOR). The consortium was formed to assure the



A witness to CACH's growth from its modest beginning in 1978, this building serves as a wood mill and warehouse for the teak and melina hardwoods that will be turned into furniture and other wood products. (Photo: Wilbur Wright)

availability of standard high quality tree seeds for forestry projects throughout Meso-America. In return for its participation in the group, CACH received training in the selection, processing, storage, and distribution of the seeds. Its primary role now is to respond to groups referred to it for the purchase of tree seeds. Over the last two years CACH has sent seeds to Belize, Guatemala, Nicaragua, El Salvador, and Mexico.

For CACH, the forestry program represents the force that will move it into the future, as well as be its most sustainable economic endeavor. As the trees on the farmers' reforested lands continue to mature they increase in value. As more farmers recognize the favorable economic return from commercial tree production there will be more plantings, and this in turn will create a greater demand for CACH's sawmill. At the regional level, an increasing number of reforestation projects translates into higher demand for quality seeds. Both actions represent greater revenues and improved sustainability.

A Social Responsibility Project

CACH must remain economically viable and continue to satisfy the economic needs of its members. It appears to be doing that, but it also is doing much more. Each year CACH sets aside funds to sponsor many activities that have no immediate economic reward, though the social and long-term environmental benefits of these actions are enormous. As mentioned above, the preservation of the area's watershed to assure a continuous water supply for the local communities is of immeasurable value. The regeneration of native trees, shrubs, and grasses helps to guarantee a habitat for indigenous wildlife. Furthermore, the aesthetic value of maintaining a diverse variety of plants and animals is something to be measured and appreciated by future generations.

CACH also is involved, both directly and indirectly, in the education of the area's youth. It provides scholarships for young persons from families of limited resources. It sponsors training opportunities for area youth to enhance their technical skills. It cooperates with the municipal government in the purchase and collection of books

and other materials for local libraries. Equally important, it continues to conduct a variety of demonstrations and hands-on training activities geared to the vocational interests of the area's young people.

Within the local communities, CACH is a respected organizational citizen invited to participate in all civic events. Its representation is anticipated at all public gatherings. When opinions are sought regarding any social or economic issue, the leadership of CACH is asked to share publicly the sentiment of the group. When resources are pooled to address any humanitarian need, CACH is asked to contribute.

A Continuing Project

The IAF is proud to have been one of the helping hands that encouraged CACH over the past 20 years. Its work has proved sustainable, and CACH is now into its third decade of serving the farming community of Hojanca. From a humble, but enthusiastic start, it has grown and prospered. It has influenced the lives of all the municipality's citizenry—farmers and non-farmers alike. Farms are more diverse, more efficient, and more productive. Production techniques are more sustainable. The sources of fresh water are more protected for all the local citizens. They have access to a broader variety of high quality agricultural products at reasonable costs. Their opportunities to enjoy the area's indigenous flora and fauna are increased. Their opinions and concerns are more readily received by decision-makers and administrators of government. Finally, their sense of appreciation for and pride in Hojanca is greatly enhanced.

The original priorities set by CACH have not been fully achieved, though much has been accomplished. Its achievements have given CACH the satisfaction of knowing it can succeed and the enthusiasm to confront challenges that arise. CACH has the leadership, the infrastructure, the goodwill, and the access to resources required to continue its quest to fulfill present priorities and to accept future ones. ■

IAF Reconstruction Efforts in the Aftermath of Hurricanes Mitch and

By George A. Evans, IAF President

Just as the Inter-American Foundation (IAF) and other donor agencies were in the midst of defining and implementing a strategy to assist Caribbean nations rebuild in the wake of Hurricane Georges, Hurricane Mitch battered the already impoverished countries of Central America with an awesome destructive force not seen in the hemisphere this century. Over 9,000 children, women, and men lost their lives in the devastation and thousands more are still listed as “missing”; businesses and farms were destroyed, and natural resources such as topsoil, forests, and watershed areas were literally washed away, along with critical infrastructure such as water systems, roads, bridges, schools, and health clinics.

The situation presented immediate and huge challenges to international aid agencies and others hoping to contribute to recovery efforts; organizations everywhere scrambled to assess damage, mobilize resources, and overcome logistical hurdles to deliver much needed assistance as rapidly as possible. National governments and aid agencies correctly established response plans that took into consideration immediate emergency needs and longer term rebuilding issues.

The IAF Response

The role of the Inter-American Foundation in situations of natural disaster is to help low-income populations rebuild for the long term, seeking sustainable solutions to immediate problems. To that end, the IAF moved quickly to establish a plan to offer

assistance to communities and civil society organizations in an effort to help them recover from these devastating events and rebuild for the future. The IAF, working within its established mission and program objectives, pursued a course of action that involved a series of discreet yet overlapping activities:

- **To offer assistance at the right time:** The days immediately following the hurricanes were filled with herculean emergency efforts to rescue those in danger, preserve life, and reestablish basic services. During this critical time, the IAF began to gather information while disaster relief experts attended to immediate needs. When it seemed clear that additional foreign visitors would not add significantly to existing levels of chaos and confusion, IAF officials made several trips to the regions to meet with grantee organizations, local officials, and representatives of the donor community. These meetings with individuals and organizations on the frontline of the recovery efforts helped shape the IAF’s response strategy.
- **To acquire the best information available:** Our first priority was to assess the damage to current grantee organizations in the affected countries. As many of these organizations are located in communities situated in hard-to-access rural areas, initial reports were fragmented and partial at best. The IAF’s in-country service contractors and IAF staff compiled the initial inventories of damage.
- **To continue to incorporate updated information on the situation to input into decision-making:** Advances in technology greatly enhanced the IAF’s deci-

sion-making capability. Largely due to the wealth of information available on the Internet, through e-mail and fax, IAF officials were able to compliment the information received sporadically from the field with a constant stream of up-to-date crisis reports. This allowed us to formulate a response plan based on much more complete and reliable information than would have been possible by relying exclusively on relays from the field where communication was not always possible.

- **To determine the IAF’s niche in the reconstruction effort:** Through our country representatives and in-country service organizations, the IAF was able to stay abreast of developments within the donor community. This allowed us to avoid duplication of effort and to target communities that may have been overlooked. The U.S. Embassy and the Agency for International Development (AID) were particularly helpful in this regard as staff from both organizations actively participated in official government and donor task forces.
- **To assign human and financial resources according to actual needs:** The IAF shifted human and financial resources to meet the increased demand for funding, particularly in Honduras and Nicaragua. The Board of Directors and official oversight organizations were supportive of the IAF’s plans to assist in the reconstruction efforts, allowing a degree of flexibility that permitted management to assign resources as needed.
- **To establish mechanisms for ongoing information gathering and monitoring:** The IAF’s monitoring system requires little adjusting to accom-



These Honduran children hold on to each other tightly and can still manage a smile. Pictured here in a temporary shelter in Tegucigalpa, Honduras, they survived the storm but their homes were destroyed

The wreckage left behind by Hurricane Mitch (Photo: Patrick Breslin)

moderate the increased level of funding to affected countries. The Grassroots Development Framework (GDF), the system employed by the IAF to gather information and assess impact of projects funded, is equipped with indicators suitable to the task. In addition, the IAF will track over time the results of collaborative efforts at the local level to determine the role played by existing and new partnerships in overcoming the effects of the hurricanes.

Based upon the results of the needs assessment conducted by IAF personnel, management established a set of general objectives to orient the IAF’s funding for reconstruction:

- 1 To assist current IAF grantees and other affected community organizations, producer associations, and small and medium-size businesses restore productive capacity, with a particular focus on projects benefiting women, youth, and ethnic minorities.

- 2 To strengthen the capacity of partnerships and strategic alliances among civil society, local government, and business to address critical development needs at the grassroots level, including those brought about by natural disasters.

- 3 To strengthen local capacity to manage scarce natural resources and environmental conservation programs to mitigate negative impact of future disasters at the community level.

Using these basic objectives, the IAF formulated a general strategy for determining the types of projects to be supported. This strategy emphasizes three key elements, one of which is a focus on grants that emphasize the importance of multi-sector cooperation, primarily involving NGOs, community organizations, local governments, and businesses to implement reconstruction projects. Consistent with IAF funding strategies, this approach offers a unique opportunity to reinforce the notion of local cooperation to address the immediate emergency and to continue the



Just behind this man is the path of the flood from the storm. Below the hill a small pile of salvaged bricks shows one person’s determination to rebuild a home. (Photo: Patrick)

pursuit of longer-term social and economic gains.

