



Food and Agriculture Organization
of the United Nations

Strengthening coherence between agricultural and social protection programmes

Peru country case study report

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The From Protection to Production (PtoP) programme, jointly with the United Nations Children’s Fund (UNICEF), is exploring the linkages and strengthening coordination between social protection, agriculture and rural development. PtoP is funded principally by the United Kingdom Department for International Development (DFID), the Food and Agriculture Organization of the United Nations (FAO) and the European Union.

The programme is also part of the Transfer Project, a larger effort together with UNICEF, Save the Children and the University of North Carolina, to support the implementation of impact evaluations of cash transfer programmes in sub-Saharan Africa.

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Acknowledgements

We would like to extend our gratitude to everyone interviewed for this paper, especially the FONCODES and MINAGRI field staff in Andahuaylas who put us in contact with programme beneficiaries. We would also like to thank the people we met in San Antonio de Cachi and in San Jerónimo for welcoming us so warmly.

The assessments made in this report, as well as any omissions or errors that it may contain, are the sole responsibility of the authors and are not necessarily an accurate reflection of the statements made or the information provided by the persons interviewed.

Acronyms, abbreviations and glossary

Agrorural	Rural Agrarian Production Development Programme of MINAGRI
Aliados II	A MINAGRI project funded by the World Bank that supports the implementation of local business plans
CLARs	Local Resource Allocation Committees, which review submissions to challenge funds and select the successful applicants
Core implementation teams	Local organizations that administer the funds of the four implementation teams in the Haku Wiñay programme
Puno-Cusco Corridor Project	A MINAGRI project to develop the Puno-Cusco corridor, which is funded by IFAD
Crecer	A national social programme strategy, which was in operation from 2007 to 2012
FEAS	Promotion of Technology Transfer to Peasant Communities in the Highlands, a project funded by IFAD
FONCODES	Cooperation Fund for Social Development, a government programme that ran infrastructure and production projects between 1991 and 2011. It has since been redesigned and assigned to MIDIS.
Haku Wiñay	A MIDIS programme that aims to support entrepreneurial activities of families in Peru's provinces
IFAD	International Fund for Agricultural Development
INIA	National Institute for Agrarian Innovation
Juntos	A MIDIS programme that provides direct support to the poorest sectors of the population
MARENASS	Management of Natural Resources in the Southern Highlands: a project of MINAGRI, funded by IFAD
My Productive Farm, My Enterprising Farm	Pilot projects that paved the way for Haku Wiñay
MIDIS	Ministry of Development and Social Inclusion
MIMDES	Ministry for Women and Social Development
MINAGRI	Ministry of Agriculture and Irrigation
Implementation teams	Local organizations that administer the funds for use in state projects and programmes
ODI	Overseas Development Institute, London
PCM	Office of the President of the Council of Ministers
PRODERM	Rural Microregions Development Project, funded by the Directorate General for International Cooperation of the Netherlands and the European Union
PRONAMACHCS	National River Basin Management and Soil Conservation Programme
SENASA	National Agricultural Health Service
Sierra Production	A project of the Institute for Agrarian Alternatives (IAA), a private foundation that promotes agrarian and livestock technology transfers, improved housing and natural resource conservation in the highlands with the help of <i>yachachiqs</i>
Southern Highlands Project	A MINAGRI project funded by IFAD

SISFOH

Household Targeting System, attached to MIDIS and carried out at the local level by district municipalities

S/. sol

The Peruvian sol was valued at US\$ 0.32 as of May 2015

Yachachiqs

Local farmers with expertise gained through experience and who have been given additional training and internships in other locations (farmer-to-farmer technology transfer)

Preface

Agriculture and social protection can complement and mutually reinforce each other in reducing hunger and poverty. On the one hand, agricultural interventions can promote growth in smallholder productivity by addressing structural constraints that limit poor households' access to land and water resources, inputs, financial services, advisory services and markets. On the other hand, social protection can provide liquidity and certainty for poor smallholders, allowing them to invest in agriculture, re-allocate their labour to on-farm activities, invest in human capital development, increase participation in social networks (which constitute an important source of informal risk management) and better manage risks, thereby allowing them to engage in more profitable livelihood and agricultural activities.

Recent policy declarations at global and regional levels emphasize the combined role that agriculture and social protection can play in tackling poverty and hunger. For example, the 39th Session of the Committee on World Food Security (CFS) urged member states to strengthen coordination between agriculture and social protection (CFS, 2012). Several African policy initiatives and declarations explicitly call for stronger coordination between the two spheres, such as the 2003 Comprehensive Africa Agriculture Development Programme (CAADP) and the 2014 Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods.

Efforts to strengthen links between agriculture and social protection policies are also taking place at national levels. However, little is still known about how to strengthen these linkages, including opportunities for doing so and some of the challenges that need to be overcome. To partly fill this gap, case studies were carried out in seven countries across Africa (Ghana, Kenya, Lesotho and Zambia), Asia (Bangladesh) and Latin America (Mexico and Peru). Findings from the case studies will contribute to country-level policy dialogue and to developing guidance material on how to strengthen coherence between agriculture and social protection.

Executive summary

This study, commissioned by From Protection to Production (PtoP), took place in Peru between 13 and 25 May 2015, with field work in Andahuaylas Province, Apurímac Region. The team comprised Álvaro Espinoza, a local consultant, and Steve Wiggins from ODI.

The study focused on two research questions: What has been learned from efforts to achieve coherence between agricultural and social protection policies and programmes? How can these lessons and insights contribute to achieving more and better coordination between the sectors? The study looked particularly at the links between a conditional cash transfer programme, Juntos, and three largely agricultural programmes, Haku Wiñay, Agrorural and Aliados II.

Peru is a middle-income country that has seen rapid economic growth since the early 1990s. That fact, plus major increases in public investment in rural areas since 2004, has led to a significant reduction in poverty. Nevertheless, poverty in Peru remains high and is particularly concentrated in the southern highlands of which Andahuaylas is typical.

Agricultural development in Peru is the responsibility of Ministry of Agriculture and Irrigation, which is concerned both with highly productive commercial farming and with the many small family farms that make up the bulk of holdings in the country.

Social protection is the province of the Ministry of Development and Social Inclusion (MIDIS). Established in 2011, MIDIS has enjoyed political support and has a talented and motivated senior staff and an adequate budget to fund its programmes. Unusually, it also controls a fund, FONCODES, which has been used to support the Haku Wiñay programme.

There does not appear to be much interaction between social protection and agricultural development in highland Peru. Information is sometimes shared between programmes but there is little evidence of joint project implementation or the exploitation of synergies. At the same time, there are no apparent conflicts.

The relative isolation of the different programmes stems from their different natures and challenges. The cash transfer programme Juntos is relatively straightforward, involving tried and tested means under strict controls. It is well funded and is able to reach the great majority of its target population.

The agricultural programmes, by contrast, carry out a range of activities in complex natural and human systems. Their success – or failure – is often beyond their control. These programmes have limited budgets and can reach only a small part of their target population of poor and vulnerable rural households. With limited means and an uncontrolled environment, the agricultural programmes face a tension between their mission of assisting the poor and the need to work with producers who have the capacities and assets to participate successfully. In the end, the programmes tend to work mainly with better-off producers in low-income communities.

The fact that the lack of interaction between the cash transfer and agricultural programmes stems from their nature, rather than from institutional differences, can be clearly seen in the case of Haku Wiñay. This programme is operated by MIDIS, which also runs Juntos. Despite being under the same roof, the two programmes operate largely independently of one another.

Two exceptions are worth noting. Some government programmes have taken advantage of the conditionality of Juntos to impose more stringent conditions on their own beneficiaries, a practice that officially has been curbed, but may still persist. Peru's rural development programmes have also benefited from the sustained leadership of technical staff and committed donors, with the result that measures have been developed over the past several decades that are tailored for the conditions of the southern highlands.

Few objective measures of performance can be found, but Juntos seems successful as do some elements of the agricultural programmes. Haku Wiñay, a recent project operating in pilot districts, has yet to be evaluated. If successful, Haku Wiñay – a social programme that aims to support entrepreneurial activities of families in Peru's provinces – could be a way for households receiving cash transfers to graduate out of deep poverty.

While some of the agricultural programmes could collaborate more closely with each other, it is not clear that social protection programmes would benefit from closer collaboration with the agricultural development efforts.

1. Introduction

FAO commissioned the Overseas Development Institute to review the experience of six countries with social protection and agricultural development programmes. Five of the countries – Bangladesh, Ghana, Kenya, Lesotho and Zambia – have a low to middle income status. Peru has an upper-middle income status.

The study arose from a desire to improve coordination between agricultural development and social protection and to understand how synergies and complementarities between the two areas might be encouraged. With the rise of social protection in developing countries over the past two decades – particularly pensions for the elderly, conditional transfers and massive public employment programmes – there has been increasing interest in how these programmes are linked to agricultural development.

The project focuses on two core research questions:

- What are the current experiences of achieving coherence between Peru’s agricultural and social protection policies and programmes?
- What lessons and insights do these experiences hold for achieving more and better coordination between the two sectors?

The analytical framework for the study consists of three elements:

- Programmes and policies¹ for agricultural development and social protection, the nature of the tasks involved and the environment in which programmes take place;
- Coordination between programmes; and,
- Programme performance and the consistency and coherence between them.

It is assumed that the capacity of the two types of programmes to coordinate depends in part on their nature and their environment and that the incentive to effective coordination is contingent on shared interests and goals.

The study selected prominent programmes for agricultural development and social protection. On the agricultural side, Aliados II and Agrorural promote the crops and livestock raised by small-scale family farmers, focusing on the needs of the poorest farmers in Peru, who live and farm in the highlands practising mixed agriculture. Juntos, a large-scale conditional cash transfer programme, and Haku Wiñay, a programme to improve the incomes and living conditions of people receiving cash transfers, were included on the social protection side. Each programme was reviewed in terms of its theory of change, the nature of its task and the environment in which it works, its coordination with other programmes and its results.

Interviews were held with officials in charge of the programmes at national, regional, provincial and district levels, users of the programmes and other key informants. The Apurímac region was chosen to exemplify the southern highlands, where the problem of rural poverty is most acute. In Apurímac, the province of Andahuaylas was chosen for its relative ease of access. Field visits were paid to the districts of San Antonio de Cachi and San Jerónimo, since at least three of the four programmes were active in these locations.

¹ Although the study covers both policies and programmes, from here on we speak only of programmes for the simple reason that policies are largely manifested through projects and programmes in the field.

The main limitation of this study was the short time available for collecting data: field work took place between 13 and 22 May, only 8 working days. As a result, it was only possible to review programmes in action in two districts. It was also not possible to collect rigorous background data on results. Many of the data collected were qualitative and subjective. Despite these limitations, certain findings stand out.

1.1 Agricultural development and social protection policies and programmes

The Peruvian economy has grown rapidly since 1992, particularly in labour-intensive sectors, such as construction, agro-industry and services. As a result, the benefits have been distributed quite widely and Peru has seen a marked reduction in levels of poverty, from 58% in 2004 to 23% in 2014. The poverty decline has been faster in urban areas, on the coast and in the Amazon basin (selva). As a result, poverty is increasingly concentrated in rural areas of the highlands (sierra), where more than 50% of the population still live in poverty.

Rapid economic growth means that the state has more resources to meet the challenges of development and poverty reduction. Starting in 1990 and especially since the early 2000s, the government has addressed poverty in the rural sierra with large investments in physical infrastructure, mostly roads and irrigation, as well as by increased spending on education, health, water and sanitation. In addition, Peru has supported substantial social protection programmes, including the use of conditional cash transfers. Public investment in rural areas increased from S / . 234 (US\$ 89) in 2002 to S / . 1, 377 (US\$ 522) in 2012 (in constant 2012 prices),² – nearly a six fold increase.

Two ministries bear chief responsibility for agricultural development and social protection: the Ministry of Agriculture and Irrigation (MINAGRI) and the Ministry of Development and Social Inclusion (MIDIS). These agencies differ in important ways.

MINAGRI is long established with two important missions: to support the performance of export agriculture, mostly undertaken by medium and large producers on the coast, and to promote the development of small producers, mainly in the sierra. The dual goals reflect the wide variety among the 2.26 million farms in Peru. Eighty percent of Peruvian farms are fewer than five hectares and often located in the highlands, while the other 20% are larger-scale enterprises, usually much more capitalized and irrigated.

In its '*Guidelines for Agrarian Policy*' (*Lineamientos de Política Agraria*), published in late 2014, MINAGRI proposed four major objectives: growth, employment and economic diversification; social inclusion; food security; and environmental sustainability and agro-diversity.³ These goals are broad, with challenges that may vary widely in the diverse environments of rural Peru. Unfortunately, MINAGRI lacks the resources to address such ambitious goals throughout the whole of the country.⁴ It is simply not possible to provide services to more than a small number of farmers. Targeting thus becomes very important. MINAGRI actions have often been

² In 2012 US\$1 = S/. 2.64

³ Specific aims are:

- Achieve efficient and sustainable management of water, land and forest resources;
- Ensure secure, legal access to agricultural resources by communities and farmers;
- Increase infrastructure and irrigation technology;
- Expand complementary markets for credit, insurance and agricultural services;
- Strengthen and expand the capacity of agricultural research and innovation;
- Improve the productive and entrepreneurial skills of men and women farmers;
- Link domestic farmers to markets and value chains.

⁴ In 2013 the Ministry's budget was equivalent to US\$111 for every rural person in Peru.

supplemented by donor-funded projects, many of them innovative, which the Ministry is able to build on to this day.

Created in 2011, *MIDIS* differs from MINAGRI in three respects. First, it has been backed by broad political support from the start and is staffed by leaders and managers who are enthusiastic about its mission. Second, *MIDIS* has sufficient funds to achieve most of its goals. Third, it has a clear and specific strategy, which was published in *'Include to grow'* (*MIDIS* 2013). Central to the strategy is the concept of social protection throughout people's lives, with programmes for the development of infants, children and adolescents, the economic inclusion of adults and the protection of seniors.

This study focuses on actions aimed at adults in their productive years, from 18 to 64. *MIDIS* sees the progress of this group as a ladder that leads people from extreme poverty to gradually becoming producers with market potential. The idea is that households advance sequentially from one social protection programme to another as the programmes enable them to increase their capacities.

On the lowest rung are programmes, such as *Juntos*, that ensure the proper growth of children and at the same time protect the rest of the family from falling into destitution. On the next step is *Haku Wiñay*, a programme that aims to increase household production, improve living conditions, stimulate small rural businesses and provide financial education. Once a family has achieved sufficient improvements to these dimensions it should be on track to participate in programmes such as *Aliados II*.⁵ This programme aims at consolidating rural businesses and linking them to larger markets. Finally, the farm household can take the final step on the ladder to access formal credit and commercial services.

Peru recently decentralized its administration so that regional, provincial and district governments now administer most of the public investment in their territories. The priorities for subnational levels of government are physical infrastructure and promoting competitive supply chains. This suggests a focus on more capable producers rather than on the more needy people. Given the importance of economic growth for poverty alleviation, this is not necessarily an issue; particularly if national programmes, such as operated by *MIDIS*, protect the interests of people in extreme poverty.

