

**AGRICULTURAL RESTRUCTURING AND COORDINATED
POLICIES FOR RURAL DEVELOPMENT IN CHILE**

by

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A thesis submitted to the Faculty of Arts
of the University of Birmingham
for the degree of
DOCTOR OF PHILOSOPHY

School of Geography
Faculty of Arts
The University of Birmingham
May 1995

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SYNOPSIS

Despite a successful process of economic growth in Chile principally engineered by a dramatic rise and diversification of primary exports since the late 1970s, rural poverty is still a widespread condition throughout the country; nearly 40 per cent of the rural population are affected by this condition. From a geographical perspective, rural poverty in Chile is a complex result of different intervening factors. The adoption of outward-oriented strategies of development since the mid-1970s has initiated some new trends that have adversely affected a significant segment of the rural population.

Thus, one of the results of the socio-productive change, which can be observed in the Chilean countryside, is a growing number of landless peasants and an aggressive market for agricultural land. New lands have been required for the expansion of export-led primary resources, notably agricultural and forestry. In parallel, the developing of a seasonal structure of labour demand has become an additional constraint affecting the rural labour force and the quality of life in rural areas.

Within the institutional framework of the government rural problems have been largely perceived as a responsibility of the Ministry of Agriculture. However, usually the main difficulties affecting rural population are not only related to productive concerns but they are also associated with a wider number of inter-sectoral constraints (e.g. availability and access to housing, social services and infrastructure, to grass root organisations, to culture and recreation among others). So, any attempt oriented to increase rural development transcends unisectoral policies.

This study has three main general aims. First, it attempts to explore the background to rural poverty in Chile in a national and international context. Secondly it examines the regional evolution of agriculture in a highly-competitive framework. In this context, a comparison is made of a region that has been transformed by export-led agriculture with a region whose products have not been competitive internationally and, indeed, have found it difficult to remain competitive in the national market. Thirdly, it pretends to present and evaluate an intersectoral attempt by the democratic government of President Patricio Aylwin to alleviate rural poverty through better organisation and coordination of ministerial responsibilities

dedicated to rural areas. The vehicle for improving horizontal coordination was the Interministerial Commission for Rural Development-CIDER. The regional focus was the VII Region (Maule), a region that had not benefited from export-led agriculture.

To Catalina, Camilo, and Marietta (my source of energy);
To those children who go to school for food rather than
for learning (my main concern).

ACKNOWLEDGEMENTS

It would not been possible to complete this thesis without the valuable cooperation of many people and institutions.

I would particularly like to express my gratitude to my supervisor, Dr. R. N. Gwynne for his limitless support, guidance and patience during the development of this thesis.

I want to thank the British Council and the School of Geography of the University of Birmingham for their financial support for my studies in Britain. I am grateful for the efforts of the postgraduate tutor Dr. M. Bradshaw who helped me overcome funding problems for the second stage of this research.

I wish to thank the Ministry of Agriculture for sponsoring part of this research. My special gratitude to the Head of ODEPA Carlos Furche for his institutional support throughout my second stage in Britain. I am especially indebted, however, to the former Minister of Agriculture Juan A. Figueroa who trusted me for the identification and preliminary implementation of the CIDER programme for Rural Development which is discussed in this research.

My appreciation is also expressed to my colleagues of ODEPA and other services and ministries who assisted me while carrying out this research. However, I am especially grateful and indebted to my colleagues on CIDER's technical advisory committee who believed in and contributed to the identification and implementation of the CPRD. In this regard, I wish to express my special thanks to the former SEREMI of agriculture in the Maule region, Oscar Bravo, for his invaluable collaboration with CIDER and his strong commitment to rural development initiatives in the region.

My recognition to the Faculty of Architecture and Urbanism and especially to my colleagues of the Department of Geography of the University of Chile for sponsoring and supporting me whilst this research was being done.

I wish to thank Claire and Kevin for their technical assistance with the tables and figures

respectively. I would also like to express my gratitude to my colleague and friend C. Lee for his invaluable assistance with the editorial job of this thesis.

My recognition to the staff and particularly to all my postgraduate colleagues of the School of Geography. Their friendship was an important factor in facilitating my adaptation to the social and working environment of the University of Birmingham.

To Dr. D. Fox and Dr. J. Sidaway, my sincere thanks for their generous flexibility in evaluating the thesis considering the schedule I had to meet in order to return to Chile.

Finally, my warmest thanks and gratitude to my wife, son, and daughter for their understanding and support while I was concentrating upon this thesis, especially during both long periods in which the Atlantic was between us. I wish also to express my appreciation to my parents for assisting my family while I was away.

