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SHANGHAI POVERTY CONFERENCE – SCALING UP POVERTY REDUCTION

CASE STUDY

**SCALING UP INNOVATIVE PROJECT STRATEGY APPROACHES FOR POVERTY
REDUCTION IN THE SOUTHERN HIGHLANDS OF PERU**

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EXECUTIVE SUMMARY

Peru is classified as a severely indebted, middle-income, ordinary-terms loan country, where poverty conditions improved slightly in the late 1990s. The largest segment of the rural poor is concentrated in the highlands of Peru, where 73% of the rural population is living below the poverty line, and 27% is living in extreme poverty.

Four IFAD operations are concentrated in the Southern Highlands of Peru, with a financial volume of USD 98.6 million.¹ All projects aim at poverty reduction through a development strategy that seeks to expand the capital and asset base of the rural poor and their access to services.

IFAD's projects in Peru are demand-driven projects and focus on the development of markets for local goods and services. The key to this successful development process is the transfer of management responsibilities and the administration of public funds to users and their community organizations.

The multiple dimensions of scaling up are addressed at different levels:

(a) **From individual households to farmers organizations and Andean communities**

Overall impact on 180 000 families (nearly one million people), 1 100 farmers organizations and 1 000 Andean communities with management responsibility over public funds (FEAS, completed; MARENASS, to be completed; CORREDOR, ongoing; the Marketing Strengthening and Livelihood Diversification in the Southern Highlands Project, approved by the Executive Board, not yet effective).²

(b) **From natural resource management to wider economic activities with strong rural/urban market linkages**

Supported by the training and dissemination methodology, *Pacha Mama Raymi* (see later), using competitions to disseminate new technological and economic approaches.

(c) **From one project area to the Southern Highlands**

The first project, FEAS, started in five departments of the High Andean, and scaling up covered the whole rural area of the Southern Highlands, which has a high poverty index.

(d) **From donor dialogue initiatives to government institutionalization**

The basic principles of the demand-driven approach applied in IFAD projects were absorbed by the National Compensation and Social Development Fund (FONCODES).

¹ The Promotion of Technology Transfer Project to Peasant Communities in the Highlands (FEAS), the Management of Natural Resources in the Southern Highlands Project (MARENASS), the Development of the Puno-Cusco Corridor Project (CORREDOR) and the Market Strengthening and Livelihood Diversification in the Southern Highlands Project (not yet operational).

² Achieved impact on 57 800 families through FEAS; MARENASS around 48 000 families.

(e) **From IFAD to other members of the international development community**

The World Bank has incorporated the concept of transferring resources directly to beneficiaries in its rural development operations, such as the innovation and competitiveness in Peruvian agriculture project or the recently designed highland development project.

The fundamental change in the approach to rural development in the poor Southern Highlands has involved the shift from traditional, supply-driven state extension and related services to the empowerment of farmers by meeting their demands for investments and services of their own choosing. This change has strengthened peasant communities and women's organizations as the driving force of development. It has also helped to empower communities by making them directly responsible for the management of financial, natural and social resources and by strengthening community organizations. Poor marginalized communities are now involved in civil society and the formal economy.

The strategy of transferring decision-making power and authority over resources to the communities and families has had a positive impact by increasing their revenues and assets and helping to strengthen the legitimacy of community responsibility for the planning and administration of collective resources. The transfer of decision-making capacity to poor peasant communities has resulted in the acquisition by these communities of rights and abilities as 'persons and citizens' and has enabled them to become active economic and social protagonists who exercise their rights as citizens. In turn, this has reinforced the self-esteem of poor populations.

The impact of IFAD projects in the Southern Highlands gained momentum as policies and the smaller role for the state as service provider evolved, and this has therefore induced the Government to adopt the strategy of demand-driven service provision and hiring such services directly as a way to address rural poverty.

IFAD will continue to learn with and from its partners – local, governmental and international – so as to make a significant contribution to the empowerment of the poor to overcome poverty.

I. IMPLEMENTATION PROCESS

1. With a territory of 1 285 000 km², Peru is the fourth largest country in Latin America. It is divided into three major zones: (i) the Pacific coastal area, in which economic and political activities are concentrated in the productive valleys; (ii) the Andean highlands, in which agriculture and mining are the main economic activities; and (iii) the tropical lowlands, where petroleum extraction and tropical agriculture predominate.