1.2 The programmes

Four programmes were selected for review:

- **Juntos** encourages the use of education and health services for poor children and their mothers through cash transfers that are conditional on using such services;
- **Haku Wiñay** provides training and assets to increase agricultural production, improve living conditions and stimulate rural businesses for poor families. It also provides them with education about financial services;
- **Agrorural** provides technical assistance and productive inputs to small farmers; and,
- **Aliados II** provides training, technical assistance and capital for rural businesses and community development projects.

Two major differences stand out among the four programmes. The first concerns how targeting criteria are used in theory and in practice.

⁵ We do not know to what extent MINAGRI shares this vision.

All four programmes target people that live in poverty. Yet only Juntos can stick to this criterion in practice. The three other programmes lack the resources they need to reach their full target population and therefore have to choose a subset to work with. Although the principle of need is important, when choosing investments an agency has to work with people or organizations that have the capacity to carry them out successfully. Therefore Agrorural and Aliados II tend to work with less poor and better organized farmers, who still may be smallholders in areas of high poverty. Haku Wiñay faces the same challenge. Most of the programme's beneficiaries are probably – although we lack survey evidence to confirm it – households with more resources. Juntos, by contrast, not only has sufficient budget to cover almost its entire target population, but it also depends much less on the capacity of its users for its success.

A second key difference lies in the complexity of the programmes. Juntos is relatively straightforward in its aims and uses simple, proven, effective means to achieve them. The other programmes undertake a broader range of activities in complex natural and human systems. Agrorural supports farmers through the efforts of very experienced extension agents, who understand the needs of farmers and know how to work with them. Aliados II involves the planning, selection and implementation of small business projects, each of which has specific characteristics and requires tailored assistance. The most complex programme is Haku Wiñay, combining diverse activities (training and the distribution of assets), with funding and the implementation of projects and farmer-to-farmer training.

Peru is noteworthy for the common heritage of its agricultural and social programmes. The institutional memory of the Peruvian state tends to be quite weak in general owing to the lack of established public careers and the consequent high rotation of senior officials. However, a 'family' of projects has managed to develop, sustain and replicate a set of approaches over 25 years – something very unusual among Peruvian public programmes, especially those aimed at production. The family tree has two branches with a common ancestor: the *Rural Microregions Development Project* (PRODERM), which was designed and implemented in the southern highlands between 1986 and 1990. The project experimented with different mechanisms for allocating grant funds to finance local production using 'farmer to farmer' transfer of production technologies.

One branch of the family tree includes the Project for the Promotion of Technology Transfer to Peasant Communities of the Sierra (FEAS, 1991-1997), MARENASS (1998–2004), Puno-Cusco (2001–2008), Sierra Sur I and II (2004–2014) and Sierra Norte (2009 to present). These projects emphasized local demand and transparency using challenge funds allocated by Local Resource Allocation Committees (CLARs). The other branch focused on the development of production technology packages and improvement of homes, placing great emphasis on promoting learning from farmer to farmer through local technical assistants called 'yachachiqs.' This approach, advanced by the Institute for Agrarian Alternatives (IAA), captured the imagination of the former Ministry of Women and Social Development (MIMDES, now known as the Ministry of Women and Vulnerable Populations - MIMP), which launched Mi Chacra Productiva (My Productive Farm, MChP) as a pilot in 2012. In 2011, the project was redesigned and transferred to the newly created MIDIS. At MIDIS, the project was entrusted to FONCODES, a fund created in 1991 to carry out works of social and productive infrastructure throughout the country and which, twenty years after its creation, had lost many of its functions. After more than a year of pilot projects under the new label of My Chacra Emprendedora (My Enterprising Farm. MCHE), this became Haku Wiñay, which is also executed by FONCODES. The project has inherited not only the element of training by yachachiqs, but also the focus on local demand and competitive funding. Furthermore, knowledge gleaned from family of projects inspired by PRODERM has been

incorporated into national strategies to combat poverty, such as 'Crecer' [Grow] in 2007 and 'Incluir para Crecer' [Include to Grow], in 2013.

The common heritage and learning arising from the projects described is attributable to three factors: the leadership of managers and staff who participated in successive projects; IFAD's support to several of these projects where it sought to inspire innovations and fine-tune them in new projects; and the fact that all of the projects operated within a special framework. Both technology transfer (including providing assets to private operators) as well as competitive funds (which involve giving money to private organizations) could not normally be supported through public funds, which can only be spent on public goods. The projects were exempted from these restrictions due to the provisions offered to externally funded projects and to special regulations that allow FONCODES to transfer funds to private entities.

1.3 Coordination

The coordination of public policies for social protection and agricultural development uses three mechanisms: (i) intrasectoral coordination in each ministry responsible for implementing programmes in these areas; (ii) intersectoral coordination between different ministries; and (iii) intergovernmental coordination between the four levels of government: national, regional, provincial and district.

The level of intrasectoral coordination varies between ministries. MIDIS has achieved some degree of coordination between Juntos and Haku Wiñay. The two programmes share a coherent theory of change and largely, though not entirely, the same criteria for targeting beneficiaries. At the operating level, however, the programmes are quite different in nature and coordination between them is minimal.

Coordination between the MINAGRI programmes, Agrorural and Aliados II is virtually non-existent. According to information from Andahuaylas, Aliados I operated independently of Agrorural, with its own equipment, management, and targeting criteria. Although Aliados II is expected to be implemented through Agrorural, inconsistencies in the design of the two programmes are likely to persist since these were not originally intended to be complementary, either conceptually or operationally.

Intersectoral coordination between MIDIS and MINAGRI is rare. Senior staff in both ministries have tried to coordinate more closely but these efforts have failed to gain much traction on either side. Nor has evidence been found of institutional interactions in the field beyond the occasional participation of MIDIS and MINAGRI field staff in some community events.

Intergovernmental coordination between ministries and the regional, provincial and district governments is more complex since each of these subnational levels has its own policies, programmes and services for economic development in rural areas. The subnational administrations tend to prioritize roads and irrigation works in order to boost supply chains. A clear link between these actions and the efforts of MINAGRI and MIDIS is hard to see. Greater interaction occurs at the district level, however, due to the fact that ministry staff are often located in close proximity to their municipal counterparts, allowing for frequent exchange of information, mutual participation in local assessments and so on.

It should be noted that the four subnational administrations visited for the study (regional government, provincial government and two districts) had been in office for less than six months, after regional and local elections held in October 2014. Coordination may increase with time.

1.4 Conclusions and discussion

The isolation of most programmes in the field

There are clear cases where the isolation of programmes makes little sense. For example in Andahuaylas, the offices of Agrorural and the Sub-Regional Directorate of Agriculture to Andahuaylas and Chincheros provinces are separated by a distance of 200 metres. Both offices provide training and technical assistance to smallholders and neither have enough staff to attend to the many small farmers in their territories. Combining offices, staff, resources and sharing tasks in this instance should not be difficult. We did not see other clear possibilities for better coordination of actions in the areas studied and it may be that working in isolation is not particularly problematic.

In sum, not much coordination can be seen between the social protection programme, Juntos, and the agricultural development projects. What coordination there is seems to be largely information sharing. Nor does there appear to be much cooperation in programme implementation. Few synergies are apparent; although neither are there obvious conflicts. Mostly the programmes work in isolation from each other.

The most notable exception to this isolation was unexpected: the misuse of conditionality under Juntos. The programme pays an incentive to mothers to encourage them to invest in education and health for themselves and their children. The threat of suspending payments has been used by the Ministry of Health and Haku Wiñay to promote the adoption of better home conditions; by Haku Wiñay to promote its technology packages and financial education; and by municipalities to encourage community activities (see Box 1). While these three groups undoubtedly acted with the best of intentions, threatening to suspend transfers was extreme, smacking of more than a hint of paternalism. According to senior managers of Juntos, exerting undue pressures on users have been clearly prohibited, a fact that was confirmed by a field officer from the Ministry of Health.

Another exception arises from the common heritage of the programmes, described above. Aliados II and Haku Wiñay share the legacy of PRODERM, PRONAMACHCS, Sierra Production (IAA), Sierra Sur and other efforts, which has equipped them with mechanisms such as challenge funds and farmer to farmer learning through yachachiqs. In the area of social protection, *Crecer* gave rise to concepts of healthy housing.

Lack of coordination and interaction between agricultural development and social protection

Agricultural development and social protection programmes have fundamentally different natures. A social protection programme little depends on factors in its environment; it barely depends on the will of its users, since it provides financial incentives for them to fulfil their responsibilities. By contrast, the success of agricultural development projects depends on several factors, most of which are beyond the immediate control of programme staff. For example, the behaviour of the beneficiaries or clients of these programmes is essential for success, but is usually not much influenced by the programme.

There is also a difference in resources. Social protection tends to command a budget that allows it to reach most of its target population whereas programmes for agricultural and productive development can only serve a minority of their potential clients.⁶ This may result in agricultural

⁶ Juntos aimed to assist 1.17M households in rural Peru in 2014; it reached 0.84M of them. MINAGRI potentially has 2.25M farms to serve. It is probable that it cannot reach, at least directly, more than a minority of these.

programmes that subordinate the needs of the poorest farmers to those of capable and productive producers. Such a focus puts field staff, local leaders and CLAR in a strong position to choose beneficiaries, whereby social protection, with more control over its programme and environment, can dictate targeting centrally, based on national policies and leaving little discretion to local actors.

Haku Wiñay has the explicit mission of bringing people receiving social protection out of the Juntos programme. If any two programmes are destined for coordination it is these two. Haku Wiñay, however, still is little more than a pilot: it has only been operating in Andahuaylas for two full years and in only two of the 19 districts of the province.

Local governments can play an important role in bringing together agricultural and social protection programmes in their territories. Yet it appears that this role has mostly been limited to the exchange of information through multisector committees that convene all government and NGO players acting locally.

Is it feasible to expand Haku Wiñay to all of the communities served by Juntos?

Juntos pays each user S /. 1 200 a year in cash transfers, while the cost of the Haku Wiñay programme per household served amounts to S /. 3 000 or more on average. Hence to expand the coverage of Haku Wiñay could require an additional expenditure of 2.5 times the cost of the current Juntos programme. In 2013, Juntos transferred S /. 783 million, suggesting that an additional investment of S /. 1 958 million would be needed to include all Juntos users in the Haku Wiñay programme. Although this is a large amount of money, given that in 2012 the state spent more than S /. 9,000 million on rural investments, the notion of massively expanding the programme is not completely unimaginable.

The big question is whether *Haku Wiñay is worth it*. It may be overly optimistic to hope that most of the people served by Haku Wiñay can be pulled out of poverty. In Cachi, about 30-40% of the target population seemed to have accepted the techniques introduced by the programme. If this acceptance rate is typical, the evaluation will need to assess whether it is sufficient to justify Haku Wiñay's continued operations based on its benefits and the savings to Juntos as families transition out of cash transfers. That of course begs the question of what to do for those households that fail to graduate. Do they get the Juntos transfers for life or is there another way out of extreme rural poverty?

2. Introduction

2.1 Foreword

Although we have a better understanding of the potential benefits of exploiting the synergies between social protection and agricultural development than we did a decade ago, we still lag behind in knowing how we to make those synergies happen. While some synergies may take shape in local environments, many others will have to do with policies and with programme design and execution. We know very little about the extent to which coherence between agricultural and social production policies and programmes is needed or appropriate, and we know even less about how to make the best possible use of that coherence, especially in low-income countries where financial and human resources to support the promotion of agriculture and social protection are limited.

The objective of the project under review was to inform the debate on links between agricultural development and social protection programmes and policies and to provide guidance for future programme design and execution.

Among the outputs of this research effort are the following publications:

- Espinoza, A. & Wiggins, S. 2016. *Strengthening coherence between agriculture and social protection: Peru case study*. Rome, FAO.
- Gordillo, G., Sanchez Ruy, S. & Mendez, O. 2016. *Strengthening coherence between agriculture and social protection: Mexico case study*. Rome, FAO.
- Harman, L. 2016a. *Strengthening coherence between agriculture and social protection: Ghana case study*. Rome, FAO.
- Harman, L. 2016b. *Strengthening coherence between agriculture and social protection: Zambia case study*. Rome, FAO.
- Scott, L. & Rahman, M. 2016 (draft). *Strengthening coherence between agriculture and social protection: Bangladesh case study*. Rome, FAO.
- Slater, R. & Nyukuri, E. 2016. *Strengthening coherence between agriculture and social protection: Kenya case study*. Rome, FAO.
- Ulrichs, M. & Mphale, M. 2016. *Strengthening coherence between agriculture and social protection: Lesotho case study*. Rome, FAO.
- Slater, R., Wiggins, S., Harman, L., Ulrichs, M., Scott, L., Knowles, M., Pozarny, P. & Calcagnini, G. 2016. *Strengthening coherence between agriculture and social protection: synthesis of seven country case studies*. Rome, FAO.

FAO commissioned the Overseas Development Institute to review the experience of seven countries with social protection and agricultural development programmes. Five of the countries – Bangladesh, Ghana, Kenya, Lesotho and Zambia – have a low to middle income status. Peru has an upper-middle income status.

The rationale for undertaking the study was the need to ensure a satisfactory level of coordination between agricultural development and social protection and to gain a better understanding of how synergies and complementarities between the two can be created or fostered. With the increasing focus during the past two decades on social protection in developing countries, especially with respect to large-scale pension, conditional transfer and public employment programmes, the question of how these can be linked with agricultural development initiatives has become important.

The **key questions** for the study were as follows:

- What are the current experiences of achieving coherence between Peru's agricultural and social protection policies and programmes?
- What lessons and insights do these experiences hold for achieving more and better coordination between the two sectors?

2.2 Programme performance and the coherence between programmes

Effective programme coordination depends on a range of factors and is influenced by programme type and programme environment. Consequently, no one model provides a good fit for all cases.

The **method** used for the study was to investigate a number of important agricultural development and social protection programmes. The Aliados II and Agrorural agricultural programmes were chosen for this purpose, as were the Juntos social protection programme and Haku Wiñay, an ambitious initiative to boost incomes and improve the living conditions of social protection target groups. An attempt was made to understand each programme from the standpoint of its theory of change, the tasks it intended to accomplish and the programme environment and, on that basis, to explore existing modes of coordination and assess the programme results.

Programme officials at the national, regional, provincial and district levels were interviewed, as were beneficiaries and other key informants. One region – Apurímac – was chosen as a representative example of the situation in the southern highlands, where rural poverty is a serious problem. The Province of Andahuaylas in Apurímac received the main focus because it is relatively accessible. Finally, the districts of San Antonio de Cachi and San Jerónimo were chosen for field visits because at least three of the four programmes were active in those areas at the time of the study.

The main **limitation** to this study was the short time available for its implementation: only eight working days were available for compiling the data (between 13 and 22 May 2015). As a result, it was only possible to review programme activities in two districts nor was it possible to collect rigorous data on outcomes. In addition, much of the collected data are qualitative and subjective. Despite these limitations, a number of salient findings have been identified and the data gathered at different levels are consistent.

The **report** offers a discussion of the rural development environment in Peru, followed by descriptions and a comparison of the four programmes under study. The coordination and coherence of these programmes are reviewed. The report concludes with the presentation of a number of findings and a discussion of their implications.