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LIST OF ABBREVIATIONS

APEC	Asian Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
BIH	Basic Irrigated Hectares equivalent
CACM	Central American Common Market
CAP	Common Agricultural Policy
CASEN	National Socio-economic Survey
CELCO	Cellulose Company
CES	Economic and Social Community Council
CIDER	Interministerial Commission for Rural Development
CNR	National Commission of Irrigation
CODECO	Municipal Development Council
CODELCO	Copper National Corporation
CODELPA	Atacama Production Company
CONAF	National Forestry Corporation
CPRD	Coordination Programme for Rural Development
CTA	Technical Advisory Committee
DL	Decree Law
EAC	East African Community
EC	European Community
ECLA	Economic Commission for Latin America
EEC	European Economic Commission
EEP	Export Enhancement Programme
EFTA	European Free Trade Agreement
EU	European Union
FAO	Food and Agriculture Organisation
FIDA	International Fund for Agricultural Development
FNDR	National Fund for Regional Development

FOB	Free on Board
FOSIS	Solidarity and Social Investment Fund
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Production
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEUC	Economy Institute of the Catholic University
IMF	International Monetary Fund
INDAP	Institute of Agricultural Development
INIA	Institute for Agricultural Research
ISI	Import Substitution Industrialisation
JUNDEP	Corporation of Private Development
MERCOSUR	Southern Cone Common Market
MIDEPLAN	Ministry of Planning and Cooperation
MINAGRI	Ministry of Agriculture
NAFTA	North American Free Trade Agreement
NGO	Non Governmental Organisation
NIC	Newly Industrialising Countries
ODEPA	Office of Research and Agricultural Policies
ODEPLAN	National Planning Office
OECD	Organisation for Economic Cooperation and Development
PAF	Forestry Action Plan
SAG	Agricultural and Livestock Service
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Programme
SECAL	Sectoral Adjustment Loans
SECPLAC	Municipal Secretariat of Planning
SEREMI	Regional Ministerial Representative
SERPLAC	Regional Secretariat of Planning
SNA	National Society of Agriculture
SUBDERE	Sub-secretary of Regional Development

UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
USDA	United States Department of Agriculture

Chapter 1. Introduction

Although theoretical perspectives can provide a valuable context with respect to socio-economic change and their spatial implications, the final geographical outcome in any particular country is highly influenced by its national, regional and local features. The requirement of gathering data concerning holistic socio-geographical processes at these different spatial levels is not only relevant for establishing a more accurate diagnosis of the geographical evolution at the macro-, meso- and local-scales, but also for the policy-making process. This thesis attempts to link diagnoses of agricultural restructuring in Chile with the need for generating national policies and frameworks to better coordinate rural development and alleviate rural poverty.

1.1. Aims of the Thesis

This thesis has three main aims:

- a) It proposes to characterise and explore the background of rural poverty in Chile by taking into consideration national and international factors.
- b) It intends to identify socio-geographical patterns at the regional level that have resulted from the insertion of the agricultural sector in a highly competitive national and international framework.
- c) It aims to present, discuss and evaluate an intersectoral attempt by the democratic government of President Patricio Aylwin to confront rural problems of poverty through a better horizontal coordination of these ministerial responsibilities dedicated to rural areas. The vehicle for this purpose was the Interministerial Commission for Rural

Development

1.2. Objectives

The main objectives that will be pursued in order to fulfil the previous aims are the following:

1.2.1. Analysis of the socio-geographical manifestation of poverty in the rural areas of the country

At an aggregate level nearly 40 per cent of the Chilean population was affected by poverty in the early 1990s. Proportionally this problem was higher in rural areas than in urban ones. From a geographical perspective rural poverty in Chile is the complex result of different intervening factors. Poor people in the different regions of Chile are affected by different constraints and challenges that need to be faced in order to allow them to improve their social conditions. The complexity of poverty in rural areas makes it extremely difficult both to identify and implement public policies oriented to overcome the needs of the rural poor.

This study intends to provide some information on the regional distribution of rural poverty by using the official information that was available at the beginning of the 1990s. In addition, some attempts at explanation will be presented concerning the socio-geographical factors which characterise two of the poorest "transcommunal" areas of the country: the semi-arid region of the Norte Chico and the Coastal-Range's "secano". These two areas were chosen due to the relation that they have as regards exploring the second aim (the Norte Chico region) and the third aim (the Coastal Range "secano").

1.2.2. Analysis of some socio-productive changes that have been occurring at the regional level as a result of the opening up of the Chilean economy

The adoption of outward-oriented strategies of development since the mid 1970s has initiated some new trends with opposing results in the Chilean countryside. On the one hand, there are some regions that have significantly benefited in terms of increased production. But, on the other hand, there are others that have benefited much less as a result of the process of economic restructuring. From the social perspective, however, processes have evolved in both types of regions that have adversely affected a significant segment of the rural population, especially small- and medium-scale producers. However, in spite of the intensity with which some governments have stimulated nontraditional exports in last decades, there are few published studies that provide detailed information of the socio-geographical impact of such strategies on the Latin American process of evolution.

Consequently, this research intends to characterise the main trends that have been occurring at the meso-scale level in two of the most affected regions of the country; the Norte Chico region (one of the most reactive territories in terms of the development of export-led fruit production) and the Maule region (one of the less competitive areas that has specialised in traditional agriculture with respect to both domestic and international products). Due to the complexity that the whole socio-geographical evolution of these regions presents, most of the attention is going to be focused on the analysis of those variables which appear to be more closely related to the most adversely-affected rural inhabitants. The analysis intends to generate primary information concerning the dynamics affecting: the allocation of private investment; the land market and the demand for labour. With respect to the backward region of Maule, the attention is also focused on the analysis of the evolution of prices, production, land use, and on the case of more competitive import crops. In addition, some insights are given at the local level (in the rural commune of Empedrado) concerning the impact of the growing development of forestry plantations in the area of the "secano", where the need for new land has started to severely affect its population. This case study has been selected due to its relevance with respect to the third aim.