The second element is a concentration on rural areas and smaller cities and towns that may not have received as much attention from international donors as the major cities. Finally, a special effort will be made to identify innovative approaches to reconstruction that go beyond replacing losses and immediate relief, and strive to lay the groundwork for future sustainable development.

Key Lessons Learned

A tragic dichotomy, disasters such as these can result in some opportunities. This does not in anyway diminish the catastrophe nor are these circumstances their choice. Nevertheless, the countries of Central America and the Caribbean impacted by these two natural disasters have before them a chance to rebuild with “20/20 hindsight” to guide them. Together with our Central American and Caribbean partners and grantees,

the IAF is beginning to analyze the experience of the past six months. Undoubtedly, there are lessons that may be applied at several different levels:

- The importance of strategic investment and preparation prior to catastrophic events

Several types of development projects can significantly cushion vulnerable populations from natural and human disasters.

- Organizational strengthening and capacity building

All of our grantee organizations have stressed the importance of the organizational skills acquired as a result of project activities. In many cases, these skills allowed communities to minimize damage and formulate recovery plans more rapidly.

- **The importance of assets and the pitfalls of credit**

While the hurricanes washed away businesses, farm land and livestock, and homes, they left intact debt incurred by small business owners and producers with no visible means of paying. Donor organizations that provide capital for credit funds should take care to insure that loans made with those funds go toward accumulating and holding assets, and not towards developing dependencies on loans for consumption.

- **Impact on the environment**

It is clear that where environmental conservation and reforestation were priorities, the damage caused by the hurricanes was far less than in areas where significant environmental degradation had taken place.

- **The importance of local alliances and effective municipal leadership**

Everyone from national government authorities, to donor agency personnel, to the victims themselves remarked how emergency response and recovery efforts were all the more effective when individuals and organizations from all sectors of society worked together, in partnership, to address immediate and long-term needs. Groups who would have never thought to join forces forgot differences to help others, as well as themselves. Times of crisis underscore the need to work together to overcome problems. Equally as apparent was the outstanding job of coordination and crisis management fulfilled by mayors and municipal councils in so many of the affected areas. Their performance should lend additional momentum to administrative decentralization reforms taking place throughout the region.

- **Information sharing and coordination among donors**

Unfortunately, in many cases, the reconstruction efforts were hampered by the same tendencies that limit development initiatives on a routine basis: the proprietary stance assumed by some international NGOs and donor agencies; the need to control and oversee all

operations on behalf of particular populations or geographic regions. This “lone ranger” perspective, which is the antithesis of collaboration and partnership, limits results and encourages inefficiencies. On the other hand, when donors work together in support of locally driven and coordinated efforts, the results can be immediate and comprehensive.

Our progress to date has been extending over two million dollars in support through new grants and amendments, primarily for restoration of productive capacity and assets, both for families and communities. Several additional funding actions are currently under review. Over the next year and a half we anticipate funding an additional US\$7 million for local development projects intended to establish new and sustainable economic alternatives for low-income populations residing in areas devastated by the storms. Applying these lessons learned, the IAF will be a partner in rebuilding Central America and the Caribbean for the long-term. ■

Fellowship

Collected by Robert Sogge,
IAF Fellowship Program Manager

The Inter-American Foundation (IAF) Fellowship Program promotes learning to foster grassroots development through partnerships among the private, non-governmental, and public sectors throughout Latin America and the Caribbean. Through field research and U.S. university graduate study, IAF Fellows learn and share concepts, strategies and practices that help implement these IAF development strategies in the region. For more information on the Fellowship program visit the IAF Website: www.iaf.gov. Below is correspondence from three IAF Fellows.

**Itacoatiara, Amazonas
Brazil**

Henrique dos Santos Pereira

Citizenship: Brazil

Field of Study: Ecology

Academic Affiliation: Pennsylvania State University

IAF Program: Field Research leading to a Ph.D. degree

Fishing has long been one of the most stable subsistence activities for rural low-income populations in the Amazon region of Brazil. However, the expansion of the commercial fishery industry of the region, initiated in the late 1960's, has led to episodes of local fish-stock depletion due to over-harvesting. In response to this problem, several small-scale fishing communities have attempted to implement informal self-governing institutions to regulate local fisheries and to protect common fish stock against predatory exploitation by the urban-based commercial fleets. While some communities have success-

fully established and sustained a set of local norms and regulations to discipline fishery practices in their territories, others have not. Brazilian environmental agencies are gradually attempting to incorporate local organizations as co-participants in the decision-making and implementation of natural resource management plans.

For nine months, my study has aimed to empower local community leaders and development practitioners and to promote their collaboration with local government officials to develop sustainable solutions to overexploitation of natural resources in the Brazilian Amazon. This project examines the factors that can influence the design, implementation, and maintenance of local fishery management institutions. My comparison of 54 small-scale fishing communities of the Itacoatiara region will indicate characteristics that are common to communities that are successful in improving their use and management of common resources.

My research has already led to some advances in and has the potential to offer further contributions to building partnerships among subsistence fishing communities, local NGOs, municipal governments, and other public institutions to promote local fishery self-management, nutritional improvement within disadvantaged local communities, and fishery resource conservation in the Itacoatiara region of the Brazilian Amazon.

After completing my doctoral degree, I will continue working here in my home state of Amazonas promoting collaboration among low-income communities, NGOs, and government agencies. Already, results from this study

have supported a Brazilian NGO that has been preparing strategies for aquatic resources and rural development in the State of Amazonas. Also, the Amazonas State Forum of NGOs and the Technical Chamber for Fisheries and Aquatic Resources of a Brazilian federal environmental agency have begun using study data to develop and implement regional policies for socially and ecologically sustainable resource management plans, while meeting the needs for resource exploitation and development in the State of Amazonas.

**Las Pilas, Chalatenango
El Salvador**

Daniel J. Moss

Citizenship: U.S.

Field of Study: International

Development and Regional Planning

Academic Affiliation: Massachusetts Institute of Technology

IAF Program: Field Research leading to a Master's degree

Surprisingly, little is written about how wholesalers secure their marketing channels, how they open these marketing channels, and the impact their actions have on small-scale farmers' marketing opportunities. My research will examine how urban marketplaces managed by municipal administrators can play a key role in supporting small-scale producers in El Salvador. This research also focuses on policy implications for local governmental and non-governmental actors seeking to support small-scale farmers in the local area. How do the links function between public sector actors (municipal marketplace administrators) and private sector actors (the truckers, wholesalers, and the cooperatives)?

My field research explores how small-scale farmers, truckers, and wholesalers forged a mutually-beneficial commercial arrangement; how those wholesalers worked with market administrators of a municipal government office to provide vending space; and how this chain of events resulted in a reliable marketing channel for tomatoes from the Las Pilas region in

the Department of Chalatenango in El Salvador. That marketing success then looped back to improve production incentives for Las Pilas farmers.

For two months, my research focused on how small-scale farmers in the Las Pilas region successfully exploited a domestic marketing channel, a wholesale marketplace called the Tiendona, to sell their tomatoes. These farmers pried open an exclusive market (managed by a municipal government office) that is commonly perceived to be lost to Guatemalan and Honduran imports, monopolized by intransigent wholesalers, and run by rent-seeking municipal market administrators.

The motivation for my research is to discover marketing strategies that will improve small-scale farmers' livelihoods and equitable development in the countryside. Essentially, I am driven by the question, Who must small-scale farmers collaborate with in order to open local marketing channels for their harvests? I have already presented research information at meetings in El Salvador, and I am preparing a short version of my research information for distribution by a local organization to NGOs, municipal officials, and government agencies in El Salvador.