If this study has a **main message**, it is that agricultural development and social protection programmes are very different in terms of their nature and the extent to which they control their environments and while attempts to link the two sectors are certainly desirable, the existence of such a link does not eliminate the formidable challenges involved in furthering the agricultural development process.

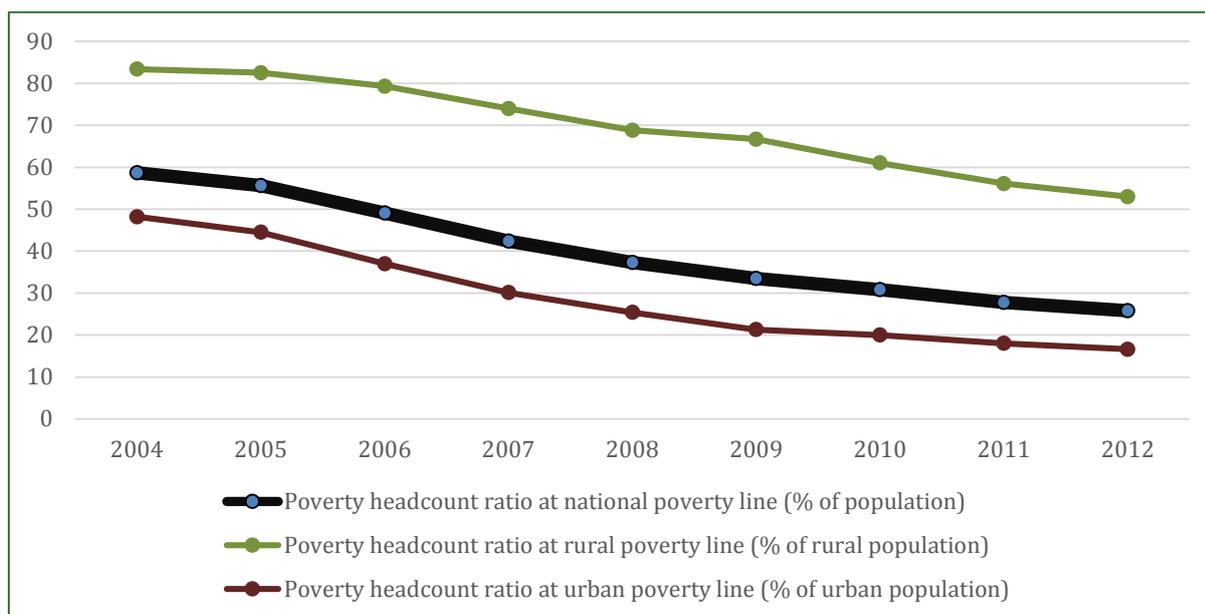
3. Agricultural development and social protection policies and programmes

3.1 Rural development challenges in Peru

Peru witnessed rapid economic growth over the 20 years between 1992 and 2012. Per capita gross domestic product (GDP) jumped from less than US\$2 000 to US\$4 250 in real terms (US\$2 005, World Bank: World Development Indicators), which is equivalent to an average annual growth rate of 3.4 percent. Since rapid growth has been seen in some labour-intensive sectors such as construction, agribusiness and services, the incomes of many Peruvians have climbed steeply in tandem (Escobal et al., 2012).

As a result, the percentage of the population living in poverty has dropped significantly. In 1994, 28 percent (6.6 M) of the population lived on less than US\$2 per day. In 2010, that figure had dropped to 13 percent (3.8 M). The percentage of the population living on less than US\$1.25 per day fell from 13 percent (3.1 M) in 1994 to 5 percent (1.5 M) in 2010. Poverty as measured by the national poverty line has also dropped sharply (see Figure 3.1) from its 2004 level of 58 percent (15.9 M) of the population to 26 percent (7.8 M) in 2012. By 2014, the figure had declined to 23 percent.

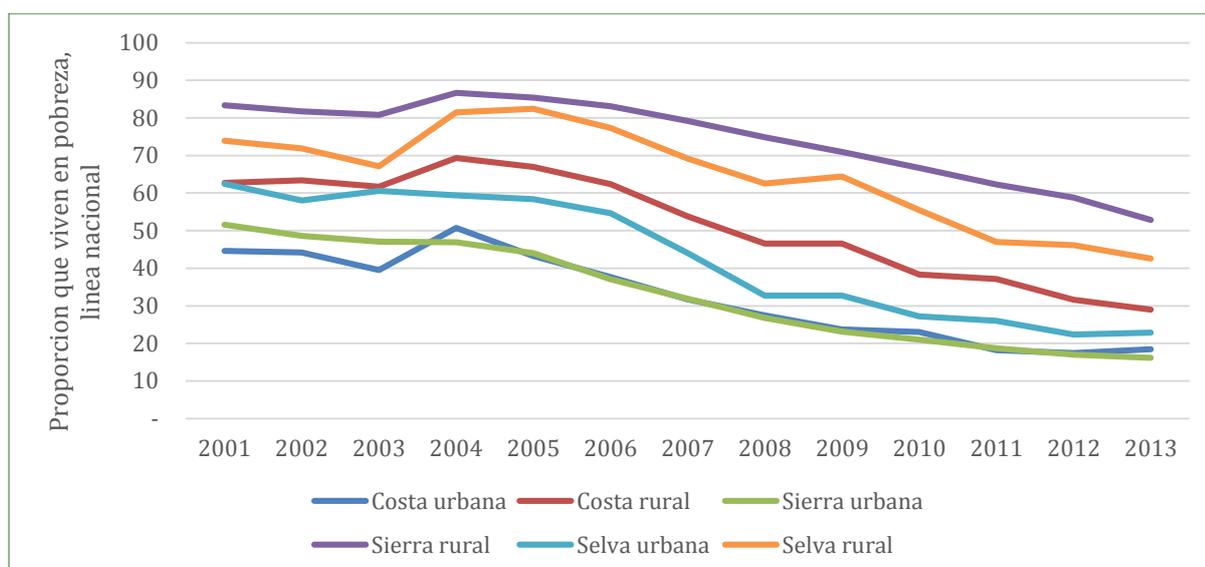
Figure 3.1 Poverty 2004 - 2012



Source: Prepared on the basis of World Development Indicators, World Bank.

There is a vast difference between poverty levels in urban and rural areas, however, with poverty being much more widespread in the countryside. The pace of poverty reduction since 2004 has also been slower in rural areas, which means that poverty is becoming increasingly concentrated in those areas and especially in the highlands (see Figure 3.2), where, as of 2013, estimates indicated that over 50 percent of the population was poor.

Figure 3.2 Rural and urban poverty, by region, 2001 - 2013.⁷



Source: National Statistics and Informatics Institute, national household survey.

The lag in the development of the rural highlands can be attributed to the limited stock of assets in terms of land and water, livestock and human capital. This is due to a widespread lack of education and poor health and nutrition; the fact that many communities are so isolated that securing access to urban markets comes at a high cost; and that, in large part due to this isolation, rural highland communities lack physical infrastructure and public services (Escobal, Ponce et al., 2012; Escobal, Saavedra and Vakis, 2012; Webb et al., 2011; Zegarra, 2013).

The need to galvanize the economy and reduce poverty in the highlands has been a challenge for decades, if not centuries. It was hoped that the 1969 agrarian reform, which put an end to the virtual monopoly on land by large haciendas in the highlands, would solve the problem, but that did not happen. Instead, the highland farmers – especially in the southern highlands – remained mired in poverty. This poverty was one of the main causes for the emergence of the Shining Path movement, which condemned the region to a decade of cruel conflict (CVR, 2012). Since the 1990s, the state has been grappling with the problem using four different lines of action:

- Public investment in infrastructure, especially roads and irrigation systems;
- Substantial increases in the delivery of education and health services, particularly since 2004;
- The implementation of programmes to boost agricultural productivity in the highlands with the help of technology transfers and subsidies for small-scale business ventures (see Section 4.3.6);
- The introduction of substantial social protection programmes since 2005, with the Juntos conditional cash transfer programme being an outstanding example (see Section 4.2.1.).

Although these efforts have not actually closed the poverty gap between the rural highlands and the rest of Peru, they have had an impact: the poverty rate in the region plunged from 87 percent in 2004 to 53 percent in 2013.

⁷Percentage of the population living below the national poverty line.
 Costa urbana = Urban coastal areas Costa rural = Rural coastal areas
 Sierra urbana = Urban highlands Sierra rural = Rural highlands
 Selva urbana = Urban forested areas Selva rural = Rural forested areas

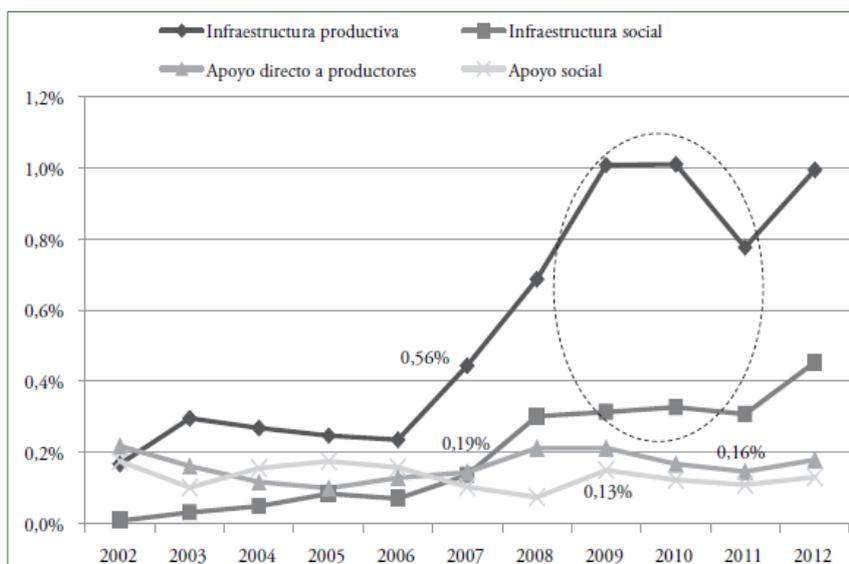
The Peruvian experience has yielded a number of lessons learned about public policy as a driving force for rural development:

- The development gap in the rural highlands cannot be narrowed unless sufficient resources are invested in physical infrastructure and services to lower the costs associated with the isolation of rural communities and to ensure that they receive the same services as are available to other Peruvians;
- There are very few agricultural activities in the highlands that have a comparative advantage over those in coastal areas. Rather than trying to produce on a mass scale, it would be better to seek out market niches in which the highlands do have an advantage – e.g. the production of organic quinoa – and develop production chains that can link demand with existing and potential producers (Escobal, Ponce, et al., 2012);
- It would be better for the government to respond to the demands of producers in the region rather than to base its decisions on the supply side of the equation; and
- Universal social protection reduces extreme poverty but does not improve moderate poverty levels (Petrova and Vakis, 2011).

3.2 Public investment in rural areas and the institutional context for rural development

A number of the lessons listed above imply that the state should spend more on the highlands. The level of expenditure has indeed risen since 2006 and, what is more, the returns on investment in the form of social support services, roads, education, producer support and irrigation have been good (Fort and Paredes, 2014). The increase in public investment in rural areas since the start of the 2000s, and especially since 2007, has been quite sharp (see Figure 3.3). There have been large increases in the percentage of GDP invested in production infrastructure – chiefly roads and irrigation – and in social infrastructure (education, health, drinking water, etc.). Figure 3.3 shows these percentages; however, since GDP was also growing rapidly during this period, the increases in absolute terms are even more striking. For example, whereas the state invested S/. 1.14 billion in the region in 2002, it invested S/. 9 261 billion in 2012 (Fort and Paredes, 2014). In constant terms at 2012 prices, per capital expenditure in rural areas climbed from S/. 234 in 2002 to S/. 1 377 in 2012, for a nearly six fold increase.

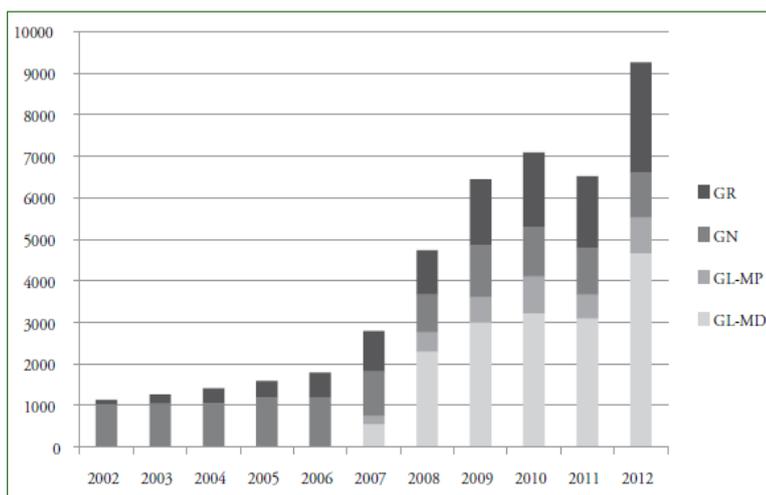
Figure 3.3 Growth in public investment in rural areas as a percentage of GDP, 2002 - 2012⁸



Source: Fort and Paredes, 2014, based on data from the Integrated Financial Administration System (SIAF) of the Ministry of Economic Affairs and Finance (MEF), the National Public Investment System (SNIP) and the Central Reserve Bank of Peru.

Some of the public rural development agencies operate at the national government level while others function at the level of the regional, provincial and district governments. One major change since 2006 has been the decentralization of rural investment (see Figure 3.4). By 2012 more than half of rural public investment was being overseen by district governments and the rest was carried out by provincial, regional and central governments.