1.2.3. Identification and analysis of some internal and external factors which have been significantly affecting rural development and rural policies in Chile

Many economic, social and political factors are directly and indirectly influencing rural development in developing countries. These factors, derived from both external and internal sources, very much restrict the capacity for manoeuvre that the state has for the implementation of feasible policies. The means that the state has in order to intervene directly has severely decreased as a result of the conditions imposed by the free-market economy that the country has adopted. However, these restrictions have not implied that the state has to become an observer within this new context. On the contrary, the state has inevitably to adopt a new role in order to deal with the new emerging challenges generated by the new external and internal factors that affect the country's development. Undoubtedly, these challenges go far beyond agricultural sectoral policies. The capacity of governments to negotiate within the geopolitical international context has proved to be determinant, especially if the new characteristics that world trade has shown since the recent adoption of the new international division of production are taken into consideration. No doubt, this new international context has started to generate important trends within most participant nations.

Consequently, in order to fulfil this objective, information will be provided concerning some of the most relevant external factors that have been contributing and affecting the reorientation of Chilean primary exports (especially in agricultural products). Some of these are: the present dynamic of world agricultural prices and markets; the role played by two important international funding agencies (the I.M.F. and the World Bank) in the Chile's structural adjustment process; the different sources of international protectionism for agricultural production within some of the countries of the advanced world -the cases of the U.S., Europe (Common Agricultural Policy), and Japan are studied because of their influence on Chilean agricultural imports and exports. Information on how protectionist measures do apply in these three cases might provide valuable background for the country's attitude with respect to international trade, especially if a number of emerging new trading-blocks within

which Chile is starting to participate as a member is considered (e.g Apec, Nafta and Mercosur). Nevertheless, some internal factors affecting rural policies in Chile will also be presented. Information will be provided on the institutional, social, financial and political constraints that prevent a more active role of government in rural development policies.

1.2.4. Analysis of an intersectoral strategy of public coordination for rural development within the new framework of the state

Traditionally, rural problems in the country have been largely perceived as a responsibility of the Ministry of Agriculture. Most of the time, however, the main constraints affecting rural population are not only related to productive concerns but are also associated with a wide number of inter-sectoral restrictions (e.g. availability and access to: housing, social services and infrastructure; to grass root organisations; to culture and recreation, among others). Therefore, any attempt oriented to increase rural development not only must transcend unisectoral policies but also should require increasing the level of popular participation. From the policy-making perspective, President Aylwin's government decided to use all existing institutional means to combat the level of poverty that the country presented when it assumed power. This was especially the case when the government considered the traditional inflexibility of the country's public institutions to combat rural poverty. One instrument that the state used was the Interministerial Commission for Rural Development.

Consequently, the final part of this research intends to present and discuss the intersectoral attempt by the Aylwin government to benefit rural areas by focusing most of the attention on the alleviation of rural poverty. This strategy was mainly established taking into consideration three main aspects: the need for tackling rural problems in a country with substantial regional variations; the need for increasing regional and popular participation; the need to raise the level of state efficiency. In order to fulfil this objective, some information is provided on: the new regional and municipal laws which led to high levels of state deconcentration and democratisation at the local level; antecedents related to the Interministerial Commission for

Rural Development; the presentation of a strategy of rural joint-actions; and further propositions for institutional reforms in order to increase the long-term prospects for State intervention in favour of rural areas. Significant attention is going to be focused on a pilot strategy of rural development implemented at the local level by the regional government of the Maule region.

1.3. Methodology

In accordance with the aims of this thesis, this study was oriented to link the two following aspects: the provision of current information directly related to the factors and processes that affect some of the poorest rural areas of Chile; the attempts of government, through the implementation of coordinated policies from public bodies directly and indirectly related to the rural sector.

This link has been made possible as a result of the direct involvement of the author in both processes. The author has worked as: a researcher in the field of nontraditional exports and regional change since 1983, as a member of the Department of Geography of the University of Chile; and as the coordinator (deputy executive secretary) of the Interministerial Commission for Rural Development at the Ministry of Agriculture, between 1991 and 1994. This latter position was assumed by the author after a request made by the Minister of Agriculture (the head of the interministerial commission) in order to propose to him general guidelines for an intersectoral programme of coordination oriented to benefit rural populations, especially those living in poverty

Accordingly, the main sources of information that this study provides have been obtained from the direct participation of the author in all the stages that the research presents. Special attention is focused on the planning exercise due to the fact that one of the main purposes of this work was to identify and evaluate the coordinated public policies, oriented to benefit the

rural population of Chile (in this respect it is worth mentioning that this research has been jointly sponsored by the Ministry of Agriculture and by the Geography Department of the University of Chile).

There were four general methodological steps followed in order to fulfil the aims and objectives of this thesis. They were as follows:

A. Characterisation of rural poverty in Chile:

- i) Gathering and aggregation of the latest information on rural poverty at the communal level of Chile (further details in Chapter two).
- ii) Analysis of the main socio-geographical variables which could explain the high level of rural poverty in two homogeneous geographical aggregates (the Norte Chico and the "secano").

B. Identification of socio-geographical patterns at the regional level in two regions affected by the opening up of the Chilean economy (the Norte Chico and the Maule region):

- i) Collection and processing of primary and secondary information mainly concerned with: sources of productive investment involved in nontraditional agricultural exports (principally in export-table grape production); land markets in export-oriented areas; and in labour markets. Most of the information has been directly collected from questionnaires and structured interviews in the field (in both regions), either as a member of an academic research group (as in the case of the Norte Chico) or as an individual researcher (as in the case of the Maule region).
- ii) Gathering and analysis of the latest statistical information on prices, imports, and land use concerning the recent evolution of the agricultural and forestry sectors in the backward Maule region.