South Bend, Indiana

United States

Vivian Dutai

Citizenship: Panama

Field of Study: Business Administration

Academic Affiliation: University of Notre Dame

IAF Program: U.S. Graduate degree study for Caribbean and Latin

American Citizens

Since my professional career was in private banks in Panama, micro-credit



activities provided a good mix of my professional and personal interests. I am interested in addressing development issues using market driven mechanisms to address poverty and participation problems. With the IAF fellowship, I was able to enter the Master's in Business Administration program at the University of Notre Dame. After the finishing the program, I plan to return to my native country of Panama and work in efforts to institutionalize micro-credit practices. The MBA program here at Notre Dame has given me the technical skills I need to create and manage a micro-credit program profitably, efficiently, and effectively. I hope to resume my career and work in a partnership organization composed of banks, corporations, NGOs and educational institutions to expand micro-credit to low-income micro-entrepreneurs in Panama.



life can be doubly sweeter when the U.S. company Land O Lakes assists small-scale chocolate producers in Mexico to improve their

cacao production, conduct training for women's cooperative and develop marketing programs. In an innovative partnership, Land O Lakes and the International Indian Treaty Council, a U.S. non-governmental organization (NGO) are collaborating with the Asesoría Técnica en Cultivos Orgánicos (ATCO), a NGO formed by a low-income indigenous community to promote small-scale farmers and community development in Tabasco, Mexico.

Alejandra Cervantes, an IAF Fellow and ATCO marketing specialist, played a key role in facilitating the partners' collaboration by working with ATCO in Tabasco as well as with Land O Lakes at its headquarters in Minnesota. She is pictured here with (from left to right): Stan Zylstra (Chairman of the Board, Land O Lakes), Alejandra Cervantes (IAF Fellow), John E. Cherty (President and CEO), and Martha Cashman (Vice President of International Operations). Based on her experience, Alejandra Cervantes received a fellowship in the IAF U.S. Graduate Study Fellowship Program for Caribbean and Latin American Citizens Only. She is currently completing a Master's degree program at Columbia University and will then return home to promote corporation-NGO

Development Notes

THE FIFTH INTER-AMERICAN CONFERENCE OF MAYORS

By David Valenzuela, IAF Vice President
for Programs

Florida International University, and Miami-Dade County, organizers of the Miami Conference of Mayors invited the Inter-American Foundation (IAF) to sponsor and direct two panel discussions dealing with the general topic of public/private partnerships. Anxious to gain insight on how to best manage their municipal governments, over 500 mayors from Latin America and the Caribbean, converged on the city of Miami between June 2-4, 1999. The IAF has participated in this event over the past three years with similar panel discussions that underscore the importance of cooperation between municipal government and local community organizations and NGOs.

This year, the Mayor's Conference focused on "effective local government". Most of the speakers emphasized the need to encourage citizen participation and to reach out to the local civil society. The panels, sponsored and moderated by the IAF, stressed the importance of municipal cooperation with the corporate sector and civil society organizations to address pressing social and economic development concerns. More than 200 mayors attended the two Foundation panels, showing considerable interest in the discussions judging by the questions and response. For one panel, the IAF selected a mayor, a top business leader, and an NGO facilitator from the municipality of Soyapango, El Salvador, to discuss their public/private cooperation experience. The other panel included business leaders from Mexico, Venezuela, and Colombia describing their community outreach experiences and relations with local municipal governments.

IAF publications were widely disseminated among the mayors in attendance.



PARTNERSHIP INSIGHTS

By Linda Borst, IAF Vice President for
External Affairs

Partnerships—collaborations among government, civil society, and business to pursue poverty reduction initiatives—are an effective tool, the development alternative for the future, and fast-becoming a paradigm among donor agencies. Yet these sectors have traditionally been bound to different spheres, often operating as adversaries. So how can alliances among these unlikely associates be generated?

Responding to this need, The Prince of Wales Business Leaders Forum (PWBLF) developed a methodology to serve as a catalyst for partnerships—the INSIGHT workshop. Over the last nine years, the PWBLF has promoted socially responsible business and has run workshops in over 30 countries. Headquartered in the United Kingdom, the PWBLF is an international non-profit organization founded by the Prince of Wales in 1990. Its membership includes business executives from 50 leading multinational corporations. Since 1997, the PWBLF and the Inter-American Foundation (IAF) have been working together on social investment initiatives in the Americas. To bring the INSIGHT methodology to Latin America, the IAF and PWBLF worked in collaboration with the Mexican Center for Philanthropy (CEMEFI), the Monterrey Technological Institute (TEC), TRW Corporation, and the *Fundación Chihuahuense del Empresariado* (FECHAC) to conduct the first joint INSIGHT partnership development pro-

gram in Chihuahua, Mexico from November 29-December 2, 1998.

The purpose of an INSIGHT workshop is simple: bring people together to understand the perspective of the 'other' sectors and realize their common interests. These experiences can then lay the groundwork for an actual partnership. By the end of the workshop participants are encouraged to author a plan for future collaborations. Adrian Hodges and Kate Cavelle of the PWBLF started off the INSIGHT workshop with excellent presentations on the methodology of establishing partnerships. They emphasized the importance of consultation among all partners, finding a common language, leaving time for overcoming inevitable obstacles, defining roles, and the advantage of drawing on each other's strengths for shared objectives.

The host for the Chihuahua, Mexico INSIGHT workshop was FECHAC, a non-profit, civil organization, created in 1991 by a group of business leaders. In the wake of a flood that devastated their community, they proposed that the state government of Chihuahua collect a special tax on businesses operating in the state to be used for disaster relief initiatives. Twenty-six thousand businesses in the state of Chihuahua voluntarily contribute over US\$3.5 million annually. Their initiative is what made them the perfect hosts for the INSIGHT workshop and a model of social responsibility.

The thirty workshop attendees included representatives from the public sector of Mexico. Local, state, and national governments participated, including Susana Canales, the wife of the Governor of the state of Nuevo León, and the Secretary of Social Development for the state of Chihuahua. From the private sector came Chihuahua business leaders and multinational corporations such as TRW Corporation, 3M Corporation and Kvaerner de Mexico. Civil society was a diverse group geographically, represented by non-governmental organizations (NGOs) and community organizations, including three senior

representatives from Monterrey TEC in addition to representatives from Colombia, Peru, and El Salvador.

Highly interactive, “understanding” the other side at an INSIGHT workshop does not necessarily presume agreement. Chihuahua was the site of debates on the responsibilities of each sector, a chance to face stereotypes, and be surprised at creative solutions from unlikely sources. The brilliance of the INSIGHT workshop lies in bringing the participants to play the role of the other side in specially designed INSIGHT exercises and organizing visits to development projects underway. The turning point was when the workshop participants met the people who benefited from a project and realized the real-life impact of development at work. In Chihuahua participants visited TRW factory programs for employees and then a community bank organized by FECHAC. “Ahhh, I see” began to resonate among the participants, and the workshop took a quick turn from the theoretical towards the practical, as participants decided they wanted to effect a similar change for the better in their own community and perceived the other sectors as viable partners.

Good Business

At the TRW plant, Victor del Palacio, Manager of Human Resources, welcomed the participants and gave an overview of the corporation, and its Mexican operations. TRW was established in 1901 and opened its operations in Mexico in 1992. They have 1440 employees who manufacture air bags for General Motors, Ford, Daimler-Chrysler, Saturn, and others. In the Americas, TRW also has operations in Brazil, Argentina, and the U.S. TRW’s community projects include a nursery and kindergarten built of recycled materials for employees’ children and supported by four companies in the industrial park. Additionally, the Government of Mexico provides salaried, accredited teachers for the kindergarten. TRW also offers laundry services for all its employees. This benefit grew out of a problem of absen-



Participants in the INSIGHT workshop visit a day care center TRW set up for its employees in Chihuahua, Mexico. (Photo: Courtesy PWELF)

teeism and illness. When TRW management realized the high degree of muscle injuries among its employees they investigated the cause—after a day at work, their employees were doing their laundry on washboards. TRW introduced a laundry service so that in the morning employees leave can their laundry and pick it up that evening. Repetitive stress injuries at the TRW factory are down by 60 percent.

At the plant, TRW demonstrated their employee safety and environment programs. During lunch sponsored by TRW, the participants asked them questions about their community projects. Discussion topics included measuring the social impact of the program on the community and TRW’s bottom-line, how to replicate programs among other companies, how to disseminate and encourage more business collaboration with the Government of Mexico. Some NGO participants raised the issues of the generosity of the company vs. its obligation. TRW is very well organized, is profitable and is an excellent place to work because of the conditions and the

many employee benefits. Nevertheless, they asked, “What about TRW’s obligations to the greater community?”. The participants encouraged TRW as a high profile, global corporation to continue practicing its high ethical standards as a model for other companies to emulate.