2. Peru is classified as a severely indebted, middle-income, ordinary-loan terms country in which the poverty situation improved slightly in the late 1990s. The largest segment of the rural poor is concentrated in the highlands. It is estimated that 18% of the national population live in 5 500 peasant communities, of which 4 000 communities (representing 460 000 rural households of indigenous origin) are located in the Southern Highlands. In 2001, 73% of the rural highland population was living below the poverty line, and 27% was living in extreme poverty. Some 4.2 million rural poor live in the highlands, and their incomes are, on average, 30% below the poverty threshold.³

3. The government strategy to reduce poverty is organized around three central objectives: (i) competitiveness and employment generation; (ii) equity and social justice, including access to health, education, culture and basic services; and (iii) institutionality, including the creation of an efficient, transparent and decentralized state.⁴

4. In 2002, the Government adopted the following rural poverty reduction strategy for the highlands of Peru:

- the promotion of sustainable rural economic growth to increase rural incomes and reduce rural poverty in a sustainable way;
- the enhancement of human development through rural education and health services and the provision of social protection to those bypassed by growth;
- the building up of institutions to sustain growth and social protection and to enhance the capacity of people in the rural highlands to manage their own local affairs, to improve the quality of life and to promote their self-esteem.⁵

5. The Ministry of Agriculture is responsible for policy-making, monitoring policy implementation and collecting and disseminating information. The implementation process for these policies and strategies has been entrusted to projects and programmes. After the dismantling of central ministries in the 1990s, large national development programmes were created. One of the key players in investments in the rural areas of Peru is FONCODES.

6. IFAD's strategy⁶ for Peru encompasses five main objectives:

- fostering the management of and access to natural resources;
- increasing small-scale farmer assets through targeted investments and the establishment of competitive fund-transfer mechanisms that reward results and achievements;

³ IFAD, 2002, Republic of Peru, Country Strategic Opportunities Paper.

⁴ World Bank, 2002, Peru Country Assistance Strategy, 2003-2006.

⁵ World Bank/FAO Investment Centre, 2002, A Rural Development Strategy for the Peruvian Sierra. The Government of Peru accepted this strategy as its official rural development strategy.

⁶ IFAD, 2002, Republic of Peru, Country Strategic Opportunities Paper.

- improving access to services by fostering market development and the capacity of beneficiaries to contract services and by strengthening institutional and private-sector service providers;
- increasing access to information and new business opportunities through an emphasis on joint ventures between rural communities and the private sector and on the promotion of new products and services so as to achieve diversification; and
- strengthening local development and identity, especially in areas with substantial cultural and ecological potential.

7. IFAD's recent operations in Peru are concentrated in the Southern Highlands at a financial volume of USD 98.6 million. The implementation instruments are a sequence of projects that are aimed at poverty reduction and that seek to expand the capital and asset base of the rural poor and the access of the rural poor to services:

- the Promotion of Technology Transfer Project to Peasant Communities in the Highlands, together with the Ministry of Agriculture, whereby experiences were gained in the shift from a supply-based system of technical assistance service delivery to a demand-driven service market system in which funds were transferred directly to the communities so they could contract services provided by private suppliers;
- the Management of Natural Resources in the Southern Highlands Project (MARENAS/Ministry of Agriculture), which is following up on the experience gained through the FEAS project through core features that include the management of productive natural resources, the development of private technical assistance and training services and a competition-based methodology known as *Pacha Mama Raymi*;⁷
- the Development of the Puno-Cusco Corridor Project (CORREDOR/FONCODES), which builds upon and scales up the experiences gained through the previous projects, expands the area of intervention, applies the concepts of a socio-economic development corridor, urban-rural linkages, microenterprise activities, business opportunities and the development of local markets for goods and services, and combines sectoral and geographical scaling up so as to capitalize on past experiences; and
- the Marketing Strengthening and Livelihood Diversification in the Southern Highlands Project, which is in the stages of pre-implementation.