Figure 3.4 Rural public investment, by level of government, 2002 - 2012



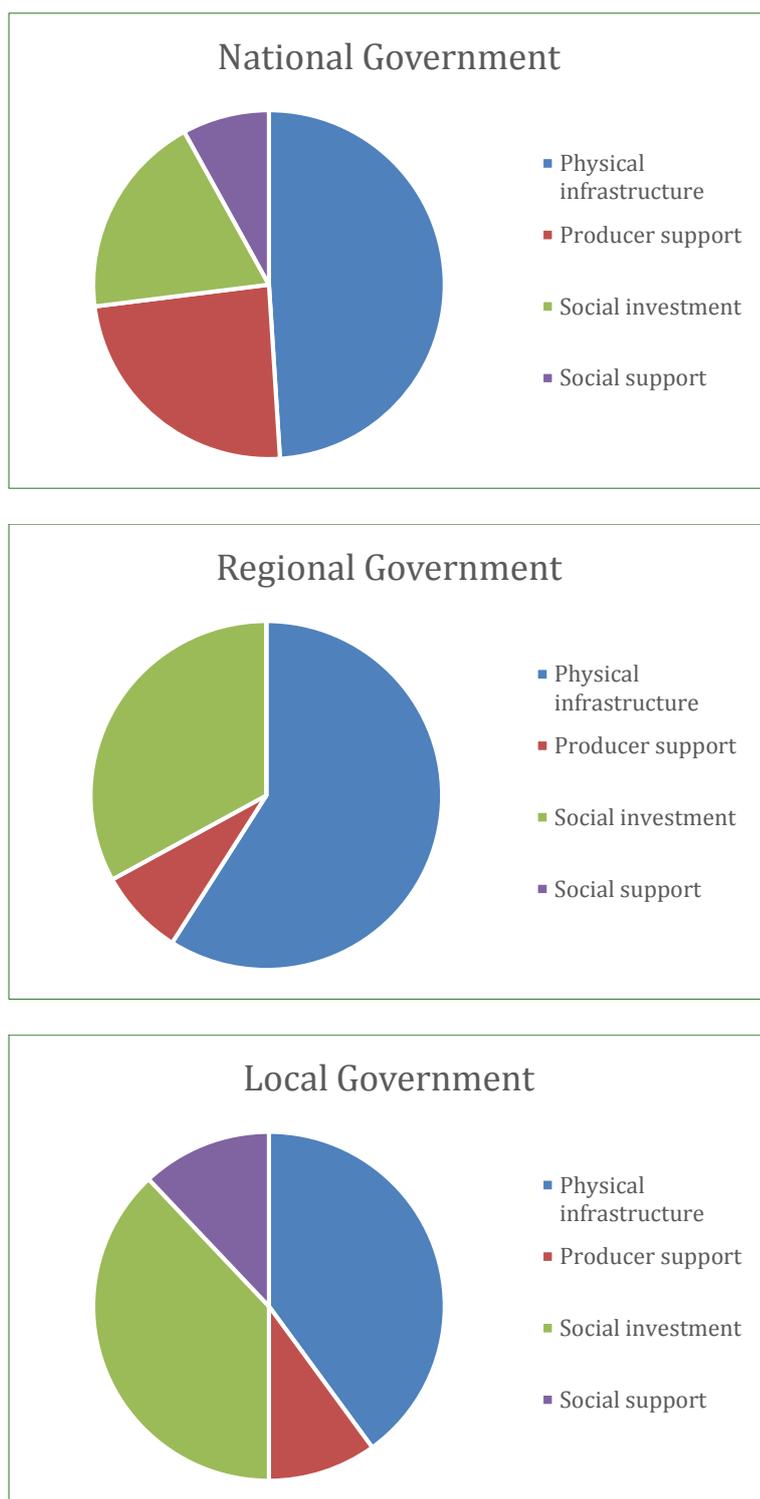
Source: Fort and Paredes, 2014, based on data from the Integrated Financial Administration System (SIAF) of the Ministry of Economic Affairs and Finance (MEF) and the National Public Investment System (SNIP).

GR = Regional government GL-MP = Local government (provincial)
 GL-MD = Local government (district) GN = National government

⁸ Infraestructura productiva = Production infrastructure
 Apoyo directo a productores = Direct producer support

Infraestructura social = Social infrastructure
 Apoya social = Social support

Figure 3.5 Major investments by different levels of government, 2007–2012



Source: Fort and Paredes, 2014, based on data from the Integrated Financial Administration System (SIAF) of the Ministry of Economic Affairs and Finance (MEF) and the National Public Investment System (SNIP).

All levels of government invest heavily in physical infrastructure (especially roads and irrigation systems), amounting to 46 percent of total public investment in rural areas. Social investment, chiefly in education, health and sanitation, is another major category, accounting for 33 percent of the total budget, with local governments being the main investors. Support to producers (12

percent of total investment) is provided primarily by the national government, while social support (8 percent of total investment) is furnished by national and local governments.

3.2.1 Central government

Peru's national rural development strategy was developed in 2004. It focuses on the following lines of action:

- Furthering the development of a competitive, diversified and sustainable rural economy;
- Promoting access to productive assets by rural groups;
- Providing appropriate and sufficient economic infrastructure to support rural production;
- Delivering services designed to improve the living standards of the rural population and providing alternative employment opportunities;
- Promoting and fostering the sustainable management and conservation of natural resources and protecting the country's environmental and cultural heritage;
- Furthering the development of integrated risk management systems for rural production and infrastructure;
- Building capacity in the rural population and increasing the supply of social capital in rural areas;
- Promoting social inclusion;
- Supporting institutional change that will help to create an enabling environment for rural development (Office of the President of the Council of Ministers (PCM), 2004, cited in Escobal, Ponce et al. 2012).

Currently, GRADE (Grupo de Análisis para el Desarrollo), a Peruvian NGO whose focus is public policy, is leading a group of researchers that is helping to draft an updated strategy.⁹

The Ministry of Agriculture and Irrigation (MINAGRI) and the Ministry of Development and Social Inclusion (MIDIS) are responsible for agricultural development and social protection respectively.

MINAGRI, which has been in operation for many years, has two main objectives: to support the performance of the agricultural export sector, which is primarily composed of medium- and large-scale producers in coastal areas; and to support the development of small-scale producers, most of whom are located in the highlands. There is currently no official agricultural development strategy, although work on such a strategy was started with the publication of *Lineamientos de Política Agraria* (agrarian policy guidelines) in late 2014 (MINAGRI, 2014). After conducting a baseline analysis of the sector, MINAGRI identified four main objectives:

- **Growth, employment and economic diversification:** To expand and diversify the supply and demand for agricultural products and services by increasing the use of technology, boosting average productivity levels, creating higher-quality jobs in rural and agricultural areas and reducing productive and technological disparities both within the agricultural sector and between agriculture and other sectors of the economy;
- **Social inclusion:** To assist agricultural producers who are poor and/or are at a socioeconomic disadvantage to build their capacity to generate income while promoting equality of opportunity, social mobility and the rupture of vicious cycles of poverty within given areas and across generations;

⁹ According to one observer, the government tends not to coordinate its different strategies very closely. What is more, these strategies often fail to link up policies in the different sectors, much less among the different levels of government.

- **Food security:** To ensure that all families, households and social groups throughout the country have full, secure and sustainable access to a stable supply of nutritious, safe food on an ongoing basis;
- **Environmental sustainability and the sustainability of agricultural diversity:** To ensure the sustainable management, protection and appropriate valuation of strategic agrarian assets and of agricultural diversity throughout the country (MINAGRI 2014).¹⁰

These are clearly broad-ranging goals and efforts to attain them use a wide range of approaches in the highly diverse settings to be found in the rural areas of Peru. The resources on which MINAGRI depends to achieve its objectives are extremely limited,¹¹ however, so that it is simply impossible to provide services to more than a minority of all of its potential beneficiaries. Targeting its efforts is therefore important. As will be seen, as MINAGRI strives to meet the needs of the inhabitants of the rural highlands, it is invariably faced with the challenge of deciding whether to gear its programmes towards the smallholders who are most in need of assistance or towards the producers with the most potential capacity to prosper.

Because its resources are so limited, MINAGRI's initiatives have been reinforced in the past with international funding for such projects as the Rural Microregions Development Project (PRODERM) and the Management of Natural Resources in the Southern Highlands Project (MARENASS). Many of these projects were innovative initiatives that bestowed a legacy of new ideas on MINAGRI, which it has applied in the implementation of subsequent projects.

Established in 2011, **MIDIS** differs from MINAGRI in three main ways. First, it has had broad political backing from the outset and is staffed by leaders and managers who are enthusiastic about its mission.¹² Second, it has sufficient funding to achieve most of its goals. Third, it has a clear and specific strategy, which is laid out in *Incluir para crecer* (inclusion for growth) (MIDIS, 2013). The work of MIDIS is based on the concept of social protection as a process that embraces the entire human life cycle, with developmental programmes for infants, children and adolescents, programmes for the economic inclusion of adults and programmes for the protection of older adults. This study focuses on actions aimed at adults during their productive years (18 to 64 years of age). The strategy of MIDIS is to build a ladder that people can use to climb out of extreme poverty and continue upward until they are incorporated into the market economy as producers (see Figure 4.6).

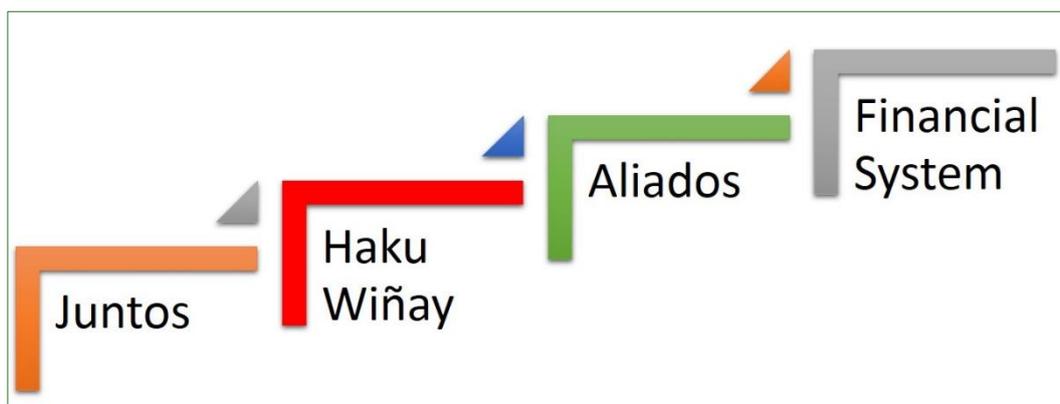
¹⁰ The more specific targets are:

- To manage water, soil and forest resources efficiently and sustainably;
- To ensure legal certainty and stability of access to agrarian resources by communities and agricultural producers;
- To expand irrigation infrastructure and technology;
- To expand complementary agricultural services, credit and insurance markets;
- To strengthen and expand agrarian research and innovation capacities;
- To build the production and entrepreneurial capacities of agricultural producers;
- To forge close linkages between the nation's agricultural producers and the associated markets and value chains.

¹¹ In 2013, the Ministry's budget amounted to US\$111 per rural inhabitant.

¹² When Ollanta Humala ran for office as President of Peru in 2011, one of the main planks of his electoral campaign was the expansion of social programmes. He created the Ministry of Development and Social Inclusion to carry those programmes forward. The Ministry was staffed with an enthusiastic team of persons of recognized stature and capabilities and was endowed with a suitable budget.

Figure 3.6 The MIDIS general theory of change



On the lowest rung of the ladder are programmes – particularly Juntos (see Section 4.3.1) – that are designed to support child development, although they also help to protect the entire household from slipping into extreme poverty. On the next rung is the Haku Wiñay programme (see Section 4.3.4), which aims to boost household production, improve living conditions, furnish incentives for small-scale rural businesses and provide financial education. Once a household has made enough progress in these areas, it should be on track to emerge from poverty and will no longer need economic incentive payments from Juntos. At that point, it is ready to take part in MINAGRI programmes such as Aliados II, which is designed to help rural businesses to consolidate their positions and to link to larger markets. Finally, the household moves up to the highest rung once it is able to make use of formal credit and services markets.

Comment: The regular activities of Agrorural – i.e. the 70 percent of Agrorural’s activities that are not a part of special projects such as Aliados II – are not included in this theory of change. The main reason for this would appear to be that Agrorural’s more traditional types of actions (outreach, distribution of inputs) are palliative measures designed to help to meet producers’ needs rather than to serve as tools for bringing about structural change.

3.2.2 Decentralized levels of government

The decentralization process in Peru is quite recent: regional, provincial and district governments have only had large enough budgets to make decentralization viable since 2006. Three aspects of this process are particularly noteworthy.

First, decentralization has not been a smooth or easy process. Indeed, Peru has faced the same challenges that other countries have had to grapple with when decentralizing government service (Manor 1999). One of those challenges has to do with the fact that subnational levels of government often lack the experience and capacity they need to take on the functions that are devolved to them. Another is that political conflicts tend to proliferate in these kinds of situations. The new administrations taking office in the provincial government of Andahuaylas and the regional government of Apurímac in January 2015 said that they would have to plan virtually from scratch, since the change of leadership meant that most of the programmes started by their predecessors would be put aside.

Second, the only district-level political leader with whom we spoke said that the priorities for his district were roads and irrigation – the same priorities that were apparent in the allocations of funds by provinces and districts, as seen above. Third, three local development officials who were

interviewed expressed a preference for establishing production chains composed of clear links all the way from producers to consumers.

These last two perspectives suggest that government focus at subnational levels is more on producers with resources and capacities rather than on the people who have the greatest need of assistance. Given the importance of economic growth for poverty alleviation (Escobal et al., 2013), this is not necessarily an ill-conceived bias, particularly if national programmes such as those run by MIDIS can be relied upon to protect the people who are living in extreme poverty.

3.3 The programmes

3.3.1 Juntos – A national programme providing direct support to the poorest people

Background

Juntos was founded in 2005, drawing on the experience of Mexico and Brazil with direct conditional transfers. Originally administered by the Office of the President of the Council of Ministers (PCM), it was transferred to the newly established Ministry of Development and Social Inclusion (MIDIS) in 2012.

In the beginning, Juntos targeted 110 highland districts in the regions of Apurímac, Ayacucho, Huancavelica and Huánuco but has since been expanded to include 16 regions. In 2005, a total of 22 550 households were participating with the programme; by 2013, 754 000 households were in the programme.

Theory of change

The **goal** of Juntos is to reduce poverty and especially to put a stop to the intergenerational transmission of poverty.

The **intermediate objective** is to ensure that children who are born into extreme poverty can grow up to be healthy and obtain an education so that they can lead productive lives.

The **means** to be used to attain this objective are as follows:

- Providing a financial incentive to pregnant women, mothers and their children who are living in extreme poverty. The conditions attached to this incentive are that participants must attend regular health check-ups and that the children must go to school.
- Working with the Ministry of Education and the Ministry of Health to deliver services to pregnant women and to mothers and their children. Education services span the early childhood, primary and secondary cycles. Required health services include medical check-ups for pregnant women, infants and children up to 3 years of age and counselling for women about good dietary practices and sanitation in the home.

Responsibility for the programme's success is shared by the state, parents and community leaders.

Comments: The technical design of the programme is quite simple. As long as the state allocates the necessary resources, an adequate supply of health and educational services can be provided. Although the cash transfer to the mother is an incentive for compliance with the programme's conditions, it also helps to cover essential household expenditures, especially for food. It is assumed that parents are willing to improve their living conditions as much as they can, given the

opportunity. The Juntos Programme is therefore a partial response to extreme poverty and, as such, needs to be complemented by increases in the target population's monetary and non-monetary incomes.

Targeting

The target households for Juntos live in poverty or extreme poverty and include children under 20 years of age and/or pregnant women.

The first step in identifying beneficiaries is to select districts in which at least 40 percent of the population is poor. Priority is given to rural households in these districts. The next step is to use the guidelines designed by the Household Targeting System (SISFOH) to determine whether a given household meets the criteria for the target population. Finally the list of selected households has to be approved by a local assembly. The list can be adjusted if programme managers or municipalities report changes in users' circumstances or if participants request a review of their socioeconomic status.

Comments: The targeting system does not give local authorities or field staff much influence over the list of eligible households. They can provide data on households and suggest people that they want to see enter the programme, but they cannot change the eligibility criteria.

Institutional structure

The Juntos Programme is executed by MIDIS in close coordination with the Ministry of Education, the Ministry of Health and local governments. There are no direct links to economic agencies such as the Ministry of Agriculture and Irrigation.