Banking on the Community

FECHAC presented an overview of the IAF-FECHAC jointly funded Community Banking Program (IAF cooperative agreement ME-416). Within three years, the Community Banking Program will establish 75 community banks throughout the state of Chihuahua that will provide small loans (average size is US\$450) to primarily women borrowers for the establishment of micro-enterprises. FECHAC anticipates that these micro-enterprises will generate US\$300,000 in savings for women and low-income families and will help create an additional 1,500 new jobs. Within the past six months, 10 community banks have been established with 128 members (99% are

women).

Based on the needs identified by the borrowers, training is provided in small business management, organizational development, credit administration, and marketing. FECHAC estimates that 750 low-income families will participate in the training activities. They hope that many borrowers will graduate from the informal sector to the formal sector—becoming small or medium-sized businesses that join the Chamber of Commerce, participate in formal bank credit programs, pay taxes, and provide stable employment opportunities in their communities. At different community banks borrowers gave an overview of the operations of their banks, explained their businesses (in most cases, they were commercial enterprises—crafts, food products, clothing, household items, etc.). The enthusiasm and self esteem of the borrowers was very evident and they readily answered the participant's many questions.

Role-Playing

Vital to the INSIGHT methodology of learning the 'other' sectors' perspective are the exercises in role-playing. At the workshop in Chihuahua, the participants were separated into three groups by sector (government, business and civil society). Each group composed a list of positive and negative characteristics of the other sectors. It was a dynamic session that produced the following results:

The Business Sector listed participatory, initiative, and commitment as the three positive characteristics of civil society while the three negative characteristics were lack of professionalism, reactive, and easily manipulated. Business listed resources, norms and policies, and public responsibility as the positive characteristics of government while bureaucratic, corrupt, and authoritarian as the negatives.

The Civil Society Sector listed resources, its mission for the common good, and its position as a representative of the people as the positive characteristics of government while bureau-

cracy, corruption, and prevalence of political interests were the negatives. For business, they listed willingness to take risks, self sufficient, and quality as its positive characteristics. The negatives were: short-term vision, manipulative, and individualistic as the negatives.

The Public Sector listed commitment to service, social conscience and active responses to problems as the three positive characteristics of civil society. Lack of coordination with other sectors, asking for too much at the same time, and not always representative of the community, only its particular sector, as the negatives of civil society. For business, the public sector listed generator of employment, payment of taxes to support government services, and contribution to the alleviation of social problems as the positive characteristics, while complaining about government even though it receives many benefits, its social responsibility is very limited, and environmental pollution as the negatives.

Civil Society At Work

Other presentations at the workshop came from participants who described their work in the community.

Fundación del Empresariado Sonorense. This organization is modeled after FECHAC. In 1997, a group of business leaders from Sonora who had been involved in many charitable children's programs for the last 14 years wanted to find more effective solutions to juvenile delinquency, abandoned children, and other problems related to poverty. They invited FECHAC to visit the various business organizations throughout the state of Sonora to talk about their program and how to adapt it to the Sonora context. After a year of promoting the idea, they were able to establish the *Fundación del Empresariado Sonorense*. Their greatest challenge is convincing businesses to pay a voluntary tax to the government to support the *Fundación*. The most resistant businesses were the ones currently affiliated with the government. They plan to begin operations in

January, 1999 and are hopeful that the U.S.-owned plants operating in Sonora will join the *Fundación*.

Centro Colombiano de Filantropía (CCF). Rafael Mateus, its Executive Director, gave an overview of the CCF, which is a private, non-profit foundation created in 1994 to promote and establish a culture of philanthropy and social responsibility on the part of Colombia's citizenry and business sector. It was founded by the IAF and *Fundación Social* and currently receives financial resources from the Ford and Kellogg Foundations, as well as Colombian and multinational businesses. The CCF has two divisions: an institutional division that disseminates information on social responsibility practices in Colombia and a corporate division that manages specific social responsibility projects of companies. Some of its projects include the promotion of corporate social responsibility through the dissemination of best practices by businesses, research on local development projects (cross sector partnerships), and research on the ethical conduct of business.

Instituto Tecnológico y de Estudios Superiores de Monterrey (Monterrey TEC). Maria Elena Morin (Director of its Center for Sustainable Development), gave an overview of Monterrey TEC, a private university founded in 1946 by the business community in Monterrey. It has 30 campuses and 80,200 students throughout Mexico. The Center for Sustainable Development's programs include the expansion of multisectoral experiences through conceptualization, designing models, documenting experiences, the implementation of pilot projects, and dissemination activities which encourage replication and evaluation. Working with their students and professors, TEC encourages participatory action field research.

Outcomes

The INSIGHT participants certainly learned from seeing their sector through the other sectors' eyes and enjoyed the



Babies at the TRW employee nursery eagerly await their breakfast. (Photo:

request the participation of CEMEFI, IAF, and the PWBLF in the planning and facilitation of the workshops. The other workshop would be held in Monterrey. CEMEFI is reviewing the training materials used in Chihuahua and will provide feedback and suggestions on how to further adapt to the Latin American context. The group wants to maintain a network of follow up activities through e-mail conferences and the use of Monterrey TEC's virtual university facilities. They plan to invite FECHAC to present their experience at the workshops to encourage businesses to consider similar initiatives. ■

challenge of developing social investment plans. It was an intense four days of active participation and learning. Some ambitious, but feasible action plans were presented and follow up activities have already begun in Peru and Mexico. The Andean participants (ANC, CCF and PACT) were very interested in conducting an INSIGHT workshop in Peru for the Andean Region in 1999. The Peruvian representatives were very keen on hosting the workshop in Peru as they feel there is a great need to promote cross sector partnerships, especially between the businesses and NGOs, and between the national government and NGOs.

The Mexican participants proposed two INSIGHT programs in 1999: one in the state of Guanajuato with the community foundations and focusing on Mexican and U.S. businesses (i.e. Green Giant and Del Monte). They

Grantees in the News

By Tery Tracy, IAF Editor

10th anniversary

President Ernesto Zedillo joined the *Centro Mexicano para la Filantropía, A.C.* (CEMEFI) to celebrate their 10th anniversary in November 1998. CEMEFI is a non-profit, non-governmental organization (NGO) that promotes philanthropy throughout Mexico. Since 1988, CEMEFI has actively engaged with the private sector, drawing businesses to invest in their communities. CEMEFI is a cross-sectoral organization that includes non-governmental organizations, corporations (international and domestic) as well as individuals among its 344 members.

President Zedillo noted that, “due to their scope and methods, many civic organizations are able to cover the needs that the government cannot easily address.” After praising CEMEFI’s work, President Zedillo confirmed the Mexican government’s interest to work together with non-profit institutions to promote “a new legal framework to facilitate the founding of non-profit organizations, the transparency of their goals, their operations, and social support for their work” and consult with CEMEFI on this process.

In 1999, the IAF awarded CEMEFI a three-year grant of US\$192,360 to mobilize the Mexican private sector’s participation in social development through the NGO’s Business Philanthropy Program. Through training workshops, CEMEFI will bring together business, public, and civil society leaders to learn cross-sectoral partnership building strategies. Another expected result of the project is the mobilization of US\$500,000 for social development programs through a 1% pre-tax corporate contribution rate. Under the IAF grant, CEMEFI will also produce publications and work with

Mexican business schools to disseminate social investment lessons to companies and future corporate executives.

Forbes Spotlights Social Entrepreneurs

In an article on the Ashoka Foundation, *Forbes Magazine* (September 1998) examined social entrepreneurs and their achievements. A global non-profit organization, Ashoka supports outstanding individuals who work with creative programs to achieve systemic change on a national and regional level. Headquartered in Arlington, Virginia, since 1980 Ashoka has elected more than 1,000 Fellows in 33 countries. These Ashoka Fellows combine a strong entrepreneurial spirit as well as a pas-

sion for social causes.