C. Identification of internal and external factors affecting rural development in Chile:

- External factors:

- i) Revision, selection and analysis of secondary information concerning: recent trends in world agricultural trade; the role, course of actions and conditions established by two main international lending agencies (I.M.F. and World Bank) to lend to developing countries; and different internal and international protectionist measures applied by the U.S., the E.U. and Japan as regards both agricultural production and trade.
- ii) Collection of direct information on factors affecting world trade and production in agriculture (Land Reform Training Institute, Taiwan 1992; FAO World Conference, Rome 1993; and International Seminar on World Trade and International Organisations, Bogotá 1993 -in the two first cases as an official representative of the Chilean government).

- Internal factors:

- i) Collection and analysis of primary and secondary information on variables restricting the implementation of direct policies in rural areas such as: financial, institutional, political, and these of grass-root organisations.
- ii) Identification and analysis of new challenges for state intervention in rural areas such as: in production, infrastructure and in the social domain
- iii) Analysis of some instruments that could be potentially used for coordinated and participative strategies for rural development. A detailed analysis is going to be provided as regard the new Regional and Municipal Laws (presented to the Congress by President Aylwin). In addition, the code of the Interministerial Commission for Rural Development (Decree No 55) will be more extensively analysed in order to identify its potential for the implementation of an intersectoral strategy of coordination

for rural policies.

D. Presentation, analysis and evaluation of the Coordination Programme for Rural Development -CPRD.

The CPRD was identified by the interministerial Technical Advisory Committee installed for this purpose, and started to be implemented by the respective ministries since mid-1991.

- i) Identification and discussion of some proposals for increasing the level of public coordination presented to the Ministers which conformed the Commission: proposal for referential axes for joint interministerial programmes; contextualisation of rural development; implementation of a pilot experience of coordination for rural development at the regional level in the Maule region; identification of institutional reforms for widening the potential effectiveness of the Commission at both the central and regional levels.
- ii) Presentation and discussion of some jointly-identified and -implemented programmes at both central and regional levels. Special attention was focused on the experience carried out by the Maule Regional Government in combination with 9 local governments.
- iii) Evaluation of the preliminary results obtained from the whole planning exercise implemented by the Interministerial Commission for Rural Development at both regional and central levels.

1.4. Structure of the Thesis

The results of this research are going to be presented through the ten following chapters.

Chapter two provides some discussion and information on poverty in Chile, even though most of the attention is focused on rural poverty especially at the communal level. Two wider socio-geographical patterns of rural poverty are presented in depth; the Norte Chico and the "secano" of the Coastal Range.

The next two chapters compare a region that has been favoured by rapid export growth-agriculture with one that has not. The regional impacts of the rapid development of export-led vineyards in the area of the Norte Chico (Copiapó and Limari Valleys) are the focus of Chapter Three. Attention has been directed to the regional evolution of investment capital, land and labour markets. In contrast, Chapter four analyses the backward Maule region. In particular, this chapter focuses on the socio-productive effects in small- and medium-scale peasant farmers that have resulted from the low competitiveness of the Maule region's agricultural sector with respect to international grain production. The social impacts from the expansion of forestry activities in the "secano's" Commune of Empedrado are also examined.

Given that Chile's agricultural growth has been so intimately linked to supplying international markets a global perspective is also required.

Chapter five presents information on external factors affecting rural development in Chile such as: the evolution of prices and markets for agricultural products at the world scale; the role played by the I.M.F. and the World Bank in redirecting the economies of developing countries towards outward-oriented strategies of development; and finally, some internal and external protectionist measures implemented by the U.S., the E.U., and Japan with respect to agricultural production and markets. At the national scale of analysis, Chapter six presents and discusses some of the domestic imperatives and restrictions for the implementation of state-led strategies of rural development.

The following two chapters describe the instrument that the Chilean government has introduced to promote greater decentralisation and deconcentration within the national space. Chapter seven explores the background to uneven spatial pattern of development in Chile and gives some insights into the new Municipal and Regional Laws. These are two important means in the search for more equitable and participative strategies of development. Chapter eight introduces the Interministerial Commission for Rural Development as an interesting instrument used by the Aylwin government for increasing the level of public coordination with respect to rural-oriented policies. A general background of its origin, objectives and structure is provided. In addition, it also considers some arguments which explain its recent evolution and, finally it introduces the way in which it was going to be utilised by the new democratic government from 1991.

The following two chapters explore and evaluate the programme of rural coordination itself. Chapter nine introduces the "Procider" (Coordination Programme for Rural Development -CPRD) identified by the Commission's Technical Advisory Committee during 1991. The main proposals for both specific joint programmes, at both national and regional levels, and some institutional reforms are presented in some detail.

Chapter 10 presents an evaluation of the implementation of the CPRD since mid-1991. The second part of this chapter is oriented to evaluate preliminary results obtained from a regionally-based coordinated programme for rural development carried out in some of the poorest communes of the Maule region.