Comments: The fact that the incentive payments provided by Juntos have certain conditions attached has at times been taken advantage of by the Ministry of Health and other agencies to promote their own programmes (see Box 3.1). For example, the Ministry of Health has told Juntos users that taking part in its healthy housing programmes is a condition for the incentive payment. FONCODES staff have suggested to participants in the Haku Wiñay Programme that if they do not participate, their Juntos incentive payments could be suspended. Local authorities have reportedly used the suspension of Juntos Programme payments as a threat to people who have not fulfilled certain obligations, such as participation in community work projects. As a result, the Juntos Programme adopted a firm stance on the incentive conditionalities in 2012. There are only two conditions that users must meet: to send their children to school and ensure that pregnant women and the children in the household get regular health-check-ups.

Box 3.1 Using Juntos to leverage rural development

Interviews carried out in Lima, Abancay and in the communities of Cachi and San Jerónimo elicited three different views of the conditionality employed by Juntos.

First, as far as the managers of Juntos are concerned, only two conditions apply to the programme's beneficiaries: pregnant women and infants must have medical check-ups, and children must be sent to school. Although other conditions have been added by field personnel in the past, this is now prohibited – as was confirmed by an employee of one rural health clinic.

Nevertheless, it has been very tempting for field staff of non-Juntos programmes and municipal authorities to insinuate that participation in their own programmes and in community work are obligatory for Juntos beneficiaries, particularly when it is felt that they are reluctant to give new practices a chance.

Finally, all the beneficiaries who were interviewed said that they were at some point obliged to comply with additional conditions, particularly participation in healthy housing programmes. They spoke of the threat of being 'punished' with the suspension of their incentive payments if they did not meet these additional requirements. However, a few beneficiaries have come to realize that these were empty threats as they know people whose benefits were supposed to have been suspended due to non-compliance, but who continued to receive incentive payments nonetheless.

Results

Formal programme assessments of Juntos include the following findings:

- The programme has raised the household incomes of beneficiaries by 13 percent;
- Users go to health-care centres more often than non-users and have a more balanced, more nutritious diet;
- School enrolment has risen by 4 percentage points, but school attendance has not improved (impacts reported by Perova and Vakis, 2009, on the basis of user data for 2005 – 2007);
- Juntos has reduced extreme chronic undernutrition among children but not moderate undernutrition [Sánchez and Jaramillo, 2012];
- The longer the time spent in the programme, the more it benefits users.
- The impact of the programme is nonetheless limited and there is room for improvement, which could take the form of more incentives for users with many children or upgrades in education and health services (Perova and Vakis, 2011).

3.3.2 Agricultural development: Support Programme for Rural Highland Production Partnerships – Aliados II

Background

The Aliados II programme succeeded Aliados I, which was in operation from July 2008 to July 2013. The overarching goal of the original programme was to increase the assets and improve the economic position of farming households in its sphere of operation, which included 255 rural highland districts in six regions (Apurímac, Ayacucho, Huancavelica, Huánuco, Junín and Pasco). The target population comprised 53 600 rural producers and farm households.

Aliados I ran community development and rural business projects, which were approved through a competitive process. Business proposals were submitted by producer associations with 10 to 30 members, while community development project proposals were submitted by groups of 40 farm households. Investments were planned for 620 rural businesses and 875 community development projects.

Both types of projects were co-funded by the programme and the beneficiaries: Aliados I provided 70 percent of the investment for rural business ventures up to a ceiling of S/. 99 000 and 80 percent of the investment in community development projects up to a ceiling of S/. 39 600. Programme funds were used for training, technical assistance and the provision of assets. The programme was financed by a US\$20 million World Bank loan, US\$7.1 million from the Government of Peru and US\$7.1 million in counterpart funding from beneficiaries.

Aliados I reached its goals for project execution, funded projects and income impacts and the World Bank therefore rated its performance as satisfactory (Medianero, 2013).

Aliados II enlarges the sphere of Aliados I to between 360 and 370 districts in the same six regions; 140 rural businesses are to be consolidated during the first phase of the programme and 532 new plans are to be approved.

Theory of change

The **goal** of Aliados II is to improve the assets and economic position of farm households in very poor areas of the Peruvian highlands.

The **intermediate objectives** are:

- To raise the incomes of farm households;
- To increase subsistence production for household use;
- To conserve natural resources; and
- To strengthen group action.

The **means** to achieve these objectives are rural business ventures and community development projects selected by the local population. These ventures and projects will be provided with inputs in the form of training, technical assistance and assets.

Comments: The selected projects will boost supply from community enterprises. It is assumed that there is a demand for the planned production outputs, that there are physical market links and that the necessary conditions for marketing the products are in place. It is also assumed that the advantages of forming economic partnerships outweigh the costs of coordinating production efforts. Above all, it is understood that producer associations are capable of formulating technically and financially feasible projects for review by the programme's technical experts and the approval of the Local Resource Allocation Committee (CLAR).

Targeting

The intention is to focus the operations of Aliados II on the six poorest regions in Peru, with the idea that the associations submitting proposals will be from low-income communities. However, the requirement that the plans are reviewed by technical experts and endorsed by the CLAR introduces an element of capacity-based targeting. Nevertheless, there was no actual evidence of targeting by the programme.

Institutional structure

Aliados II is a part of Agrorural, although it has its own staff. It is implemented as a national programme by the MINAGRI.

The CLARs enable local authorities to participate directly in the programme. There does not, however, appear to be a formal relationship between the programme and local governments or other central government agencies.

Results

Aliados II was launched in May 2015. Its results remain to be seen.

3.3.3 Agricultural development: Agrorural

Background

The Agrorural programme was launched by the MINAGRI in 2008 using the operational structure of the former National River Basin Management and Soil Conservation Programme (PRONAMACHCS), which had agencies located throughout the Peruvian highlands.

In practice, Agrorural effectively took the place of the national institutional apparatus of MINAGRI (regional agrarian bureaus and district agrarian agencies), which was transferred to the regional governments in 2006–2008.

A number of IFAD-funded projects in the Cusco-Puno corridor and in the southern highlands that were under way at the time were placed under Agrorural, although they kept their own operational structures. Ever since, donor-funded projects, such as the northern highlands project funded by IFAD and Aliados II, which is funded by the World Bank, have been attached to Agrorural, although they continue to have their own organizational structures, project teams, offices, etc.

Theory of change

The **goal** of Agrorural is to promote rural agrarian development as a means of helping to reduce poverty in rural households.

The **intermediate objectives** are:

- To build farmers' production capacity;
- To reduce the vulnerability of agricultural producers to weather- and climate-related phenomena;
- To promote soil and water conservation;
- To optimize water use in agriculture and crop production during the dry season.

The **activities** are:

- Distribution of seeds for selected crops, together with technical assistance;
- Livestock health campaigns, including vaccinations and treatment;
- Distribution of materials and technical assistance for the construction of sheds;
- Distribution of saplings and technical assistance for afforestation and reforestation campaigns in areas surrounding the headwaters of river basins;
- Construction of small-scale irrigation works as part of public investment projects.

Comments: Strictly speaking, seeds are supposed to be distributed to producers located at elevations above 3 500 metres, since these areas are highly vulnerable to weather- and climate-related phenomena. In practice, however, a number of discretionary criteria are applied in order to determine which zones are vulnerable and therefore eligible for the seed distribution programme. In Andahuaylas, in fact, the vast majority of the land parcels are below 3 500 metres but still receive seeds.

The decision as to which crops should be promoted through the distribution of seeds is taken by the Agrorural provincial agency.

Targeting

Agrorural's mandate is to provide support to all poor households engaged in agricultural activities. Agrorural operates in around 70 percent of Peru's agricultural districts, and all of those districts, except for one, are in the highlands.

However, the targeting of Agrorural's interventions is quite discretionary at the provincial level. The provincial agencies decide who will receive seeds, materials for building sheds, saplings and small-scale irrigation projects. Field observations indicate that priority is given to formal producers associations on the basis of two criteria: accessibility and level of organization and activity. This indicates a clear bias towards the more enterprising producers with more assets, since they are the ones who generally succeed in establishing well-organized, active associations.

In the particular case of agricultural health campaigns, however, coverage is broader since the intention is to provide health services for all livestock in the province. In practice, however, each district agency only deals with certain types of stock based on nationally determined criteria. In Andahuaylas, for example, Agrorural only works with sheep and alpacas, which it considers to be the most vulnerable animals, especially to frosts, snow and rain, in the province's elevation range.

Comments: Because of Agrorural's budgetary and logistical constraints, its actual target population is very limited. According to the Director of Agrorural in Apurímac, the programme has reached only about 7 percent of the eligible agricultural producers in the region. The coverage of livestock health services for sheep and alpacas in Apurímac amounts to some 70 percent, however.

Institutional structure

Agrorural operates through agencies – usually at the provincial level – in each area where it works. These agencies are linked to central government bodies in Lima through regional bureaus.

Coordination between Agrorural and the other rural development agencies in the provinces appears to be minimal or non-existent. In Andahuaylas, for example, Agrorural's office and the headquarters of the Regional Agrarian Branch (part of the regional government) are only 100 metres from each other and the two institutions have similar mandates, yet there is absolutely no coordination between them.

As noted above, a number of programmes funded by international donors are formally a part of Agrorural but have their own institutional arrangements at the central and local levels. Field observations in Andahuaylas indicate that there have been little or no substantive operational links or coordination between these programmes and the local Agrorural agencies.

Results

Based on field observations in Andahuaylas, it appears indicate that Agrorural has had limited impact there, since it reaches only a very small percentage of the farmers in its service area. And among the farmers that Agrorural does reach, the impact of its actions varies considerably.

The distribution of seeds allows producers to cut their costs and to decide which crops to plant. In Andahuaylas, the provincial agency decided to distribute quinoa, kiwicha and native potato seeds because of the prices these crops fetch at markets. The agency also decided to distribute seeds of quinoa varieties that are sold on the local market, even though the prices of export varieties are much higher (see Box 3.2). However, Agrorural experts are able to provide technical assistance to producers that work with export varieties.

Small-scale irrigation facilities make it possible to grow two crops per year yet these irrigation facilities are very small and are few and far between, so that their impact is confined to small areas in the province. MINAGRI and the regional governments have funds they could use to build larger-scale irrigation infrastructure to provide much broader coverage.

Box 3.2 Agrorural: Quinoa in Andahuaylas

In the last few years, the Peruvian Andes have experienced an agricultural boom, thanks to the popularity of quinoa in European and North American markets. Quinoa, a traditional Andean grain previously cultivated for personal consumption and the national market, has become a premier export product. In Andahuaylas, fields of quinoa now flourish where potato crops once grew. These fields feature quinoa varieties that have never been consumed by local farmers (due to their taste and texture); they are grown solely for export.

The Agrorural agency in Andahuaylas is well aware of the opportunities presented by quinoa's newfound popularity outside of Peru, particularly because a marketing chain is already in place to handle the entire export process. For this reason, the agency placed priority on quinoa, in addition to kiwicha and native potatoes, when deciding what seeds to distribute to farmers. However, Agrorural chose to distribute the seeds of a variety that is sold in the local market, rather than exported, even though the local variety sells for a third of the price of the export types. The choice was necessary because the finances for Agrorural's seed purchases come from a fund to help reduce the vulnerability of producers, not to directly increase their incomes. Therefore, Agrorural could only distribute seed for personal consumption. However, Agrorural technicians provide advisory services to grower associations that work with export varieties of quinoa. The services include workshops on organic farming techniques, support for the work of NGOs helping producers to grow their crops organically and information on the supply chain for quinoa exports.

Forestation and reforestation actions by Agrorural are quite limited. According to the Agrorural agent in Andahuaylas, in 2014, trees were planted on just 380 hectares in the entire province. In any event, in Andahuaylas, Agrorural's work in this area is being crowded out by a new, better-funded regional government programme that covers labour costs, which Agrorural does not.

Agrorural has also had marginal impact with the construction of livestock sheds, building only about two sheds per district each year. What is more, field observations indicate that some sheds that have been in place for no more than six months are not being used. In addition, these sheds are assigned to individuals who have herds of 100 animals or more – not exactly the neediest producers.

As noted above, the only area in which Agrorural appears to be having a major impact is livestock health, as its actions reach most of the sheep and alpaca herds (70 percent in Andahuaylas).

3.3.4 From social protection to a pathway out of poverty: Haku Wiñay

Background

Haku Wiñay is run by the Ministry of Development and Social Inclusion (MIDIS). It is a young programme (launched in mid-2012) whose national reach is as yet fairly limited.

Haku Wiñay is executed by the Cooperation Fund for Social Development (FONCODES), which was founded in 1991 and became a part of MIDIS in 2011. FONCODES has a unique legal framework that allows it to transfer funds directly to private agents.

The design of Haku Wiñay borrows elements from a number of earlier programmes implemented by Peru and international donors, such as IFAD and FAO. These programmes include *Crecer*, the Management of Natural Resources in the Southern Highlands (MARENASS), the Cusco-Puno Corridor, the Southern Highlands Project, My Productive Farm and My Enterprising Farm.

Theory of change

The **goal** of Haku Wiñay is to enable Juntos beneficiary households to achieve economic and food self-sufficiency on a permanent basis so they can ‘graduate’ from Juntos.

The **intermediate objectives** of the programme are:

- To increase the food security of rural families;
- To reduce the incidence of respiratory and diarrheic ailments in rural households;
- To generate income through the sale of agricultural surpluses;
- To generate income through cooperatives;
- To link households and business ventures to the formal financial system.

The **specific activities** to be carried out are to:

- Transfer production technology packages for use in irrigation, fertilization, agricultural health management and small-animal husbandry to boost productivity and expand the diversity of household crop-farming and stock-raising activities;
- Provide technical and material assistance with organizing the household, improve food preparation facilities and build capacity in handling, preparing and storing food and water;
- Administer challenge funds for small local agricultural and non-agricultural business ventures. This area of activity includes providing specialized technical assistance and seed capital. The unique legal framework of FONCODES (the only one of its kind in the governmental apparatus of Peru) enables Haku Wiñay to transfer public funds directly to private agents;
- Provide basic financial training and advisory services for user households and businesses funded by the programme, with an emphasis on the skills needed for opening savings accounts and financial record-keeping;
- Recruit and train local candidates to supply productive and financial technical assistance (*yachachiqs*).

Targeting

Haku Wiñay's objective is to reach all poor households in the rural areas served by Juntos. During the first two years of the programme, the Ministry of Economic Affairs and Finance (MEF) decided on the districts where the programme would be active.¹³

The targeting of households in each district is guided by a participatory baseline analysis conducted under the direction of the local programme coordinator. While priority is placed on Juntos beneficiary households, the intention is for all poor households in the district to participate in the programme. The participatory baseline study also makes it possible to identify production potential in each zone and this information may influence decisions on the areas where the project or some of its components should be executed.

The programme component dealing with the promotion of business ventures has been intentionally designed to favour the selection of the most enthusiastic and least risk-averse producers with the most physical and human capital.

Comments: In the programme's first three years of existence, it was implemented in just nine districts in the central and southern highlands of Peru; the number of districts is to be increased substantially over time. Due to budgetary constraints, Haku Wiñay's coverage in the nine districts has not included the more remote population centres. Thus, for example, Haku Wiñay supplied full services to nine of the 14 communities located in the district of San Antonio de Cachi, Andahuaylas, delivered partial services to one community and provided no coverage at all to the remaining four, which were also the most remote.