The article mentioned the work of several fellows around the world, including Ashoka Fellow Ismael Ferreira, who helped organize “dirt-poor sisal farmers into a cooperative in Valente,” Brazil. In 1997 this cooperative, *Associação dos Pequenos Agricultores do Município de Valente* (APAEB) received an IAF grant for US\$205,000 (see article in this issue). In the *Forbes* article, Ferreira noted with pride that although the world price for sisal has dropped, APAEB farmers doubled their income through creative marketing and production techniques. Ferreira’s research leads him to believe that there are prospects for sisal beyond rugs, such as roofing tiles, water tanks, tequila and pharmaceutical ingredients. The ability to grow a cooperative as efficiently as a market is what makes APAEB a model development project.

Baking Their Cake and Showing it Too



CIF student Lourdes Tomasa Rodríguez greets Hillary Clinton in her class on pastry arts. On her visit to CIF, the U.S. First Lady was accompanied by U.S. Representative Charles Rangel, CIF spokesperson María Amalia León de Gorge, CIF President Clara Tejera de Red, and fashion designer Oscar de la Renta.

In the Dominican Republic, students in the *Centro de Integración Familiar* (CIF) vocational programs for sewing and pastry arts received a visit from U.S. First Lady Hillary Rodham Clinton in November, 1998. Accompanied by U. S. Representative Charles Rangel and the Dominican fashion designer, Oscar de la Renta, the First Lady learned about the CIF's vocational courses and gladly sampled its wares.

The CIF has offered educational, technical assistance and financial services to the poor of Santo Domingo since 1983. It has graduated more than 26,000 men and women, giving them the education and skills to find jobs or start their own micro-enterprises. The 1997 IAF grant to CIF of US\$59,754 was matched by a Dominican corporation, *Empresas León Jiménez* grant of US\$58,754 to support the training, course advertising, and new equipment for the centers.

Weaving the Social Fabric

Cristina Bubba Zamora, a Bolivian social psychologist and director of *Fundación Q'ipi* is the recipient of the 1998 Rolex Award for enterprise in the category of Cultural Heritage. Established in 1976 by the Rolex Watch Company, the Rolex Awards for Enterprise recognize and support innovators in their efforts to transform ideas into practical projects.

Selected for her work as the founder of the non-profit organization, *Fundación Q'ipi*, Cristina Bubba Zamora recovers ancient ceremonial textiles and returns them to Bolivian villages. A q'ipi, or a bundle of weavings, is the clothing of a community's most respected ancestors and is considered the collective property of a village. Among the peoples of the Bolivian Andes, textiles are important cultural expressions and since pre-Columbian times these weavings have carried a dual significance as works of art and spiritual relics. The people believe that their ancestors' souls reside within these cloths. In the communities, these weavings are treated as sacred touchstones.

Over the last two decades, these ancient textiles have also become lucra-

tive international commodities, attracting the attention of antiquities dealers. To reverse this trend, Cristina Bubba Zamora is working with the people of Coroma in Potosi and volunteer lawyers to enforce existing legislation and introduce new practices to halt trafficking. Moreover, her efforts have raised a national awareness, making Bolivians realize the importance of preserving their precious cultural heritage through these weavings.

With a US\$150,800 grant from the IAF, the *Fundación Q'ipi* is building a community museum and working with the local municipality and travel agencies to develop a tourism strategy that will bring economic benefits to Coroma, while maintaining its way-of-life. The *Fundación Q'ipi* also provides technical assistance to the indigenous communities of Coroma, preparing them for fiscal administration and local government responsibilities. Strengthening a community spiritually as well as practically, *Fundación Q'ipi* and Cristina Bubba Zamora are weaving the social fabric of Coroma. ■

Resources

FACING UP TO INEQUALITY IN LATIN AMERICA, ECONOMIC AND SOCIAL PROGRESS IN LATIN AMERICA, 1998-1999 REPORT

By Inter-American Development Bank,
Office of the Chief Economist

Review by: Chris Krueger, IAF
Foundation Representative

Facing Up to Inequality in Latin America, is a challenging report that describes a persistent reality with new force—Latin America is the most unequal region in the world. Nowhere else on the globe are the gaps between rich and poor so wide and so entrenched. The report notes that income gaps characteristic of Latin America are similar to African countries at earlier stages of development and with only half the wealth. Contrary to the predictions of monetary reformers, income disparities in the last two decades have not improved. Without purposive policies and programs designed to reverse these realities, sustainable development appears virtually impossible. *Facing up to Inequality in Latin America* concludes that more than ever before, the time to act is now, while a ratio of more wage earners to dependents opens a demographic window of opportunity expected to last for about two decades.

The report's first chapter depicts the magnitude of the problem using income distribution as the key variable to compare Latin America to other world regions and to itself. On average, the wealthiest five percent of Latin Americans receive fully a quarter of total national income, while in Southeast Asia, 16 percent goes to the wealthiest and in developed countries 13 percent. Data for Chile, Mexico,

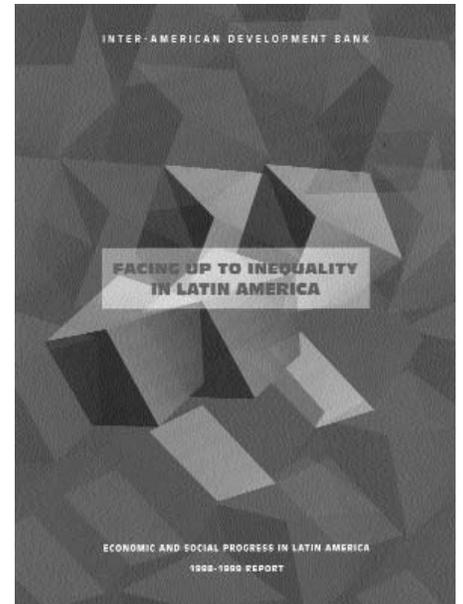
and Brazil show that higher levels of development have not made for greater equality.

Facing up to Inequality correlates income groups arranged by deciles with other variables to show that the wealthiest average more schooling, are high level employees (rather than employers as might be expected), live in urban centers, and have fewer children. Poorer people typically have less education and larger families, may be rural or urban, receive their income from informal activities and are paid extremely low wages for their formal work. Globalization, with economies based on natural resources rather than skilled labor, reinforces low wages and maintains inequalities. Women are largely absent as wage earners in poor families in spite of long hours in household and informal work.

Such facts are not news as much as the comprehensive accompanying analysis and recommendations. The report notes that growth does not necessarily decrease inequality. Moreover, in strong contrast to the messages of the past couple of decades, the report concludes that continued growth will probably not succeed in diminishing inequality (a finding the World Bank has made for Latin America and other middle income countries as well) and that ultimately, inequality hinders growth.

To provide concrete explanations and address the underlying causes of inequality, the report takes up the importance of:

- improved access and quality of education, especially of women
- increased demands and rewards for labor
- lower tariffs on consumer goods increased the efficiency of public utilities and social services



- expanded health care, especially for children
- better coverage and long-term stability of pension and social security programs
- broadened access to credit and increased variety of financial services to small-scale producers
- formalization of microenterprises; helping to link small-scale enterprises in market-appropriate scales; more effective tax systems and social reinvestment programs.

Facing up to Inequality's data, findings, and recommendations are framed in macroeconomic terms. What are the implications for micro-level programs and practitioners? When questioned, IDB economist and contributor to the report Miguel Szekely explained, "Unless the right policies and programs are in place at the macro-level, micro-level investments cannot produce sustainable development gains—the tide against them is too overwhelming."

This, of course, is a reality that the Inter-American Foundation (IAF) and grassroots organizations throughout Latin America experience directly and work to offset. Most grassroots initiatives work in conditions where laws, policies, practices, and resources of all

kinds flow away rather than towards poor communities. But as the IAF's system for measuring the impact of development projects, the Grassroots Development Framework, suggests, the effects of micro-level initiatives are sometimes felt at macro-levels [for more information on the GDF visit the IAF Website www.iaf.gov]. Such cases are doubtlessly too few and scattered to swell into sustainable large-scale changes. Nevertheless, another consideration is due: how much worse would inequality in Latin America be without the presence of thousands of micro-level initiatives, supported not only by the IAF, but by other agencies and governments throughout the region?