Chapter 2. Poverty in Chile: Definitions and Patterns

Introduction

Rural poverty in Chile is a complex concept to face, especially from the policy-making perspective. Working at the policy-making level as regards rural poverty presents serious challenges especially if the main intention of public measures is oriented to overcome the origin of its symptoms rather than to provide temporary alleviation. Thus, problems related to the difficulties in defining and measuring rural poverty, the multiplicity of factors that cause poverty, and the different theoretical approaches which have been used through the last three decades in Chile have contributed not only to the lack of agreement regarding this topic but also to the use of different strategies to deal with it.

However, despite the recent socio-productive change which has been affecting the Chilean rural sector through the last 25 years, 36.2 per cent of rural homes are still classified as poor according to the latest official poverty survey (MIDEPLAN, 1993). This has motivated government to devise new attempts to tackle the problem of poverty. However, the characterisation and identification of these social groups and territorial areas that should receive help from the state are unclear, especially if poverty is defined from a wider perspective than the economic one. Moreover, the current process of socio-geographical evolution affecting the country as a result of the opening up of the economy has induced new questions regarding economic growth and poverty trends. This has recently and explicitly been declared by the World Bank, one of the strongest advocates of economic growth as the best alternative to fulfil development in the following terms: "Despite the relative high rate of growth that the economy in general, (the Chilean) and the agricultural and forestry sector in particular, have shown in the last ten years, this growth does not seem to have benefitted all sectors of society to the same extent." (World Bank, 1994 pag 3).

Accordingly, the main aims of this chapter are threefold. In first place, some of the most recent information on poverty at the national level is presented, taking into account both the different methodological and conceptual approaches used. Secondly, since poverty appears to have a relatively higher incidence in rural areas, attempts are made to determine the spatial incidence of this condition in the rural environment. Thirdly, two important areas of rural poverty in the country are more closely examined -the drylands of the Norte Chico region and the drylands of the Coastal Mountain Range. This will give some insight as regards the particular socio-geographical elements that characterise and influence rural poverty in areas significantly affected by the opening up of the Chilean economy since the mid-1970s.

It should be noted, however, that, because of statistical constraints, this analysis is based on a rather static approach. More dynamic qualitative information, as regards recent rural poverty trends, will be considered in the next chapter.

2.1. Poverty at the National level: Some Insights

Poverty is still a widespread condition throughout the Chilean territory. A series of studies agree that over 40 per cent of the Chilean population lived in poverty in 1990, with a level of income that was insufficient to cover basic needs; that is to say a group of people living together unable to afford an equivalent of two basic food baskets ("canasta básica de alimentos") valued at 12,875 Chilean pesos for urban areas and 9,921 Chilean pesos for the rural one in 1992 (US\$34.8 and US\$26.9 respectively in 1992) (MIDEPLAN, 1994). Furthermore, according to the World Bank (1994), nearly 50 per cent of these poor people lived in extreme poverty (destitute), defined as those which were unable to satisfy their minimal nutrient requirements. The definition of "destitute" ("indigente") was applied to people who could not even afford one basic food basket. The last CASEN Survey carried out in 1990 (see Table 2.1 and 2.2), also stated that 40 per cent of people lived in poverty,

Table 2.1 Population in Poverty by Regions in Chile, 1990.

Region	Destitute	Poor/Not destitute	Total Poor	Not Poor	Total
I	27,685	79,849	107,534	238,644	346,178
II	42,537	89,432	131,969	246,831	378,800
III	18,360	51,918	70,278	117,745	188,023
IV	77,349	148,859	226,208	251,140	477,348
V	226,161	372,916	599,077	774,207	1,373,284
VI	96,060	177,040	273,100	367,659	640,759
VII	152,593	252,765	405,358	422,956	828,314
VIII	305,844	456,673	762,517	882,967	1,645,484
IX	163,198	204,596	367,794	407,117	774,911
X	128,557	263,964	392,521	504,641	897,162
XI	6,602	18,108	24,710	50,558	75,268
XII	12,712	33,512	46,224	97,760	143,984
MR	532,732	1,262,940	1,795,672	3,398,845	5,194,517
TOTAL	1,790,390	3,412,572	5,202,962	7,761,070	12,964,032

Source: Casen Survey 1990; Ministry of Planning 1994.

Table 2.2 Population in Poverty by Regions in Chile, 1990 (%)

Region	Destitute	Poor/Not destitute	Total Poor	Not Poor	Total
I	8.0	23.1	31.1	68.9	100.0
II	11.2	23.6	34.8	65.2	100.0
III	9.8	27.6	37.4	62.6	100.0
IV	16.2	31.2	47.4	52.6	100.0
V	16.5	27.2	43.6	56.4	100.0
VI	15.0	27.6	42.6	57.4	100.0
VII	18.4	30.5	48.9	51.1	100.0
VIII	18.6	27.8	46.3	53.7	100.0
IX	21.1	26.4	47.5	52.5	100.0
X	14.3	29.4	43.8	56.2	100.0
XI	8.8	24.1	32.8	67.2	100.0
XII	8.8	23.3	32.1	67.9	100.0
MR	10.3	24.3	34.6	65.4	100.0
TOTAL	13.8	26.3	40.1	59.9	100.0

Source: Casen Survey 1990; Ministry of Planning 1994.

and that this condition applied to 34.5 per cent of Chilean households (MIDEPLAN, 1993). This means that poor households have larger families than the average Chilean household. However, because of methodological differences in approaching poverty, it is practically impossible to establish with reliable accuracy and precision the trend and incidence of poverty in the country during the last three decades. In that way, different combinations of indicators could show completely opposite trends.