Institutional structure

Haku Wiñay was designed to serve as an avenue for the graduation Juntos beneficiaries. Haku Wiñay thus follows the logic of the Juntos Programme and primarily serves Juntos beneficiaries.

On the ground, however, Haku Wiñay is a much more complex undertaking than Juntos and this complicates the interaction between the two programmes. Field observations in San Antonio de Cachi, Andahuaylas indicate that the only actual interaction occurs when Haku Wiñay calls on Juntos to help stimulate more active participation from its clients, which are also clients of Juntos.

Haku Wiñay has close institutional ties with the municipal governments in the districts where it operates. The municipalities play an active role in the design of the baseline study and the preparation of the technical file supporting the programme's activities in each location. They are also an integral part of the mechanism used to allocate funding and other resources to local businesses. What is more, Haku Wiñay is designed in such a way that, once the programme is concluded, the follow-up will be carried out by the corresponding municipality. The actual viability of this plan remains to be seen, since the first Haku Wiñay evaluation will not be completed until some time in 2016.

Finally, although Haku Wiñay has its own operational structure, which is chiefly supported by the district coordinators, it also calls for the creation of a number of relatively autonomous institutional units: for every 100 beneficiary households, an implementation team composed of local authorities

¹³ The Ministry of Economic Affairs and Finance (MEF) keeps a district register that contains the data needed to identify the locations with the highest poverty rates. The Household Targeting System (SISFOH) of MIDIS includes a household register [Padrón General de Hogares (PGH)] that also permits the identification of poor households. The PGH is used to target households that are eligible for the Juntos Programme.

and leaders is formed to support the execution of the programme components. Even more importantly, a core implementation team is established for every four implementation teams. This core team includes representatives of the municipality and is in charge of administering resources, concluding contracts and carrying out procurement operations in each location. In addition, the CLARs are tasked with evaluating local businesses and selecting those that will receive funding and technical assistance from the programme.

Comments: Although Haku Wiñay was designed as an avenue for graduation from the Juntos Programme, Juntos beneficiaries balked at the idea of participating in Haku Wiñay if it meant that they might stop receiving direct transfers. The fact that both programmes are run by MIDIS gives Juntos beneficiaries the impression that participating in Haku Wiñay could be an obligatory condition for their continued receipt of direct transfers. Haku Wiñay no longer makes any direct reference to its role in enabling graduation from the Juntos programme.

Results

Based on field observations in the district of San Antonio de Cachi, Andahuaylas, it appears that many of the technologies and practices advocated by Haku Wiñay have been fully embraced by a sizeable number of households (around 30 to 40 percent, according to reliable sources) and these have led to considerable agricultural productivity gains.

The most successful technologies seem to have been sprinkler irrigation, raising *cuyes* (a local variety of guinea pig) and the preparation of organic fertilizers and pesticides. The household improvements that have met with the greatest acceptance are the installation of better cookers, incorporating vegetables into the daily diet, the use and storage of boiled water and the physical rearrangement of living spaces in the home. The actual impact of these changes on health, nutrition, income and food security of these households has not yet been measured, however, since the programme's first impact assessment has not yet been finalized.

Fewer than half of the small business start-ups continued to operate after the implementation phase ended, according to the Haku Wiñay agent in San Antonio de Cachi. Even ventures that gained early momentum, such as raising *cuyes* and farming trout (see Box 3.3 for information on the challenges faced by these small businesses) and are now in the final phases of their first production cycle, have not consolidated their links to the market. The coming months will show whether these businesses succeed in starting up their second production cycle.

The impact of the financial training initiatives have been quite limited. Few families have opened up bank accounts, either because they do not have adequate savings or because there are no bank branches nearby. Field visits confirmed that none of the business start-ups had opened an account.

Finally, Haku Wiñay has devoted a great deal of effort to selecting and training local individuals to implement the programme components dealing with family farming, home improvement and financial coaching. The aim is for these *yachachiqs*, who are members of the communities they serve, to become private providers of training services once the programme-led activity has come to an end. As yet, it is unknown whether this will actually occur.

Box 3.3 Haku Wiñay: Fish farming in Chullisana

One of Haku Wiñay's 21 local business ventures in the district of San Antonio de Cachi focuses on trout farming in a small community called Chullisana. There are seven partners in this business; noteworthy among them is Mr. Mayma, a teacher at the local primary school.

Like the rest of Haku Wiñay's initiatives, the trout farming project received S/. 7 000 (US\$ 2 300) in financing, of which 60 percent was to purchase materials and supplies for the construction and installation of eight cement pools. The remaining 40 percent was used to hire a pisciculture specialist, who advised project partners on how to set up the fish farm and trained them to manage it properly.

At the time of the site visit, the fish farm was on the verge of completing its first production cycle, with 14 000 trout ready for market. According to Mr. Mayma, the trout were "small" but "fat," probably due to some problem with their feed. The partners planned to sell the trout on the local market (which was thought to be large enough to absorb the fish farm's entire output) as well as to sell prepared trout-based dishes at the public events that are held periodically in neighbouring communities.

This small business faces four main challenges. The first is determining whether the local market can efficiently absorb its entire output and, if so, marshalling the capacity to reinvest in a new and improved production cycle. The second challenge is reducing production costs, particularly the cost of trout feed (Purina's Truchina). In the last stage of their development, which lasts a few weeks, the trout consume the equivalent of S/. 220 (US\$70) per day, which puts a great deal of financial pressure on the partners. In order to cut costs, the partners need specialized technical assistance to help them find viable, locally produced alternatives to the Truchina feed. The third challenge is developing an effective breeding system so that the business will not need to invest in new embryos every year, thus making the production process more sustainable. The business will also require technical assistance in order to accomplish this.

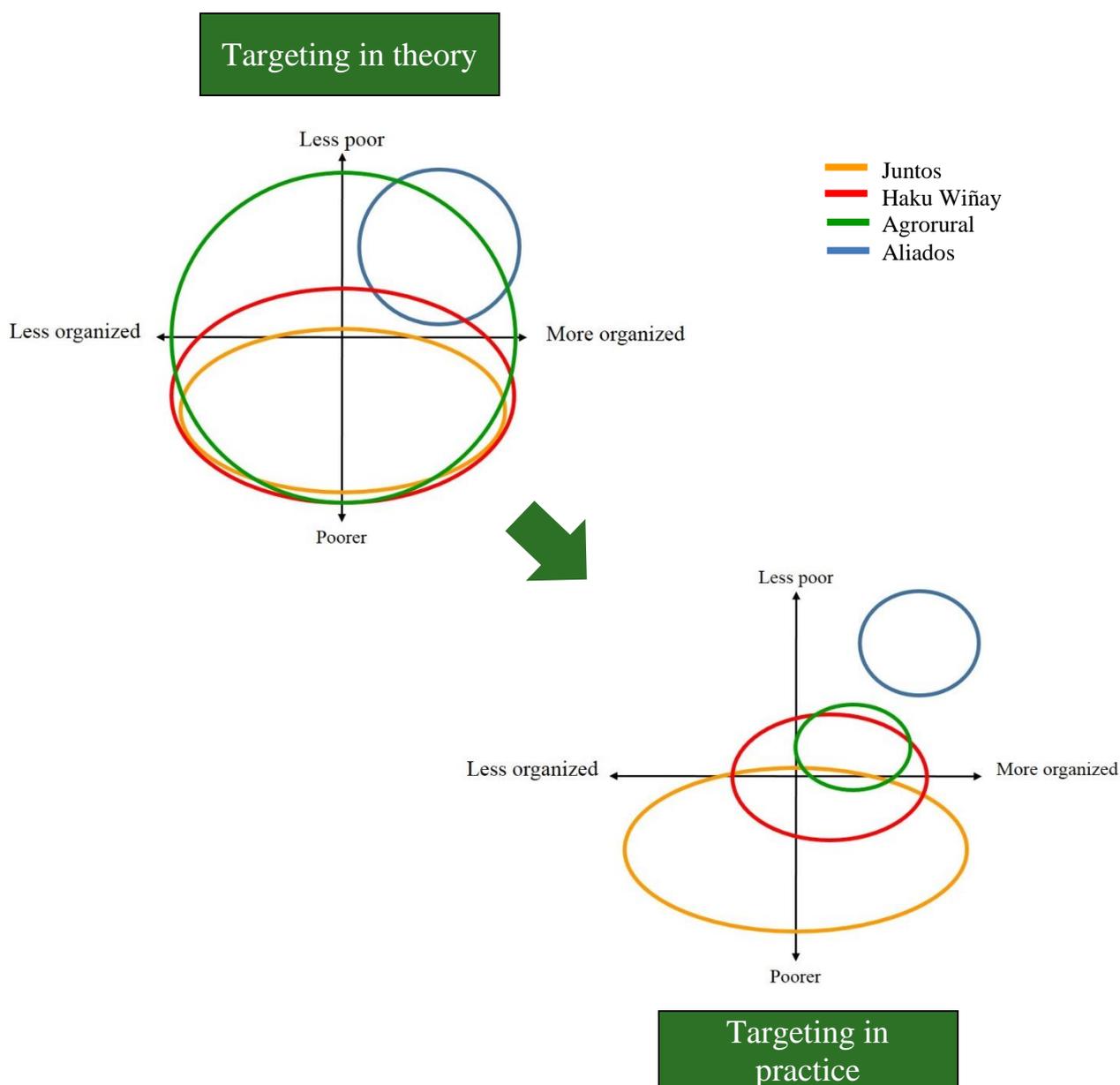
Finally, there is a problem with property rights. This kind of problem often arises in the Peruvian highlands, where lands are jointly owned by farm communities. Even though it had not yet concluded its first production cycle, the fish farm project was generating an extraordinary amount of enthusiasm among the other 200 members of the community, who have already split the neighbouring lands into lots and are apparently even demanding part of the land being used for the fish farm. Given the absence of individual property rights, the position of the fish farm is somewhat precarious, which could subject it to significant constraints in, for example, accessing the formal credit market.

3.3.5 Programme comparisons

As explained in Section 3.2.1., the programmes described above correspond to different stages in the theory of change advocated by MIDIS – with the notable exception of Agrorural. This conceptual coherence does not, however, necessarily translate into operational coherence, since the programmes differ greatly. The table at the end of this section spells out programme variations in detail. There are also two differences of a more general nature.

One of the key ways in which these four programmes differ relates to the *criteria* that they use to target beneficiaries. The following figure depicts the mandated target population for each programme and the population that it actually serves as a result of the targeting methods that it uses.

Figure 3.7 Targeting by the four programmes: By mandate and in practice



In principle, the Juntos Programme provides coverage for all poor households with children under the age of 19, as does Haku Wiñay, which is supposed to provide services to households in programme districts even if they are not Juntos beneficiaries. Agrorural is supposed to serve all vulnerable producers, not only the poorest ones, which include virtually all of the small-scale producers in the Peruvian highlands. Finally, Aliados II targets producer associations whose members are poor but who have more assets and organizational capacity than their peers.

In practice, however, because of the targeting mechanisms used and budget constraints, the sector of the population that is actually served by the programmes sometimes differs greatly from the one set forth in their mandates. The programme in which actual and mandated targeting are most similar is Juntos, with any discrepancy between the two being fairly marginal. Aliados II, which funds business plans whose implementation can easily cost more than US\$ 30 000, clearly attracts the more organized and less poor producers, as it was designed to do.

The widest gap between the mandated target population and actual beneficiaries is found in Agrorural. In Apurímac, for example, the programme had a coverage of around 6 000 hectares of farmland out of a total of 80 000 last year, mainly because of budget and logistical constraints. These constraints also influence the type of producer that benefits from the programme: Agrorural is supposed to offer its services to all farmers' organizations, but, since this is not possible, it ends up serving the most robust organizations and those that are located nearby. This generates a bias in favour of better organized producers, which are typically have the most resources.

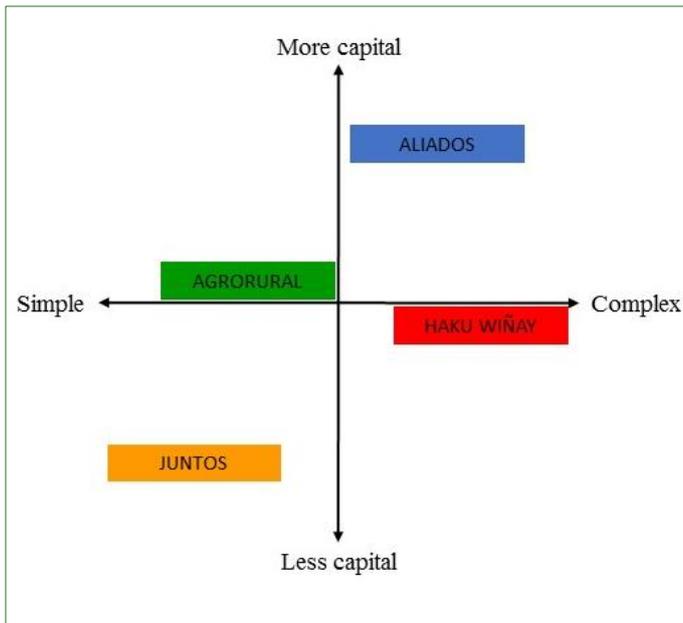
Haku Wiñay also has budget constraints that prevent it from reaching all of the eligible households in the districts where it is active (in San Antonio de Cachi, its coverage extended to 10 of the 14 communities in that district). According to the programme's technical coordinator in Cachi, it succeeds in reaching the vast majority of the households in the communities where it operates – with only the households that refuse to participate being left out. The problem is that only about a third of participating households actually embrace the new practices introduced by Haku Wiñay and achieve significant productivity gains and improvements in household organization. Although an adoption rate of over 30 percent may be seen as a very positive result, it can be argued that the households that most benefit from the programme are those that are the most willing to change, whether because of their attitudes, education or physical and social capital, which amounts to a self-selection bias towards less poor and better organized households. The same is true of the local ventures financed by Haku Wiñay, which are, by definition, the best that the community has to offer.

In the final analysis, Haku Wiñay helps many households to become self-sufficient but it bypasses many more, which are therefore not able to graduate from Juntos. It could certainly be argued that the graduation of a third of Haku Wiñay's beneficiaries could 'pull up' the others in future or that the establishment of prosperous local businesses could 'trickle down' to the rest, but those potential consequences are not explicitly provided for in the design of the programme. The findings of the Haku Wiñay impact assessment will shed more light on these issues.

Another key factor differentiating the four programmes is their *level of complexity*. Juntos has a very simple operational scheme and uses mechanisms that have already proven to be effective in serving beneficiaries. Agrorural is also a quite straightforward programme with experienced outreach staff who understand farmers' needs and know how to work with them. Aliados II is much more complex, since each business venture is different and requires different kinds of support. The most complex programme of the four, however, is Haku Wiñay, which combines fairly straightforward activities (training and distributing assets) with financing and the launch of business ventures and training of *yachachiqs*. The situation is further complicated by the fact that these activities are not always directed at the same population groups.

Figure 3.8 illustrates the differences between the programmes in terms of targeting criteria and level of complexity, with the stock of physical, human and social capital plotted along the vertical axis and the degree of design complexity plotted along the horizontal axis.