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

9. This synchronized and sequenced development is being achieved through the promotion of local service markets and of the capacity of beneficiaries to hire local services directly. As a consequence, private and public service providers are being supported, linkages among peasants, artisans and microentrepreneurs are being fostered, and urban/rural service and market linkages, processes to decentralize decision-making and the direct participation of self-targeted beneficiaries in the use of resources, including financial resources, are being rendered operational.

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

⁷ The celebration of Mother Earth, a traditional method, see Section III, para.32.

11. These projects thus address the multiple dimensions of scaling up at different levels:
- **geographical:** from one project area to the Southern Highlands;
 - **social:** from individual households to farmers organizations and Andean communities;
 - **sectoral:** from natural resource management to wider economic activities with strong rural/urban market linkages;
 - **institutional/political:** from donor dialogue initiatives to government institutionalization; and
 - **development community:** from IFAD to other members of the international development community.

II. IMPACT ANALYSIS

12. The geographic coverage and extension of the shift from supply to demand-driven service management started in the High Andean provinces of the departments of Piura, Cajamarca, Puno, Moquegua and Tacna (FEAS). This was followed up by the inclusion of 13 provinces in the departments of Apurimac, Ayacucho and Cusco (MARENASS) and by the latest project (CORREDOR), which now covers 35% of the areas in the departments of Cusco and Puno connecting inter-Andean valleys with the High Andean Plateau of Bolivia.

13. Vertical and horizontal scaling up using innovative instruments and methodologies⁸ and relying on indigenous traditions and experiences has led to the following outputs.

14. The FEAS⁹ project reached 58 000 households with technical assistance services. Five hundred farmer organizations hired technical assistance services¹⁰ for a total value of USD 7.5 million. The cash contributions from farmers organizations to hire these services amounted to USD 1.0 million.

15. MARENASS¹¹ addresses 88 000 households in around 600 communities, of which 360 communities (60%) experienced a tangible impact (48 000 households) in terms of improvements in household assets. Around 25 000 households have witnessed a shift in their economic and social conditions in terms of subsistence and food insecurity towards market-oriented production. Women groups represent approximately 18% of all organizations. Rural households now have financial capital and economic assets to achieve food security and are more fully incorporated in the market chain.¹²

16. The CORREDOR project benefits around 650 communities. Of the beneficiaries, 20% are women. In addition to the targeting of communities, 2 300 microentrepreneurs and 1 800 artisans are involved in economic activities.¹³

⁸ See Section III, para.32, Learning and Experimentation.

⁹ Completed in 1999.

¹⁰ IFAD, 2001, Project Completion Report, the Promotion of Technology Transfer Project to Peasant Communities in the Highlands.

¹¹ The project is expected to close in mid-2004.

¹² MARENASS served around 7% of the Andean communities. IFAD, 2002, Management of Natural Resources in the Southern Highlands Project (MARENASS), Interim Evaluation.

¹³ IFAD, 1997, Development of the Puno-Cusco Corridor Project.

17. While in the MARENASS project, follow-up interventions focus more on natural resource management, the CORREDOR project strengthens organizations and households in the development of market initiatives. The experiences of MARENASS and CORREDOR have shown that communities can legitimately assume a role in policy-making, regulation, guidance and facilitation, while economic concerns are left to households.

18. The fundamental shift in the approach to rural development in the poor Southern Highlands from traditional, supply-driven state-extension and related services to the empowerment of farmers to meet their own demands for investments and services of their choice has strengthened peasant communities and women's organizations as the driving forces of development.

19. The strategy of transferring decision-making power and authority over resources to the communities and households has had the positive impact of increasing the revenues and assets¹⁴ of these populations and strengthening the legitimacy of communities as the entities responsible for the planning and administration of collective resources. A significant impact of the transfer of decision-making capacity has been the affirmation of community-member rights and abilities as 'persons and citizens' to be active economic and social protagonists who can exercise their rights.

20. Parallel to the increase in the self-esteem of the poor, communities have been empowered by making them directly responsible for the management of financial, natural and social resources and strengthening their community organizations. Poor marginalized communities are now more involved in civil society and the formal economy. The projects have influenced people's ways of thinking; they have developed abilities and, above all, empowered individuals and organizations in the pursuit of better living conditions.