Some surveys have reported an increasing poverty while others claim to identify a reduction in poverty. One analysis using combined information based on family expenditure on a minimum food basket and the family level of income (ECLA, 1987; MIDEPLAN, 1991) published by FIDA (International Fund for Agricultural Development) in 1993, estimated that the percentage of Chilean people living in poverty rose from 20 to 40 per cent between 1970 and 1987 (FIDA, 1993). This trend could be partially explained by both the fall of real income and the availability of food consumed by lower-income population groups. The Central Bank estimated that the level of per capita food consumption fell 8 per cent between 1970 and 1987. Per capita absolute consumption of food in five of the nine groups that comprise the Chilean basic food basket diminished in the period (potatoes, meat, eggs, dairy products and pulses). This trend contributed to the substantial rise in the number of families living under the standard of minimal nutrient consumption. According to an official survey carried out in the Great Santiago Metropolitan Area, between 1976 and 1986, 40,3 per cent of households had a level of food consumption below the minimum standard in 1980; by 1986, this percentage had risen to 50,9 per cent (FIDA, 1991).

Conversely, there exist more optimistic approaches in this field. The only source of consistent time series information on the incidence of poverty can be found in the Maps of Extreme Poverty (Odeplan-Ieuc, 1975; 1986) which were drawn up on the basis of the Official National Population and Housing Censuses. In 1970, 21 per cent of the population lived in poverty (1.9 million Chileans), while in 1982 the number of poor had declined to 14 per cent

(1.5 million Chileans). In this case, however, the concept of poverty was based on four criteria: a) type of housing; b) type of domestic sanitary system; c) presence of over-crowding; and d) possession of consumer durables. No reference was made to household income or expenditure data, so the maps did not identify poverty as traditionally understood -in terms of food consumption. Moreover, the information contained in the maps cannot even be interpreted as a partial index of basic needs fulfilment, due to the fact that the possession of a single item such as a radio, television or a telephone was sufficient to place a household above the extreme poverty line.

Other poverty estimates from the application of different methodologies exist for various periods after 1979 (e.g. ECLA, 1970 and 1980; ODEPLAN, 1979, 1982 and 1985). These estimates suggest that between 31 and 45 per cent of the population were living in poverty by the mid-1980s (Scott, 1993 pag 130). Thus, as this same author stated, "it seems that aggregate poverty increased substantially between 1970 and 1985. In terms of the headcount ratio, the extent of poverty more than doubled during this period".

As part of its efforts to combat poverty, Aylwin's Government created in 1990 a Solidarity and Social Investment Fund (FOSIS) to channel additional finance to existing public and private schemes to increase the social integration of the poorest sectors and improve their living and working conditions. More than 2,100 projects have been financed through FOSIS, with a total cost of about US\$ 34 million, in different parts of the country, with a strong participation of the beneficiaries in the generation and execution of projects. According to the latest estimates on poverty, the combination of uninterrupted growth with its impact on employment, increased social expenditure and larger investment in poverty alleviation projects, have resulted in a decline in the national poverty rate from 40 per cent to 33 per cent between 1990-1992. Rural poverty, however, seems to have remained largely unchanged (World Bank, 1994). Alleviation of poverty has been concentrated in urban areas.

2.2. The Dimension of Rural Poverty

Even though in absolute terms the majority of poor people live in urban areas, most of the social indicators show that the intensity of poverty is deepest in rural areas (see Figure 2.1). This statement can be easily demonstrated if the national distribution of illiteracy is considered as an example. As shown in Figure 2.2, the percentage of illiterate people is significantly higher in rural areas, and particularly in the regions with high percentages of rural population (Regions VI to the X). In relative terms poverty is much more important in the countryside. As can also be seen in Figure 2.1, 36 per cent of households were considered in poverty in 1990 (MIDEPLAN, 1994).

At the national level, Table 2.3 and 2.4 shows that 1,065,185 people living in rural areas have been classified as poor (42.7 per cent of the country's rural population) of which 443,056 people were destitute (41.5 per cent)(MIDEPLAN, 1994). However, poor rural populations are concentrated in the most active agricultural areas. 78.8 per cent of the rural poor and 80.8 per cent of rural destitute are located in five of the thirteen Chilean administrative regions -Regions VI to X. It is important to stress the case of the Maule region (VII) due to the fact that more than the half of its rural population lived in poverty in 1990.

Moreover, at a more aggregate level, the study of poverty and rural life by the Ministry of Agriculture (1991) concluded that out of the 100 poorest municipalities (comunas) of the country, 84 were rural (more than half of their population living in rural areas). According to the last population census (1992) the population of the 75 poorest rural "comunas" reached 847,276 persons out of which 69.5 per cent (588,671 person) lived in the countryside. These "comunas" are mainly concentrated in the Coquimbo Region (IV) and in the regions stretching from Libertador Bernardo O'Higgins (VI) through to Los Lagos (X).