For programs like the IAF that have worked traditionally at the microlevel, practical observations complement the messages of the IDB report. One, microlevel initiatives are by nature highly specific, varied and limited in scope. Success in specific initiatives often hinges on local history, personalities, and community dynamics that go unperceived by macro-level planners. There is need for more direct communication between micro and macro levels and adaptations at both ends to make that communication possible. For the past three decades, nongovernmental organizations have played supporting and brokering roles. These are still needed, but increasingly grassroots organizations have the technical capability and contacts to interface directly with resource providers. Non-governmental Organizations (NGOs) are still needed, but as supporters rather than leaders of grassroots sectors.

Too often, grassroots development/microlevel initiatives remain scattered and disconnected from broader strategies. At the same time, there is a conspicuous shortage of 'mid-level' and 'mid-term' development programs to help them become mutually reinforcing. In recent years, most countries have created Social Investment Funds to support small-scale initiatives among very poor people. Yet these are often limited to single interventions, usually infrastructure, and while they may serve to

identify local leadership and organizational capacity, they rarely qualify as development activity.

Resource levels available from Social Investment Funds and agencies like the IAF average only about US\$60,000 a year, much less in the case of the Social Investment Funds, while the US\$500,000 'small projects' funded by IDB and other agencies are too large and onerous for most grassroots organizations. Mid-level programs that provide US\$100,000-\$300,00 annually would fill a significant gap.

Timing and phasing are also keys. Typically, initiatives that target the poor directly or through NGOs do not provide adequate funding and time to become part of viable development processes. Achieving viability when starting from a strong deficit usually requires beginning with preparatory activities and proceeding to more complex phases. Ideally, mid-level programs would also increase planning opportunities that enable grassroots organizations to build strategies and reach scales that deliver greater impact and sustainability, and therefore make greater inroads against inequality. The process may require a decade to complete; however, few programs currently provide such flexibility and continuity, another problem that mid-level programs might resolve.

The view from the micro level also indicates severe problems in the flows of existing development resources. Technical assistance and credit are concentrated in larger cities. Public sector social spending is often allocated in light of short-term political returns or wasted in petty corruption. International programs can be more vulnerable to domestic politics and institutional requirements than development realities. Worse, the development initiatives of some may leave micro-level contenders with eroded agricultural lands, polluted rivers, devastated natural resources or lost markets.

In short, facing up to inequality requires new directions and greater coordination at both the macro and the

micro levels. As the IDB report also suggests, development business cannot go on as usual for Latin America where the 'demographic window' may allow only two decades to reverse prevailing inequality before the ratio of income earners to dependents places even heavier burdens on available resources and actors.

Fortunately, the IDB report comes in a long list of analyses, which conclude that development initiatives aimed at reducing poverty and improving equality are at the top of the agenda. Increasingly, development agencies and governments are insisting on the centrality of social/human development along with economic growth. They are promoting increased beneficiary participation in problem identification, strategy definition, and project planning and calling for increased collaboration among government, private sector and nongovernmental organizations. They are adapting their own organizations and practices to better support such participation and collaboration. And they are developing methods and techniques for monitoring the results of their initiatives using social as well as economic indicators.

The IDB report represents an important contribution to greater coincidence of macro and micro level efforts and, perhaps, finally, to setting new trends towards greater and greater equality in Latin America.

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ASSESSING AID: WHAT WORKS,

WHAT DOESN'T, AND WHY

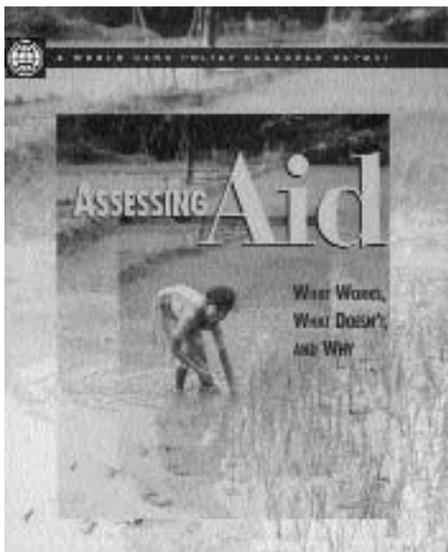
By David Dollar and Lant Pritchett

Review by Wilbur Wright,

IAF Representative

This book has nearly acquired required reading status in Washington D.C., the seat of large and small donor agencies, for its authors, World Bank economists David Dollar and Lant Pritchett offer a thoughtful contribution to the post-Cold War debate on foreign assistance and its role for the future. They researched World Bank funded projects in 113 countries with the goal of answering the question, “What works, what doesn't, and why?”

Dollar and Pritchett point out that



early development thinking was the creed that “large dollops of capital” would spur development. At the nub of their findings is the discovery that this earlier belief is obviously mistaken, and they put forth the idea that “it is possible to assist developing countries with weak institutions and policies but the focus needs to be on supporting reformers rather than disbursing money.”

Simple? Perhaps, but it orients development agencies to a different mindset—to operate away from giving countries infusions of cash, and more towards supporting the reformers within. In a word, the report recommends discretion. The report concludes that

donor agencies should focus less on the size of the disbursement and more on the type of projects that are getting funded, the process of building a long-term in-country capacity, and the economic health and habits of the country receiving the funding.

The forward by Joseph E. Stiglitz, World Bank Chief Economist, is an excellent two-page synopsis of the study and may serve as a guide for delivering foreign assistance. He points out that:

- the generation of knowledge is a prime objective of assistance
- effective aid requires the right timing
- effective aid requires the right mix of money and ideas
- the development process is as important as the project and effective aid requires donor cooperation.

Mr. Stiglitz ends with the admonition that the volume of aid is declining and that it is essential that what is available must be used as effectively as possible.

Throughout their well-researched report, Dollar and Pritchett carefully walk a line as honest appraisers of foreign assistance who acknowledge its successes, but also recognize its unmitigated failures. Highlighting the positive side of their findings they present a list of crucial factors that must guide a development program if it is to be successful. To be successful, they advise a donor to be selective, patient, and not wed to a single delivery formula. A donor must provide assistance that favors those recipients that demonstrate the capacity to utilize it. The donor agency needs to be patient and provide resources at the magnitude and rate that is within the absorptive capacity of the recipient country or agency. Finally, it is essential that the donor be flexible in its delivery so that it can adjust to the capacities of the recipient and provide resources at a pace and scale that can be utilized most effectively.

The authors also include in the study various factors, which they consider essential to a successful assistance

program. Aid often helps the recipient nurture development policy, but aid is not the motivating force that creates those policies. Aid must be process focused, not restricted to project execution. It is essential that aid promote the generation of knowledge. Aid must provide the incentives to encourage development programs to include beneficiary participation, transparency, environmental sensitivity, and gender equity. Furthermore, aid must be given in an ambiance of coordination and cooperation rather than competition. No one of these factors will guarantee the success of a development assistance program, but together they will assure positive results. Their recommendations may appear to be common sense to some and simplistic to others, but their importance is the validation of insight through extensive economic analysis and scholarly interpretation.

In brief, their formula is that aid equivalent to one percent of the recipient's GDP leads on average to a sustained increase of 0.5 percentage points in a country with good economic policies (low inflation, sound budgets, free trade policies, strong rule-of-law, and a competent civil service). However, one percent of the GDP in aid slows growth by 0.3 percentage points in a country with bad policies (imagine the above list as in terms of negatives). In other words, aid can retard growth when given to countries with bad policies.

Not neglectful of the praise laid at the feet of globalization and the importance of access to private investment, these economists are quick to point out that development aid is not a substitute for private investment. Rather, they see aid as a magnet to attract private sector investment. They defend this position by pointing out that one of the first indicators that a development program is failing is the lack of an increase in private investment accompanying the disbursement of aid.¹

Dollar and Pritchett also note that donor programs fail when they are only project focused, contain excessive conditionality, force one size to fit all, depend heavily on technical coopera-

tion rather than knowledge generation, and fail to recognize the institutional capacity of the recipient. Their findings also make it very clear that in those countries or regions where civil society is given no role in the planning or evaluation of the development program, activities will most likely cease once the assistance stops and have little or no beneficial impact on poverty reduction.