21. The FEAS project showed that there are providers of technical assistance living within the communities and, in many instances, sharing risks with their clients. The sharing of responsibilities was used in the CORREDOR project to foster urban/rural development linkages.

22. The training of local professionals, including new providers of technical assistance, has been a key to success. Because client-villagers have benefited from greater inclusion and participation and exercised power and control over public resources and decisions, service providers have been more responsive and accountable to beneficiaries.

23. 'Short chain' market mechanisms have helped to establish linkages for rural and semi-urban microenterprises, and, in line with the jointly established definition of their role, intermediaries are included in the business plans of entrepreneurial farmer organizations. Thus, the beneficiaries not only produce in a sound, sustainable, natural management system (MARENASS), they are also commercializing their products in the markets of small and medium-sized cities (CORREDOR).

24. Building on the concepts of economic corridors and farmer business plans, IFAD projects have changed the predominant approaches in the effort to combat rural poverty. The core objective of the improvement of marketing was replaced by the goal of strengthening markets in the CORREDOR project. It has been shown that the development of local markets for non-financial technical services is possible in poor rural areas and that, through the transfer of competitive incentives and decision-making power to the poor, the effectiveness of their demand can be ensured.¹⁵

¹⁴ A survey on income generation in the MARENASS intervention area found that there had been an increase in incomes between 2000 and 2003 of up to 64% in households receiving technical assistance from private service providers. At the same time, in all communities targeted by MARENASS, a high percentage of the population had improved their physical assets such as their houses, home gardens and stables.

¹⁵ One of every three organizations that participated in the FEAS project was willing to continue to hire technical assistance using their own resources. IFAD, 2001, Republic of Peru, Project Completion Report, the Promotion of Technology Transfer Project to Peasant Communities in the Highlands.

25. Whereas the FEAS project focused on client demand and the decision-making and negotiating capacity of producers in terms of the hiring and supervision of technical assistance services, the MARENASS and CORREDOR projects recognized the community and microentrepreneurs as citizens-subjects responsible for planning, the definition of priorities, the administration of public funds, and supervision. Here, the slogan could be ‘from client to citizen’.

26. It is estimated that the return on project investments in terms of the increased value of beneficiary assets¹⁶ ranges from USD 3-5 for every dollar spent by the project on the communities. In addition, other, non-economic impacts, such as increased self-esteem, the closing of the gender gap, civil empowerment and environmental sustainability were also apparent.

III. DRIVING FACTORS

Commitment and Political Economy for Change

27. Before 2001, the interest of the central Government in devolution processes was rather limited. IFAD, supported by its United Nations-wide pro-poor rural-development mandate, managed to broker a fragile understanding among stakeholders that resulted in the Government’s recognition of IFAD’s devolution drive in its loans and grants programmes in Peru.

28. IFAD and its partner institutions created and protected an institutional, political space that operated at different segments of sometimes parallel power continua: from central government ministries through local and municipal governments to rural farmer institutions and service providers and back again, closing the circle whenever needed, wherever feasible.

29. The result of this inclusive learning approach was projects that were designed, implemented and supervised by the beneficiaries themselves. The prerequisites and conducive conditions that evolved were the contractually recognized rights and responsibilities of partners, e.g. the management of public funds, which implies certain commitments by the beneficiaries and the funding agency. The transfer of funds to a private organization (community) is regulated by an instrument called *Contrato de Donación con Carga*. The transfer process created a mutual alliance (win-win situation) between the state and the community. It represented more than simply a legal relationship between fund provider and recipient. This instrument was developed under FEAS and subsequently fine tuned in MARENASS and CORREDOR. It requires the following steps:

- a contract between the project and users organizations that embodies a set of mutual and legal commitments;
- counterpart contributions by the direct beneficiaries of funds; and
- the existence of bank accounts among the organizations so that they can receive funds; this has encouraged organizations to establish formal relationships with the financial system.

30. In the mid-1990s, the extension systems managed by state organizations disappeared; few private service providers had come forward to advocate for pro-poor rural development, and the further marginalization of rural communities set in. However, the learning process (from the supply side to the demand side) proved to be robust, and the impacts of the three IFAD projects in the Southern Highlands gained momentum as policies and the smaller role of the state as service provider evolved.