Figure 2.1 Chile: Population and Households in poverty, 1990 (%)

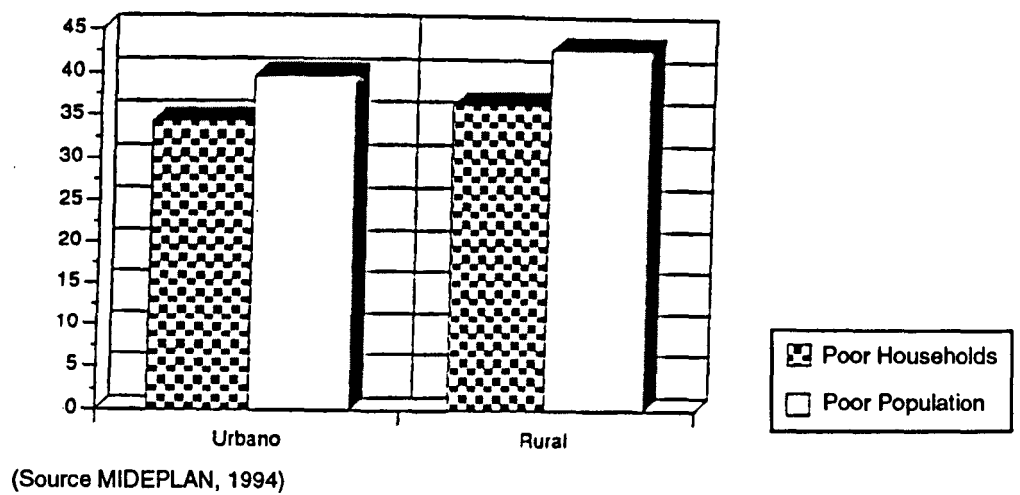


Figure 2.2 Chile: Illiteracy by Region, 1990 (%)

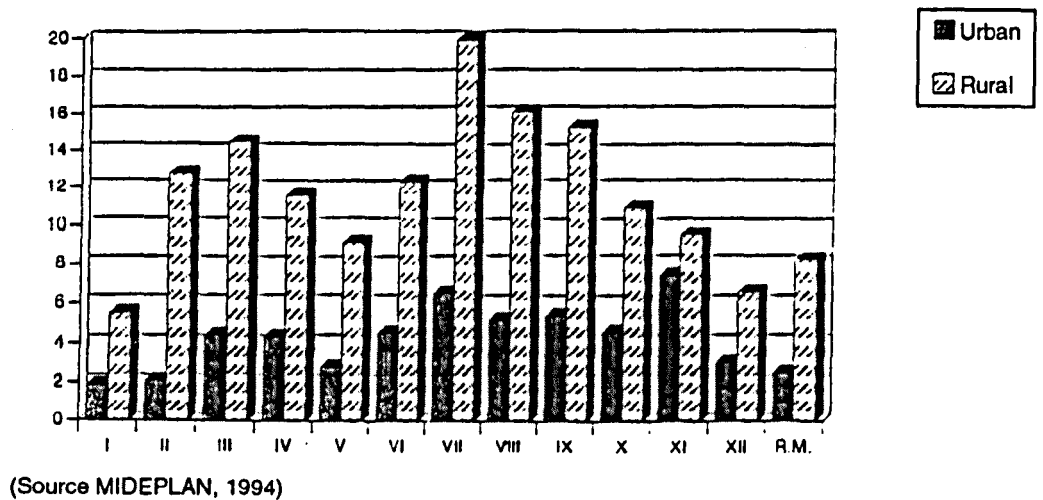


Table 2.3 Rural Population in Poverty by Regions in Chile, 1990.

Region	Destitute	Poor/Not destitute	Total Poor	Not Poor	Total
I	1,239	4,525	5,764	15,093	20,857
II	1,407	1,648	3,055	4,171	7,772
III	1,880	4,620	6,500	10,780	17,280
IV	26,607	54,915	81,522	85,929	167,451
V	33,934	31,026	64,960	118,098	183,058
VI	41,870	76,320	118,190	165,784	283,974
VII	77,870	119,210	197,080	191,230	388,310
VIII	101,448	90,364	191,812	251,258	443,070
IX	86,265	88,290	174,555	191,970	366,525
X	50,150	107,533	157,683	237,273	394,956
XI	1,334	2,639	3,973	20,155	24,128
XII	1,116	1,356	2,472	5,448	7,920
MR	17,936	39,683	57,619	127,557	185,176
TOTAL	443,056	622,129	1,065,185	1,425,292	2,490,477

Source: Casen Survey 1990; Ministry of Planning 1994.

Table 2.4 Rural Population in Poverty by Regions in Chile, 1990 (%).

Region	Destitute	Poor/Not destitute	Total Poor	Not Poor	Total
I	5.9	21.7	27.6	72.4	100.0
II	18.1	21.2	39.3	60.7	100.0
III	10.9	26.7	37.6	62.4	100.0
IV	15.9	32.8	48.7	51.3	100.0
V	18.5	16.9	35.5	64.5	100.0
VI	14.7	26.9	41.6	58.4	100.0
VII	20.1	30.7	50.8	49.2	100.0
VIII	22.9	20.4	43.3	56.7	100.0
IX	23.5	24.1	47.6	52.4	100.0
X	12.7	27.2	39.9	60.1	100.0
XI	5.5	10.9	16.5	83.5	100.0
XII	14.1	17.1	31.2	68.8	100.0
MR	9.7	21.4	31.1	68.9	100.0
TOTAL	17.8	25.0	42.8	57.2	100.0

Source: Casen Survey 1990; Ministry of Planning, 1994.