Interestingly enough, though the scale of their findings is macro-economic, their conclusions are relevant to grassroots development. After reading the economic statistics and the formula, the reader is left with a few obvious questions: “So what becomes of countries with bad policies and a large impoverished population? Are donor agencies supposed to ignore this community? Does that not only worsen the crisis and circumstances for those populations?”. The authors are not so removed from the mission of development to see their work only in terms of viable economic investments. They observe that these cases—countries with bad policies and large impoverished populations—should be the target for small-scale project aid. The authors argue that spreading knowledge through these projects should be the goal—donor agencies should build a base for reform that will eventually affect the country as a whole. That is why *Assessing Aid: What Works, What Doesn't, and Why* is an eloquent macro-economic justification for grassroots development.

Dollar and Pritchett counsel that donors must be patient and look more to the long-term. Donors should remain flexible and utilize non-governmental organizations when the government agencies lack capacity or commitment. Projects that provide training or sponsor knowledge-creating opportunities maximize the effectiveness of development assistance. Also, greater cooperation with other donors is critical to development success. Finally the process as well as, the projects themselves should be evaluated. The study ends on the optimistic note that donor agencies can and will reform.

Unfettered from the bondage of Cold War strategic pressures, equipped with new tools, and enlightened with new internal cultures and capacities, the donor agencies will make a positive impact on the economic, political, and social environments in developing countries.

[1] This is supported by a recently published study conducted by Henrik Hansen and Finn Tarp of the Development Economics Research Group at the University of Copenhagen. Although Hansen and Tarp differ with many of Dollar and Pritchett's conclusions, they agree with this finding and even substantiate it with their own cross tabulation in twenty-five countries that show the correlation being positive in twenty-three of the countries.

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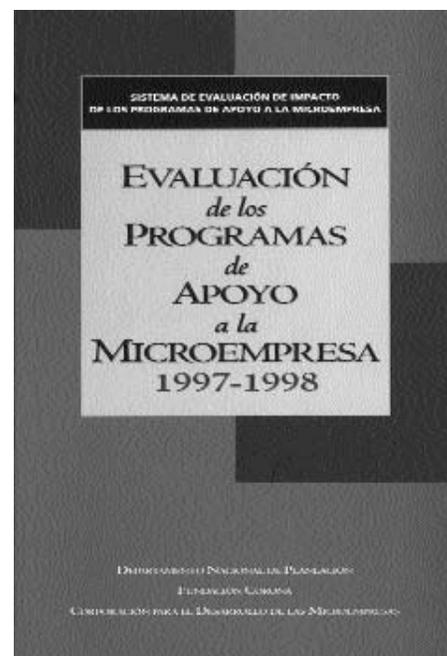


EVALUACIÓN DE LOS PROGRAMAS DE APOYO A LA MICROEMPRESA, 1997-1998 (AN EVALUATION OF MICROENTERPRISE SUPPORT PROGRAMS, 1997-1998)

By Centro de Estudios sobre Desarrollo Económico (CEDE), Miguel Cabal, Adriana Martínez, Ana Cecilia Hoyos, and Leonardo García

Review by: Vincent Valdés, IAF Representative

Microenterprises (commonly defined as very small, labor-intensive entities that create employment and income for small groups, often families) have been a feature of developing economies around the world for years. Recently, economic crises throughout Latin



America have induced even greater numbers of individuals to depend on “informal” business activities as their primary means of generating income (some estimates have put informal employment in Latin America as high as 50 percent of the workforce). The remarkable growth of microenterprise has led to heightened interest in the topic within the development community.

Although microentrepreneurship has long been recognized for its economic importance to Latin America, most research on the subject has been confined to microcredit finance. Though extremely important, this is only one feature of the microenterprise landscape. One area that has been conspicuously overlooked is the impact of government policy on microenterprise development. A number of Latin American countries have had innovative microenterprise policies and legislation for years, among them Colombia. With its traditionally strong civil society, Colombia has often been on the “leading edge” in the implementation of creative development strategies. Lessons from its experience have frequently pointed the way for other

developing nations.

In *Evaluación de los Programas de Apoyo a la Microempresa, 1997-1998*, the *Fundación Corona*, the *Departamento Nacional de Planeación*, and the *Corporación para el Desarrollo de las Microempresas* attempt to characterize the effectiveness of microenterprise policy in Colombia, and in so doing claim a spot in the vanguard of development research. This jointly financed publication, researched and prepared by the *Centro de Estudios Sobre Desarrollo Económico* (CEDE) at the *Universidad de los Andes*, examines the relative success and efficacy of Colombia's *Plan Nacional de la Microempresa* (PNM) enacted in 1984. The study accomplishes this through a detailed review of actual microenterprise histories. In this well-conceived evaluation, CEDE analyzes data at the microenterprise level and avoids looking at information from the government program perspective. By adopting this "bottom-up" methodology and ignoring traditional program evaluation indicators such as cost-effectiveness and input/output efficiency, CEDE frames its evaluation in terms of the PNM beneficiaries and avoids the trap of overly stressing institutional results.

Colombia, with its innovative development environment, makes an almost ideal setting for this study. The now 15 year old PNM has cost the country millions of dollars (US\$118 million between 1994 and 1998 alone) and many Colombians wonder if the expense has been worthwhile. This book benefits enormously from the country's long-standing discussion over government microenterprise policies. Using the national debate as a foundation for developing the study's basic research questions, the authors have been able to formulate a series of clear study objectives. As a result, the treatment of the core issue (i.e. whether deliberate government programs can promote the long-term sustainability of inherently fragile business entities) is well framed and minutely examined.

Despite the lack of definitive results, the authors argue that this

study frames the debate to better understand microenterprise development. The questions posed in this book should have broad policy implications for the government's program. A number of the findings are particularly interesting for what they reveal of the complex dynamics of microenterprise.

Significantly, the study shows that the failure rate for microenterprises that participated in PNM programs was 14 percent, while the rate for non-beneficiaries was 26 percent. On the other hand, the study found no relationship between participation in the PNM and an increase in the number of workers at any given microenterprise.

Consequently, the PNM can be seen as a relatively good mechanism for generating income but not quite so effective for creating new employment. From this observation the authors go on to suggest that the two objectives are not necessarily congruous and that each might be better served through separate policies and programs. This challenges the more traditional idea that income generation and job creation are intimately linked and that effective microenterprise assistance must encompass both elements simultaneously. Some of the book's other findings, such as an apparent correlation between the gender of the microentrepreneur and overall enterprise success, may be even more controversial, but are important in that they will serve as a spark for continued analysis.

The book is laid out in six logical chapters that reflect the basically well designed research methodology. The sections, which are plainly titled, contain useful graphs and tables of data that do an excellent job of illustrating the text. The writing, although tinged with academic jargon, is generally precise and accessible.

If there is a flaw, it is that the study is limited to an evaluation of data from a two-year period (1997-1998), which one could argue weakens the study's impact and renders the findings less conclusive. Some of the evaluation's more interesting and debatable findings are undermined by the lack of extensive

data on a national scale. The authors acknowledge their need for more data and explain that this work is only "preliminary" representing only a first attempt to grapple with these "essential questions". Perhaps with the availability of more data in the future, CEDE will address this deficiency.

Despite this reservation, the study fills an obvious void. Merely by articulating and cataloging the basic questions (i.e., What is the impact of government programs on the survivability of microenterprises? What role does the company's profile play in its success? Which microenterprises are better suited to receive programmatic support? etc.), the book contributes to the field. The authors conclude their study with a number of realistic and supportable policy recommendations that suggest ways of improving program performance from the standpoint of the beneficiary microenterprise. Ultimately, this book constitutes a convincing petition to development agencies and governments everywhere, not just Colombia, to create and promote microenterprise strategies that match the adaptability, imagination and inventiveness of the people who ply a living in this important and vibrant sector.

Published by:

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Calle 100, No. 8A-55, Piso 9, Torre C
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FORMACIÓN DE ALIANZAS PARA EL DESARROLLO SOSTENIBLE: PAUTAS GENERALES

Published by: The Prince of Wales Business Leaders Forum, Kvaerner de México

and the Inter-American Foundation



Developing countries in Latin America and the Caribbean face tremendous challenges to improve the quality of life for the poor and disadvantaged, while they fight to maintain their social and economic growth. In the past decade, partnerships among civil society, business, and government have emerged as a new tool in development. While much has been written on the need for partnerships and their value, few publications explain how partnerships are established.