¹⁶ ‘Bang for the buck’.

31. Following the change in Government in 2001, new rural development concepts emerged and were fostered so as to combat rural poverty. By 2001/2002, the commitment of IFAD and its partners to the new approaches had resulted in benefits and positive impacts. The institutionalization of the new tools that had been developed and the changed attitudes among decision-makers contributed to far-reaching policy change. The concept of the 'economic corridor' has now been taken up as a tool for the promotion of sustainable rural growth in the Peruvian highlands.¹⁷

Institutional Innovation

(a) Geographic Scaling Up

Scaling up the demand-driven approach from a single project to the entire Southern Highlands would have never been possible without the decision by the Government and the implementing development institutions to 'give decision-making power to the beneficiaries'.

(b) Socio-Economic and Sectoral Scaling Up

MARENASS has had an impact on the institutional and policy spheres at two levels: the national level and the regional and local level. Since 2001, the Ministry of Agriculture and the Ministry of Economy and Finance have shown interest in the achievements and advances of MARENASS. Local governments, especially municipal governments, have played a leading role in the promotion and establishment of the project in their jurisdictions by fostering contacts and linkages with MARENASS among the communities.

(c) Political Scaling Up

Through the implementation of the IFAD projects, the role of municipal governments changed from representing entry points for the establishment of initial contacts with rural communities to becoming cofinanciers and stakeholders in a project strategy that supported the complex process of demand, supply and market linkages within municipalities.

The Government views the IFAD-financed projects as helpful pilot experiments for its own programmes aimed at poverty alleviation, especially through FONCODES. FONCODES is the major national catalyst for the demand-driven strategy that was tested and validated in the MARENASS project.

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

¹⁷ World Bank/FAO Investment Centre, 2002, A Rural Development Strategy for the Peruvian Sierra: The purpose of economic corridors is to help develop regional markets in the Sierra by linking towns with their rural hinterlands and improving the connections between the urban and rural economies. *Diario Oficial El Peruano, Normas Legales*, July 2001, p. 207918: With regard to investment funds, the concept of economic zones or corridors will be adopted with the aim of increasing the income of the rural poor in border zones with relatively low economic development.

(d) Scaling Up within and by the International Development Community

Out-of-area scaling up is evident in different countries and sectors. Elements of IFAD's innovative experiences and local management tools (such as *Pacha Mama Raymi*) are being taken up by other governmental institutions, IFAD projects and members of the donor community (Ministry of Transport in Peru,¹⁸ Technical Assistance Fund-IFAD/World Bank in Nicaragua, projects financed by the European Union in Chile and Guatemala).

Learning experiences involving IFAD project strategies have been incorporated into the formulation of new projects financed multilaterally, such as the innovation and competitiveness in Peruvian agriculture project (World Bank), which emphasizes the importance of the following characteristics:¹⁹

- orientation and guidance for demand-driven proposals by beneficiaries;
- expansion of a private market for service provision and technical assistance;
- promotion of 'matching grants' with cofinancing for public and private services;
- fostering economic and commercial linkages between urban and rural areas; and
- decentralized management.

Learning and Experimentation

32. IFAD and its partners have evolved from a concentration on rural households as decision-making entities towards a concentration on farmer organizations and the Andean communities in general. This has called for a change in the way farmers are viewed, from client-objects to citizen-subjects who are responsible for planning, the definition of priorities and the administration of funds (USD 30 million). This is the outcome of the implementation a series of methods and instruments consisting of several key elements, such as: (i) fostering the planning process through financial incentives; (ii) competitions as a method of training and dissemination; (iii) capitalization through a business fund managed by women; and (iv) farmer-to-farmer training.

Operational Modalities as Driving Factors in Scaling Up

- **Fostering the planning process through financial incentives**

One of the major planning tools has been the so-called 'talking maps' with which households, organizations and communities establish goals and plans of action. These talking maps are based on a perception of homes, farmland and economic activities that is enlarged and improved through the addition of the community vision and development strategy. Thus, households and communal interests are strengthened together. The incentive to create a talking map is a cash prize for the best plan.

The talking map is a tool that benefits from wide social acceptance (bolstered by competitions among communities), and it forms the basis for 'trial and participatory' planning in the community.