Figure 3.8 Classification of the four programmes based on their targeting criteria and level of complexity



As the figure shows, Juntos and Aliados II are almost diametrically opposed, whereas Agrorural and Haku Wiñay operate along much the same lines and involve very similar activities.

Table 3.1 Programme comparisons

Programme	Agrorural, MINAGRI	Aliados II, MINAGRI	Haku Wiñay, FONCODES, MIDIS	Juntos, MIDIS
Overarching goal	Promote rural agrarian agricultural development to reduce poverty among rural households.	Increase the assets and improve the economic position of farm households in highland areas where poverty rates are high.	Achieve economic and food self-sufficiency for Juntos beneficiary households so that they can ‘graduate’ from Juntos.	Reduce poverty, particularly by interrupting the intergenerational transmission of poverty.
Intermediate objectives	Build the production capacity of farmers; Reduce farmers’ vulnerability to weather and climate change; Conserve soil and water; Optimize water use in agriculture.	Boost farm household income; Increase subsistence production for household consumption; Conserve natural resources; Strengthen group action.	Increase the food security of rural households; Reduce the incidence of respiratory and diarrheal diseases in rural households; Generate income through the sale of agricultural surpluses; Generate income through joint venture projects; Link households and businesses to the formal financial system.	Ensure that children who are born into extreme poverty can grow up to be healthy and educated so that they can lead productive lives.
Activities	Distribute seeds and technical assistance; Conduct livestock health campaigns, including vaccinations and treatment; Distribute materials and technical assistance for the construction of livestock sheds; Distribution of saplings and technical assistance for afforestation and reforestation in basin headwaters; Construct of small-scale irrigation infrastructure through public investment projects.	Support rural business and community development projects with training, technical assistance and assets. (The projects are chosen by the local population and then screened by the technical team and the CLAR).	Transfer agricultural and livestock production technologies; Provide technical and material assistance for the household improvement, including better diets; Administer challenge funds for small local business ventures; Provide financial advice and training for user households and small business ventures; Train local providers of production and financial technical assistance (<i>yachachiqs</i>).	Provide conditional incentives for getting health check-ups and sending children to school; Work with the Ministries of Education and Health to deliver services to pregnant women, mothers and their children.

Programme	Agrorural, MINAGRI	Aliados II, MINAGRI	Haku Wiñay, FONCODES, MIDIS	Juntos, MIDIS
Target populations	<p>Mandate: All poor households that are engaged in agricultural activities</p> <p>Actual coverage: Associations of vulnerable but accessible producers organizations and/or those that have more members and are more active. Budgetary and logistical constraints are factors.</p> <p>Method: The provincial Agrorural agency selects organizations and producers, taking demand into consideration.</p>	<p>Mandate: (a) Small-scale producers in associations with production capacity; (b) low-income communities. (c) beneficiaries are located in the six poorest regions of Peru, all of which are in the highlands.</p> <p>Method: Competitions are held to select business plans and community development projects.</p>	<p>Mandate: All poor households in the rural areas where Juntos works</p> <p>Actual coverage: Districts selected by MEF. Budgetary constraints only allow operations in some of these.</p> <p>Method: A participatory baseline study is undertaken in each district to determine the coverage and scope of each programme intervention. Projects are selected on a competitive basis.</p>	<p>Mandate: All pregnant women and mothers with children under 19 years of age</p> <p>Actual coverage: Similar to the mandated coverage.</p> <p>Method: a) Select districts of high poverty; and b) select households by poverty level using SISFOH.</p>
Results and insights	<p>Agrorural's coverage is very low compared to its aims.</p> <p>The distribution, free of charge, of seeds, saplings, vaccinations, sheds and irrigation channels only benefits the direct recipients.</p>	<p>Aliados II only began in May 2015 so results cannot yet be assessed.</p> <p>Aliados I achieved its objectives of local business and community development, increasing the earnings of participants.</p>	<p>Advances have apparently been made in the adoption of technologies for use in family farming and home improvement.</p> <p>The outcome of the business ventures is as yet uncertain. The financial training does not appear to be having any significant impact.</p>	<p>This is a large-scale programme that has achieved broad engagement in the regions where it is active.</p> <p>Good progress has been made towards achieving the programme objectives, but these advances have not necessarily been commensurate with the scale of the programme.</p>
Nature of the programme	<p>This is a traditional outreach programme involving the distribution of production inputs. It continues to carry out actions that have been being implemented for decades; however, these actions have not been demonstrated to have sustainable impacts.</p>	<p>This programme provides resources for various agricultural projects. Most of these projects are quite complex and their success hinges on many different factors.</p>	<p>This is a complex programme. Its components are based on previous success stories although the long-term impact of these is not clear.</p>	<p>This is a straightforward programme with clearly defined objectives and proven methods.</p>

Programme	Agrorural, MINAGRI	Aliados II, MINAGRI	Haku Wiñay, FONCODES, MIDIS	Juntos, MIDIS
Programme environment	<p>Agrorural has control over its resources and activities at the district level but its budget and resources are centrally allocated.</p> <p>Agrorural has no formal system for monitoring programme implementation.</p>	<p>Aliados II has control over the planning of its projects, the supply of material and technical inputs, and the monitoring of progress. The major factors influencing its progress are outside of its control, however (e.g., actions decided upon by the beneficiaries, timing, etc.).</p>	<p>Haku Wiñay controls project planning and monitoring. The supply of materials and technical inputs is also monitored although direct control lies with the core implementation teams and the CLARs.</p> <p>Haku Wiñay does not have control over the population's engagement with the programme.</p>	<p>There is a great deal of control over most of the Juntos programme environment, except for the economic development of the target population and their aspirations to change their ways of life.</p>
Executing agency	<p>Agrorural is an agency of MINAGRI that has extensive experience, but it lacks the staff and budget to serve its very large target population.</p> <p>It enjoys political support as the executive arm of MINAGRI in the inland provinces.</p>	<p>Aliados II continues to make use of challenge funds. Judging from the experience of Aliados I and earlier programmes, there appears to be a strong demand for these funds. It therefore stands to reason that this initiative will garner the political support of regional governments.</p>	<p>Haku Wiñay is an important programme for MIDIS as it complements the work of the Juntos Programme.</p> <p>The programme is expanding. It has not yet been taken up as a tool for graduating households from Juntos however.</p>	<p>Juntos is a core programme of MIDIS and perhaps the most important of all. It has its own offices, systems and staff and it appears to be well-resourced.</p> <p>Juntos has enjoyed the sustained political support of two administrations.</p>
Coordination with programmes/agencies	<p>Coordination with other agricultural development agencies (regional government, local municipalities, Haku Wiñay) and social protection initiatives (Juntos) is confined to regular formal meetings. Although these agencies are active in the same settings and use similar tools, they operate independently. It is hoped that Agrorural will work closely with Aliados</p>	<p>Aliados II is an integral part of the work of MINAGRI. It is expected that CLAR members will ensure a close working relationship with local governments and authorities.</p> <p>It is less evident that activities will be coordinated with other agencies, although local multisectoral committees will</p>	<p>Haku Wiñay is designed to complement Juntos and it is therefore an integral part of the work of MIDIS.</p> <p>CLAR members maintain a close relationship with local governments and authorities.</p> <p>There is no significant coordination with other agricultural development agencies or programmes.</p>	<p>There is a close collaboration with the Ministries of Education and Health.</p> <p>Coordination and information sharing with municipalities occurs.</p>

Programme	Agrorural, MINAGRI	Aliados II, MINAGRI	Haku Wiñay, FONCODES, MIDIS	Juntos, MIDIS
	II, which is part of the Agrorural network. Aliados I worked independently of Agrorural.	share information with other stakeholders in the regions.		
Coherence	There is an enormous gap between the programme's overarching goal and its resources. As a result, the programme ends up working with the most active and most organized producers, leaving the poorest and most vulnerable on the sidelines.	There is a trade-off between the goals of assisting low-income producers and communities and the fact that project proposals are screened through a competitive process where capacity is a critical factor. Thus the more capable producers in the target population tend to receive assistance while the neediest tend to be left on the sidelines.	Conceptually, Haku Wiñay is an intermediate step between a social protection programme and other development and market integration programmes. It is not yet clear what proportion of beneficiary households have achieved a basic level of economic and food self-sufficiency under the programme.	The programme has a significant degree of internal coherence. Other agencies have misrepresented the conditionalities of the programme for their own gain.

3.4 The legacy of rural development projects

The general weakness of the state, the lack of an established public service career path and the resulting high turnover of senior staff, among other factors, have eroded the institutional memory of the government service in Peru. As a result, over a span of decades, many projects and programmes have succeeded one another without maintaining continuity or have been replicated again and again without any in-depth evaluation of their operational challenges or actual impacts.

While the agricultural sector has not been immune to this problem, there is a family of projects and programmes that have continued to develop and evolve for nearly 25 years. This family has two branches that are united by a common ancestor. The Rural Microregions Development Project (PRODERM) was implemented between 1986 and 1990 in the southern highlands of Peru by the Directorate General for International Cooperation of the Netherlands, the European Union and MINAGRI. The project tested different mechanisms for allocating grant funds for local production initiatives and experimented with production technology transfers and farmer-to-farmer learning schemes.

Based on this experience, one of the co-directors of PRODERM helped to design and implement the Promotion of Technology Transfer to Peasant Communities in the Highlands Project (FEAS), which ran from 1993 to 1999. Since that time, IFAD, in partnership with MINAGRI, has supported a series of projects based on the PRODERM and FEAS principles in order to test and refine different implementation mechanisms. These include MARENASS (1998–2004), the Puno-Cusco Corridor Project (2001–2008), Southern Highlands Projects I and II (2004–2014) and the Northern Highlands Project (2009 to the present).

The projects have all used challenge funds and participatory mechanisms to allocate and administer funding. The implementation teams and CLARs used by Aliados II and Haku Wiñay are the legacy of these experiences. In addition, a number of technology transfer elements, farmer-to-farmer learning experiences and household improvement and financial training modules have figured in IFAD projects since the time of FEAS.

Another branch of the PRODERM family focused on the development of production technology and home improvement packages while emphasizing farmer-to-farmer learning mentored by local technical assistance providers known as *yachachiqs*. For many years, these projects were carried out by NGOs working in the southern highlands of Peru, with the Institute for Agrarian Alternatives (IAA) being prominent among them. Based on the experience of PRODERM, IAA began to experiment with new technology packages in the early 1990s and by 1994, it had devised a project scheme around technology packages and the *yachachiqs*, which it continues to apply in communities in the Cusco region.

The work of IAA did not attract much attention until the 2000s. In 2009, it managed to capture the imagination of the Ministry for Women and Social Development (MIMDES), which announced the launch of My Productive Farm as a pilot initiative. In 2011, the project was revamped and transferred to the recently established Ministry of Development and Social Inclusion (MIDIS). Crucially, the project was incorporated into FONCODES, a programme created in 1991 to execute social and productive infrastructure projects and which, 20 years on, had ceased to fulfil many of its original objectives. After more than a year of pilot projects under the new My Enterprising Farm umbrella, the My Enterprising Farm-Haku Wiñay Productive Development Project was launched by MIDIS, with FONCODES as the executing agency.

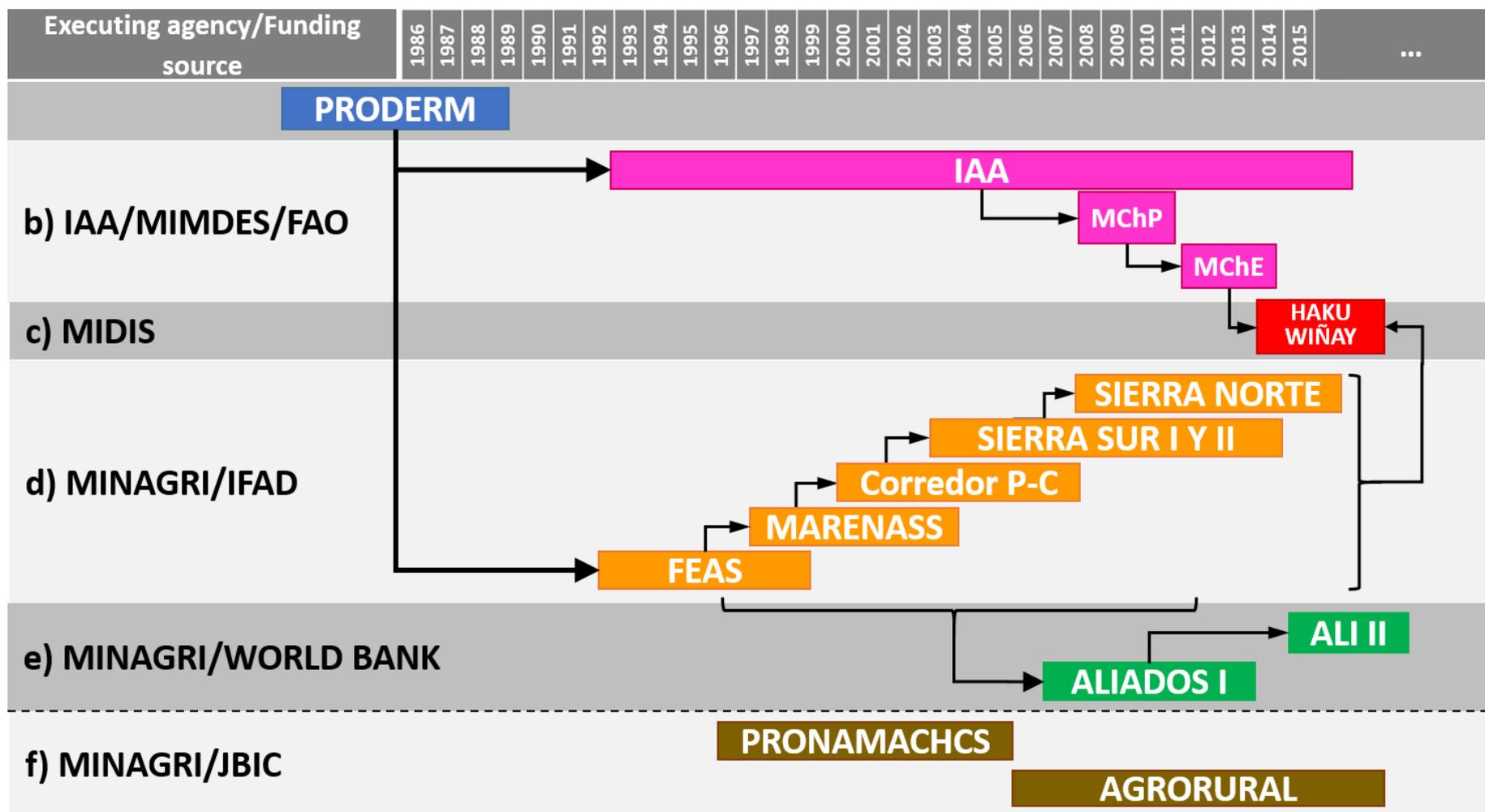
In Haku Wiñay, the two branches of the PRODERM family tree have come together under the direction of a distinguished economist who played a prominent role in almost all of the IFAD projects and, by 2012, was heading up FONCODES, supported by a number of people who had worked on the family of projects in the past. This team designed Haku Wiñay drawing on lessons learned from the IFAD projects and the approaches developed by IAA, My Productive Farm and My Enterprising Farm. The economist is now the Deputy Minister for Agrarian Policy in MINAGRI.