Formación de Alianzas Para el Desarrollo Sostenible is designed to answer that question. This book offers practical guidelines to practitioners interested in forming partnerships. The chapters are arranged in the sequence of a partnership building process. *Formación de Alianzas Para el Desarrollo Sostenible* starts with the early planning stages and takes the reader through the construction of a partnership, ending with a technique for measuring the impact of partnership activities. Examples of actual working partnerships throughout Latin America and the Caribbean are also included in *Formación de Alianzas Para el Desarrollo Sostenible*.

The Forum in collaboration with the IAF, is also preparing a tool book on how to measure the value of cross-sector partnerships. The objective of this endeavor is to provide time-pressured partners with simple assessment tools that can be tailored to their partnership needs. The material in the tool book is derived from workshops with partnership practitioners and expert specialists from different regions of the world, where an array of experience and approaches were presented.

To order a free copy of *Formación de Alianzas Para el Desarrollo Sostenible: Pautas Generales* (Available in Spanish only) write or fax:

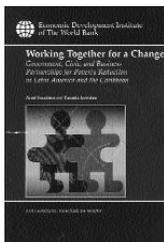


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WORKING TOGETHER FOR A CHANGE: GOVERNMENT, CIVIC, AND BUSINESS PARTNERSHIPS FOR POVERTY REDUCTION IN LATIN AMERICA AND THE CARIBBEAN

By Ariel Fiszbein and Pamela Lowden, published in English for the Economic Development Institute of The World Bank, as part of the EDI Learning Resources Series.



The authors define what partnerships are, and discuss why partnerships are emerging as a “new development” alternative not only to reduce poverty, but as a means also to improve social services—education, health and nutrition programs and services, etc. The authors emphasize that without community participation and cooperation, especially at the grassroots level, change, if any, will either not occur, or if it does occur, will not be sustained.

Contact:
The International Bank for Reconstruction and Development
The World Bank, 1818 H Street, NW
Washington, D.C., 20433.

CONFINES SOCIALES: ORGANIZACIONES DE LA SOCIEDAD CIVIL DE PROMOCIÓN Y DESARROLLO DE ARGENTINA

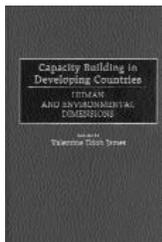


Published in Spanish by the Grupo de Analisis y Desarrollo Institucional y Social (GADIS) General Editor: Elba Luna, as part of the United Nations Program for Development.

This book lists 223 NGO organizations in Argentina. Each listing consists of the organizations name and acronym, address and phone number(s), and e-mail address; organization president, director, or coordinator; year NGO was established; number of paid and volunteer employees; financial benefactors; estimated annual budget; thematic areas of interest, specific

areas of work, and organization objectives.

Contact:
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CAPACITY BUILDING IN DEVELOPING COUNTRIES: HUMAN AND ENVIRONMENTAL DIMENSIONS

In English, edited by Valentine Udoh James

Capacity Building addresses, in 16 essays, all areas of social, economic and health, and environmental processes through a holistic approach, capacity building refers to enabling the indigenous people of developing countries to carry out development processes successfully by empowering them through strengthened domestic institutions, provision of domestic markets, and improvement of local government efforts to sustain infrastructures, social institutions, and commercial institutions. Capacity building encourages a bottom-up or grassroots effort for sustainable development, starting with the family unit.

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DESARROLLO REGIONAL/LOCAL EN EL SALVADOR: RETO ESTRATEGICO DEL SIGLO XXI

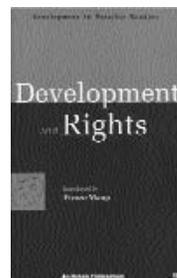
Published in Spanish by Fundaci n Nacional para el Desarrollo (FUNDE)

Alfonso Goita, executive director, delineates in seven essays many of the socio-economic and political challenges facing El Salvador, Latin America, and, in general, developing countries. *Desarrollo* uses four case studies to highlight one of its

themes: how best to optimize and capitalize sustainable growth through evolving socio-political and economic opportunities happening, primarily, at the national, regional, and local levels, and secondarily, in other parts of the world.

Commensurate with this theme, is the point that change, especially at the national level, requires grassroots support for sustainability.

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DEVELOPMENT AND RIGHTS

Development in Practice Readers, Series Editor: Deborah Fade, published in English by Oxfam GB

This book presents 13 essays on issues as diverse as the rights to food and safe employment, adequate housing, protection from sexual assault, and popular participation in the political process. Development includes an annotated bibliography addressing contemporary thinking on the right to development.

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RETOS DEL FINANCIAMIENTO RURAL: CONSTRUCCIÓN DE INTITUCIONES Y CRÉDITO INFORMAL

By Javier Alvarado and Federico Ugaz, published in Spanish by Centro Peruano de Estudios Sociales (CEPES), Centro de Investigaci n y Promoci n del Campesinado (CIPCA), and Centro



de Estudios Sociales Solidaridad (CESS) Retos analyzes and discusses Peruvian NGO financial institutions and their lending practices, both formal and informal, especially as it concerns small, rural producers.

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ALIMENTACIÓN Y COMUNIDAD: UN DESAFÍO EN EDUCACIÓN

Editor: Adriana Castro and Susana Fava, published in Spanish by

Fundaci n ARCOR

and Fundaci n Inter-Americana, as part of the Formaci n, Educaci n, Prevenci n e Integraci n Comunitaria (FEPIC) project

(AR-315)

Alimentaci n is a basic and practical guide on how to organize a community program to teach hygiene, and good health and nutrition practices to people in all stages of life, from pregnant women to babies and children, and from youths to adults. *Alimentaci n* uses cartoon strips, tables and boxes

to portray images of important points and messages, emphasizing that the solution to problems facing today's families and communities is found through community efforts.

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MICROFINANCIAMIENTO Y REDUCCI N DE LA POBREZA: ALTERNATIVAS DE AHORRO Y CR DITO PARA LOS SECTORES POPULARES

By Susan Johnson and Ben Rogaly, a Spanish translation by Mar a Elena Hope of Microfinance and Poverty Reduction. Spanish publication by Union de Esfuerzos para el Campo A.C. (UDECA) and English publication by Oxfam GB in association with Action Aid.

Microfinanciamiento takes a lessons-learned approach to providing NGO financial assistance to people, organizations, and communities; not as an end in itself or as the panacea to cure poverty, but as just another means to achieve an end. The authors analyze a variety of informal financial services that people and organizations use, emphasizing the need for borrowers to understand the underlying local context(s) prior to asking for financial assistance. The authors also discuss elements that go into a well-made financial plan, and the need to find ways and means to sustain, over the long-term, these financial transactions.

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In English: Oxfam

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THE CEMEFI-NCNB COLLECTION ON HOW TO DIRECT, MANAGE, AND ORGANIZE A NON-PROFIT BOARD OF DIRECTORS

This series of five booklets is published in Spanish by Centro Mexicano para la Filantropia (CEMEFI), and in English by National Center for Nonprofit Boards (NCNB). Translator: Teresa Santos. English title, in parenthesis, follows the Spanish title. The titles summarize the content of each pamphlet:

1. **Diez responsabilidades b sicas del consejo directivo en las organizaciones sin fines de lucro (Ten Basic Responsibilities of Nonprofit Board)**
By Richard T. Ingram.
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5. **Como hacer que el consejo directivo gobierne m s y administre menos (How to Help Your Board Govern More and Manage Less)** By Richard P. Chait.

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English publication available from : 75
National Center for Nonprofit Boards
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Amidst a mountain of rubble, one Honduran man with a shovel begins his work to rebuild in the aftermath of Hurricane Mitch. When the storm swept through Central America in October 1998, it left cities and countryside devastated in Nicaragua, Guatemala, El Salvador, and particularly Honduras. This was just on the heels of Hurricane Georges, which had blown through the northern Caribbean in September. Though traumatized by the destruction, Central Americans and Caribbean islanders became incredible examples of resilience and determination. Local NGOs, schools, and churches turned into emergency shelters that took in the homeless, volunteers searched for the missing, and people came out with their wheelbarrows, picks, and shovels to begin the reconstruction. The headlines about that disaster are over, but the recovery will take more than a decade. Development efforts cannot ignore the ongoing special needs in Central America and the Caribbean. (Photo: Patrick Breslin)

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