¹⁸ The Ministry of Transport is organizing intercommunal competitions for the maintenance of rural feeder roads that resulted in an increase in the awareness about the need maintenance and in cash incomes in the form of prizes for the communities.

¹⁹ Milton von Hesse, Ministry of Economics and Finance, 2004, *Asistencia Técnica en Proyectos de Inversión Pública en el Peru*, in Pierre de Sutter, *Diez claves de éxito para el desarrollo rural*.

- **Competitions as a method of training and dissemination**

One of the driving factors behind the achievement of mass dissemination and application of new and proven technologies is the training methodology *Pacha Mama Raymi*, which was introduced in the MARENASS project. It was originally developed in Bolivia.

Pacha Mama Raymi – the celebration of Mother Earth – relies on competitions in which rural households participate voluntarily and compete among themselves, first within individual communities and then among communities. Participation is encouraged through project-financed monetary awards that are given to the winning households in each community and the winning communities organized at the watershed level. The three keys to the success of the methodology are the ‘competitiveness’ of the farmers, the possibility of winning cash prizes and the fact that *Pacha Mama Raymi* is managed by the beneficiaries themselves, thereby reducing external presence to a minimum. By managing their own programme of experimentation and learning, the participants increase the potential for learning at the local, communal and regional levels.

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

Not only have the competitions had implications for the scaling up and replication of knowledge and techniques, but they have also had economic and social impacts.

- (i) The surplus generated through agricultural production and small businesses, including the prizes won by villagers in the competitions, has led to increases in the financial and fixed assets of beneficiaries, such as housing, corrals, farm terraces and irrigation infrastructure.
- (ii) The cash prizes received through the competitions have been small²⁰ in comparison to the investments made by the competitors prior to the competitions as a condition for participation. Through the competitions, additional financial resources have been mobilized by the beneficiaries to participate in the competitions.
- (iii) Winning prizes have been invested in social and economic assets that helped improve the living conditions among individual households and whole communities.²¹
- (iv) Production has doubled or tripled on a large portion of the land farmed by each household participating in the competitions among households.
- (v) Self-esteem and capacities for social organization and conflict resolution have been boosted since participation in the competitions is considered honour and produces social merit and social coherence.

²⁰ The range was between USD 20 for a winning household up to USD 3 000 for the group or community per competition.

²¹ An illustrative example: one community bought computers for the local school after winning the competition.

- **Capitalization through a business fund managed by women**

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

- **Farmer-to-farmer training**

One of the major project strategies in MARENASS was the expansion of services offered through local services providers. A 'cascade' training programme that focused on traditional local leadership and knowledge was implemented through the so-called *yachaqs and yachachiqs* were trained. The *yachaq*,²² or lead trainers, transferred their knowledge to the *yachachiq*, contract farmers in the community or 'paratechnicians', who directly assisted households in their respective communities. The community contracted and paid the *yachaqs* as service providers; the *yachachiqs* provided the services ad honorem. Because of the *yachachiqs* system, the demand for direct assistance to farmers increased, especially during the preparations for the competitions. The cost of technical assistance decreased significantly. Many trained *yachaqs* and *yachachiqs* are now able to offer their services outside the communities and range throughout the Southern Highlands.

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

VI. LESSONS LEARNED

33. Scaling up the demand-driven approach from a single project to the entire Southern Highlands would have never been possible without the recognition of the Government and the implementing development institutions of the need to 'give decision-making power to the beneficiaries'.

34. Similarly, this devolution of decision-making that focused on turning the focus of governmental supply services in one economic subsector (agricultural extension) towards a wider spectrum of socio-economic issues is considered important by poor rural households and their communities.

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

²² Some of the local service providers were former technicians from agricultural extension organizations, but the communities gave preference to the less formally qualified communal facilitators, the so-called *yachaqs*.

36. Conscientious information-sharing and intensive dialogue with all stakeholders at all stages of the innovative approach reduced controversies, contributed to the fulfilment of expectations and increased the sense of ownership. But the real drivers behind the process and the adoption by third parties such as the World Bank and FONCODES were the undeniable and lasting results achieved in poverty reduction, which demonstrated the feasibility of meeting the Millennium Development Goals.

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