This brief – and in no way exhaustive review – illustrates the factors that made it possible to maintain the continuity and coherence of certain lines of public policy over nearly three decades in a governmental context that is generally characterized by impermanence and institutional amnesia. Above all, the existence of a reliable outside source of funding made it possible to ride out the ups and downs of Peruvian politics and to develop relatively coherent, long-term projects. Secondly, the continuity of involvement by key experts in the IFAD and IAA projects has ensured ongoing learning and knowledge-building processes.

A third and very decisive factor in the evolution of these projects was that they took place in a different legal framework than the one that governs other government actions. Both the technology transfers (which include providing assets to private-sector agents) and the use of challenge funds (which involve transferring funds to private-sector organizations) would have been impossible if public funds were used since these can be only be to acquire public goods. However, FONCODES is one of only two bodies in Peru that are permitted to transfer treasury funds to private agents (the IFAD projects were financed by international grants and IAA is a private agency). It would not have been possible to design these projects – much less implement and maintain them – unless these special circumstances were in place.

Figure 3.9 illustrates the evolution described in the preceding paragraphs. As the figure shows, programmes such as Aliados I and II, which receive funding from the World Bank have borrowed elements of their design (particularly the use of challenge funds and their application to business plans) directly from the IFAD projects. In addition, lessons learned from both branches of the PRODERM project family have been incorporated into national poverty-reduction strategies such as *Crecer* in 2007 and *Incluir para Crecer* in 2013. Finally, Figure 3.9 shows that there is some continuity in more traditional types of activities in the agricultural sector, such as the distribution of inputs and the provision of technical assistance to small-scale producers by the National River Basin Management and Soil Conservation Programme (PRONAMACHCS) and Agrorural. This continuity is more of an inertial phenomenon, however, since these programmes lack suitable assessment and innovation mechanisms and have not made any major contributions to the concept of rural development over time. In any event, it is clear that neither PRONAMACHCS nor Agrorural has incorporated lessons learned from the IFAD and IAA projects into their day-to-day work – in large part because, as noted previously, they do not have a legal framework that would permit them to replicate these practices.

Figure 3.9 The legacy of rural development projects in Peru



4. Coordination and linkages between agricultural development and social protection programmes

The coordination of public policies on social protection and agricultural development takes place in three very different realms: (i) intrasectoral coordination within the ministries in charge of implementing the programmes; (ii) intersectoral coordination between ministries; and (iii) intergovernmental coordination between the country's national, regional, provincial and district-level governments.

In general, the level of **intrasectoral coordination** varies from one ministry to the next. MIDIS has achieved a basic level of coordination between Juntos and Haku Wiñay, facilitated by the fact that the latter programme was designed to facilitate the former. In this sense, Haku Wiñay and Juntos are based on a common theory of change and largely, although not completely, use the same targeting criteria.

On an operational level, however, the programmes are very different, which accounts for the tension that exists between the two. On the one hand, the coordination between the two programmes is limited to leveraging the significant influence that Juntos has to motivate the programme's beneficiaries to participate in Haku Wiñay. On the other hand, it seems that Haku Wiñay tends to have a greater impact on beneficiaries that have more assets, are more inclined to embrace innovative solutions and are better organized – in other words, not exactly the target audience of Juntos.

Coordination between Agrorural and Aliados II is practically non-existent. Despite hosting Aliados II, it is clear that there is a significant gap between Agrorural's regular activities and the work of Aliados II, which is largely financed with external funds. According to accounts heard in Andahuaylas, Aliados I also operated independently of Agrorural, with its own team, its own management tools and its own targeting criteria. While it is hoped that Aliados II will eventually be integrated with Agrorural's local structure, it may well be that the lack of coherence between these two programmes will persist because they were not designed to be complementary at either a conceptual or an operational level.

Intersectoral coordination between MIDIS and MINAGRI is very limited. In the course of the study, different tales were heard of attempts to achieve central coordination, but these efforts have apparently not taken hold at the local level. In fact, no evidence was found of institutional interactions, apart from sporadic contacts between MIDIS managers and MINAGRI specialists in a few communities.

Intergovernmental coordination between ministries and their programmes on the one hand, and regional, provincial and district-level governments, on the other is a more complex proposition, as each subnational level of government has its own economic development policies, programmes and services for rural areas.

In Apurímac, for example, the regional government prioritizes large-scale irrigation and road infrastructure projects and the promotion of local business plans that contribute to the consolidation of the most competitive supply chains. The director of the Regional Agrarian Branch for Andahuaylas described the regional government's main focus in the agriculture sector as providing technical assistance to producers. No evidence has been found of coordination between national programmes and the regional government, apart from the fact that the regional government applies for funding allocations from MINAGRI for the

development of irrigation infrastructure. Even though their offices are a mere 100 metres apart, communication and coordination between Agrorural and the Regional Agrarian Branch for Andahuaylas are virtually non-existent.

For its part, the Provincial Municipality of Andahuaylas prioritizes strengthening supply chains for growth markets and food security projects, which include elements similar to those offered by Haku Wiñay (organic orchards, healthy housing, small animal husbandry). Here again, it seems that coordination between the provincial government and national programmes and other subnational governments is virtually non-existent.

The situation is somewhat better when it comes to district municipalities, although the significance of this is not completely clear. Certainly, each district municipality has its specific priorities based on the characteristics of the area that it serves. For example, the Municipality of San Antonio de Cachi, which is relatively isolated and has little irrigation infrastructure at its disposal, prioritizes irrigation and road works, while the Municipality of San Jerónimo, which is more urban and better connected with the rest of the country, focuses on promoting business plans developed by producer associations with a view to strengthening their supply chains.

This diverse range of priorities notwithstanding, the fact remains that, as the district municipalities are typically the authority in closest proximity to the population, the national agricultural development and social protection programmes see them as strategic allies in programme implementation. For example, in San Antonio de Cachi, Haku Wiñay coordinates with the municipality at every stage, from baseline analysis to the identification of beneficiaries and the selection of local ventures to be included in the programme. Furthermore, Haku Wiñay assumes that the district municipality will provide technical assistance to the selected businesses once the programme finalizes its work in the district. In San Jerónimo, the district municipality is vital to the work of Juntos. The municipality is in charge of running SISFOH, the local unit that determines the classification of district communities as poor or not poor and thus their eligibility for the programme.

It appears that neither of the MINAGRI programmes – Agrorural nor Aliados II – coordinates institutional efforts with the district municipalities.

Comments: A number of the officials interviewed in Andahuaylas mentioned a multisectoral committee that meets monthly in which all government agencies that work in the district participate. Nonetheless, it is clear that each agency, with the exceptions mentioned above, has its own plan of action and works alone.

The four subnational governments that were visited in the course of this study (a regional government, a provincial government and two district governments) had been in office for less than six months, following regional and local elections that took place in October 2014. Three out of the four new administrations are essentially starting from scratch in the design and implementation of their policies. These administrations are placing special emphasis on the formulation of new economic development plans because they feel that the plans of the previous administrations did not align with their policy orientations.

5. Conclusions and discussion

The isolation of most rural programmes

In Andahuaylas, the offices for Agrorural and the Regional Agrarian Branch for Andahuaylas and Chincheros provinces are located within 200 metres of each other. Both of these offices run training and technical assistance programmes for farmers; both do not have enough staff to serve the many poor producers in their districts. Merging their offices, pooling their resources and sharing the work would presumably not be such a difficult undertaking. Yet that has not happened. However, we did not find any other case where possibilities for improving the coordination of actions in rural programmes were clear to see. It may be that working in isolation is not as disadvantageous as it might seem.

On the whole, there does not appear to be much coordination between Juntos and the agricultural development programmes. Some information sharing occurs: staff in the field are aware of the other programmes and know about them although this rarely influences their operations. While the programmes largely work in isolation from each other, there is not much evidence of conflict.

An exception arose from the misrepresentation of Juntos conditionalities. Juntos provides incentive payments to mothers to encourage them to send their children to school and to get regular check ups for themselves and their children. The threatened withdrawal of these payments was used by the Ministry of Health to promote the adoption of healthy housing measures; by Haku Wiñay to promote the adoption of those same measures and their financial training and technology packages; and by municipal governments to increase participation in community activities. Although these three agencies may have had the best of intentions, they clearly overstepped their bounds by threatening to withhold funds that were not under their control. Juntos managers have stated that such attempts to pressure its beneficiaries is now prohibited, an assertion that has been confirmed by a field officer in the Ministry of Health.

The lack of coordination and interaction between agricultural development and social protection initiatives

The programmes described in this study share a legacy of methodological approaches, implying the potential for common ground. Aliados II and Haku Wiñay evolved from initiatives that bequeathed them mechanisms such as the use of challenge funds for CLAR-screened grant awards and the transmission of information by *yachachiqs*. In the area of social protection, the *Creceer* project contributed concepts such as healthy housing. Nevertheless, agricultural development and social protection initiatives may differ greatly in terms of objectives, methods and resources and this may constrain their capacity to coordinate.

Straightforward social protection programmes, such as Juntos, have clear objectives and methods. They do not depend much on surrounding factors including the willingness of users to fulfil their conditions (since that willingness is prompted by financial incentives). The success of agricultural development programmes, on the other hand, hinges on a number of factors, most of which are beyond their control. These factors include the programme beneficiaries, whose behaviour is essential for success but whose motivation is not necessarily influenced by the programme.

Different types of programmes have different levels of resources available to them. Juntos, for example, has a budget that is large enough to allow it to cover the vast majority of its target

population, whereas the agricultural programmes can only serve a fraction of their potential beneficiaries. As a consequence, agricultural projects tend to target producers that have more assets, knowledge and social ties than their neighbours.¹⁴ This approach not only focuses on capacity rather than need, but also gives a great deal of discretionary power to field staff, local leaders and the CLARs who are knowledgeable about the capacity levels of the producers in their areas. By contrast, the greater control that Juntos has over its own programme and environment allows it to target its beneficiaries centrally and on the basis of national policy, leaving little discretionary power to those involved at the local level.

While greater links between production and protection actions would seem logical and desirable, we do not see these occurring much in practice for some of the reasons noted above. In the one case where there has been a deliberate effort to coordinate social protection with production through Haku Wiñay, the link has not liberated agricultural initiatives from the challenge of deciding whether to target their activities on the basis of need or capacity.

Is it feasible to expand the Haku Wiñay Programme to provide coverage for all the communities where Juntos is being implemented?

Juntos pays out S/. 1 200 in incentives per household each year, while the cost per household served by Haku Wiñay amounts to S/. 3 000 or more, on average. Expanding the reach of Haku Wiñay to all of the communities where Juntos works would cost 2.5 times more. In 2013, Juntos transferred slightly more than S/. 783 million to beneficiaries, which means that an additional investment of S/. 1 958 billion would be required to expand Haku Wiñay's coverage to match that of Juntos. While that is a sizeable sum, given the fact that the government channelled over S/. 9 billion into rural investments in 2012, expanding the programme on such a large scale is not beyond the realm of the possible.

Now comes the big question: *Is the Haku Wiñay Programme worth it?* Or, to put it another way, would it be better to invest those funds in other programmes? There is no definitive answer to that question yet, which is why the formal assessment of Haku Wiñay is awaited with so much interest.

It may be overly optimistic to expect that a majority of the population served by Haku Wiñay can be lifted out of poverty. In Cachi, only 30 to 40 percent of the target population agreed to use the techniques introduced by the programme. It therefore remains to be seen whether the proportion of the target population that does rise above the poverty level is large enough to justify the investment (with the corresponding calculations factoring in the resulting reduction in Juntos transfer payments). What is more, if a substantial percentage of the Juntos beneficiary households do not succeed in crossing the poverty threshold, then consideration will have to be given to providing that segment of the population with public assistance (in the form of Juntos payments or something else along those lines) unless some other pathway out of extreme rural poverty can be found.

¹⁴ This does not mean, however, that these programmes work with large-scale producers. They work with small-scale, low-income producers, just not necessarily the very poorest.

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Annex A: People interviewed

Surname	First name	Position
Tello	Jorge	Adviser to the Deputy Minister for Agrarian Policy, MINAGRI
Castro	Cesar	Adviser to the Director of Aliados II
Fort	Ricardo	Senior Researcher for GRADE
Escobal	Javier	Senior Researcher for GRADE
Zegarra	Eduardo	Senior Researcher for GRADE
García	Alberto	Strategic Adviser for FAO in Peru
Valer	Rosario	Adviser to FONCODES, Lima
Chacate	Jenny	Adviser to FONCODES, Lima
Lázaro	Hernán	Chief of the Economic Opportunities Unit, FONCODES
Escalante	Julio	Chief of the Apurímac District Unit, FONCODES, Haku Wiñay
Valer	Edgar	Production Projects Specialist, Haku Wiñay, Apurímac
Valdivia	Julián	Technical Coordinator for Haku Wiñay, San Antonio de Cachi
Peceros	Aurea	Textile business venture, Haku Wiñay, Cachi
Flores	José	Footwear business venture, Haku Wiñay, Cachi
Romero	Olimpia	Haku Wiñay user, Huantana, Cachi
Peceros	José	President of the Core Implementation Team, Haku Wiñay, Cachi
Crespo	Floro	<i>Cuyes</i> production business venture, Haku Wiñay, San Juan Bautista, Cachi
Mayma		Trout farming business venture, Haku Wiñay, Chullisana, Cachi
Name not recorded		Haku Wiñay user, Chullisana, Cachi
Flores	Antonieta	Local Planning Specialist, Juntos
Mancilla	Doris	Follow-up Specialist, Juntos
Zare	Teresa	Follow-up Specialist, Juntos
Alvarado	Milagros	Former National Director of Juntos
Peña	Johana	Local Unit Chief of Juntos, Apurímac
Franco	Lizbeth	Chief of Champacocha Health Centre
	Lucía	Juntos client
Vargas	Ana	Juntos client
	María	Juntos client
Name not recorded		Juntos client
Camero	Robert	Director of Agrorural, Apurímac
Chavez	Gustavo	Chief of Agrorural District Agency, Andahuaylas
Maucaya	Glicerio	President of the Quinoa and Kiwicha Producers Association, Community of Poltocha
Galindo	Edgar	User of Agrorural irrigation canal, Champacocha
Yauri	Efraín	President of the Producers Association of the Community of Champacocha

Pichihua	Severa	Member of the Producers Association of the Community of Champaccocha
Ligarda	Anibal	Economic and Social Development Manager, Regional Government of Apurímac
Medina	Modesto	Director of the Regional Agrarian Bureau, Regional Government of Apurímac
Romero	César	Economic and Social Development Manager, Provincial Municipality of Andahuaylas
Villamil	Jessica	Deputy Manager for Local Economic Development, District Municipality of San Jerónimo
Name not recorded		Chief of the Local Targeting Unit, District Municipality of San Jerónimo
Rojas	Demetrio	Deputy Mayor, District Municipality of San Antonio de Cachi

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FAO, together with its partners, is generating evidence on the impacts of coordinated agricultural and social protection interventions and is using this to provide related policy, programming and capacity development support to governments and other actors.