2.2.1. An attempt of spatial aggregation of rural poverty: the communal level of analysis

Most of the information on poverty in the Chile comes from primary statistical information gathered either through special municipal surveys (e.g. CASEN) or through the national population census (carried out every ten years). Because most of this information is used for the distribution and allocation of social subsidies at the local level (principally through municipalities), the most common level of spatial aggregation regarding statistical information has traditionally been the "comuna". However, even though information at the communal level has become important for local planning, it gives little assistance for achieving a deeper understanding of the processes and patterns that cause poverty and for developing particular strategies to combat poverty from a different perspective to the communal one.

Furthermore, data restrictions tend to increase if the main policy focus needs to be directed specifically to the rural environment. Very often the larger statistical dominance of urban populations in most of the "comunas" tend to neutralise what happen in the countryside. In some cases the extreme level of poverty in some rural areas (as in the case of Petorca in the Aconcagua Region) does not appear at the communal level of aggregation due to the fact that such a "comuna" has been statistically classified as urban. Moreover, populations living in rural areas sometimes have to face restrictions which are not considered among the traditional indicators of poverty. For example, there are the problems of accessibility and the additional costs rural people have to pay in order to overcome the friction of distance to get to their work and to the different services they need. However, the cost of the "basic basket" which differentiates between poverty and non poverty was 32.5 per cent lower in rural areas than in the urban one in 1992.

2.2.2. A communal classification of rural poverty at the national level

Thus, it is difficult to examine the spatial pattern of rural poverty at a different scale that of

the "comuna."

Perhaps the most explicit attempt to identify rural poverty at the national level in the present decade was published by the Interministerial Commission of Rural Development (CIDER) in 1992. One of its main aims, was to orientate the spatial distribution of interministerial actions against rural poverty. Thus, the study was oriented to classify and rank the poorest rural communes of the country by considering the most recently available social indicators. This was produced by integrating three complementary diagnoses on poverty at the national level.

These were:

1. "Poverty and Rurality in 286 Communes by the Ministry of Agriculture, 1991.

This survey examined 12 variables related to 3 issues (four related to education, six to health and two to housing). The weight of labour in agricultural activities was used to determine the spatial universe of this survey. Accordingly, the regions of Tarapacá (I), Antofagasta (II), and Atacama (III) covering the desert areas in the north of the country were excluded from the survey due to their low rural populations. The same happened with regions of Aisén (XI), and Magallanes (XII) in the extreme south of the country in where agriculture is only a marginal activity according to both labour and economic criteria.

2. "Communal Rank and Classification According to their Poverty Level". FOSIS-Ministry of Planning, 1991.

The outcome of this survey corresponded to the combination of three inputs. The first one was the "Map on Extreme Poverty in Chile" (an aggregate indicator on poverty which covers the whole country); the second was the level of illiteracy; and the third was the national distribution of primary students in their first year that were below the basic food consumption requirements.

3. "A Bio-medical and Socio-economic Attempt of Communal Classification According to Socio-economic and Bio-medical Features Determining Infant Vulnerability". UNICEF-Ministry of Health, 1990.

This outcome on poverty was principally oriented to rank the communes by noting social features directly linked with children. It included one population indicator related to the distribution of children younger than six years old; four health indicators related to children with less than normal health standards; and four related to educational features of the vulnerable child's family.

However, due to the fact that none of these surveys differentiated between urban and rural populations with the same criteria, (or that they did not at all in as the UNICEF case) the condition of rurality for the communes was defined by CIDER following the Ministry of Planning criteria: a rural commune was any commune which had at least 50 per cent of its population classified as rural according to the 1990 National Institute of Statistics's national population projection. Thus, the CIDER's final integrated universe of poor rural communes comprised 113 administrative units (Table 2.5).

All three studies confirmed the seriousness of poverty throughout the country but especially in the rural areas. In fact, both the Ministry of Agriculture and UNICEF studies stated that if the 307 communes used as a global universe were considered, 218 (71 per cent) of them presented either high or very high levels of vulnerability, of which 70 per cent were rural. Furthermore, both studies agreed that the 100 poorest commune of the country were rural or mixed (combination of rural and urban). They were mainly located in Regions IV (Coquimbo), VII (El Maule), VIII Biobío and IX (Araucanía). According to a FIDA (International Fund for Agricultural Development) report, the social groups most affected by poverty in rural areas were nearly 500,000 landless labourers (150,000 permanent and 350,000 temporary labourers); and 350,000 peasant families (250,000 working in fruit

activities and 100,000 in traditional agriculture) (FIDA, 1993).

Table 2.5 Communal Coincidence on Rural Poverty According to Three Surveys (1992).

Coincidence	No of communes	Cumul	%	Cumul %
3 of 3	50	50	44.2	44.2
2 of 3	33	83	29.2	73.4
1 of 3	30	113	26.6	100.0

Source: CIDER, MINAGRI, 1992.

Table 2.5 shows a significant coincidence as regards the level of poverty that rural communes presented according to the different variables. Due to the wide variety of indicators utilised to determine poor communes, the different criteria and spatial coincidence of all three studies was an important input in identifying the most backward rural areas of the country. (This was main CIDER'S aim). In addition, the use of these surveys identified the main problems causing rural poverty.

Although CIDER's maps reinforced the idea that poverty was a rather generalised condition throughout most rural areas of the country, it was also possible to identify some geographically homogeneous sectors characterised by poverty (see Map 1 to 10).

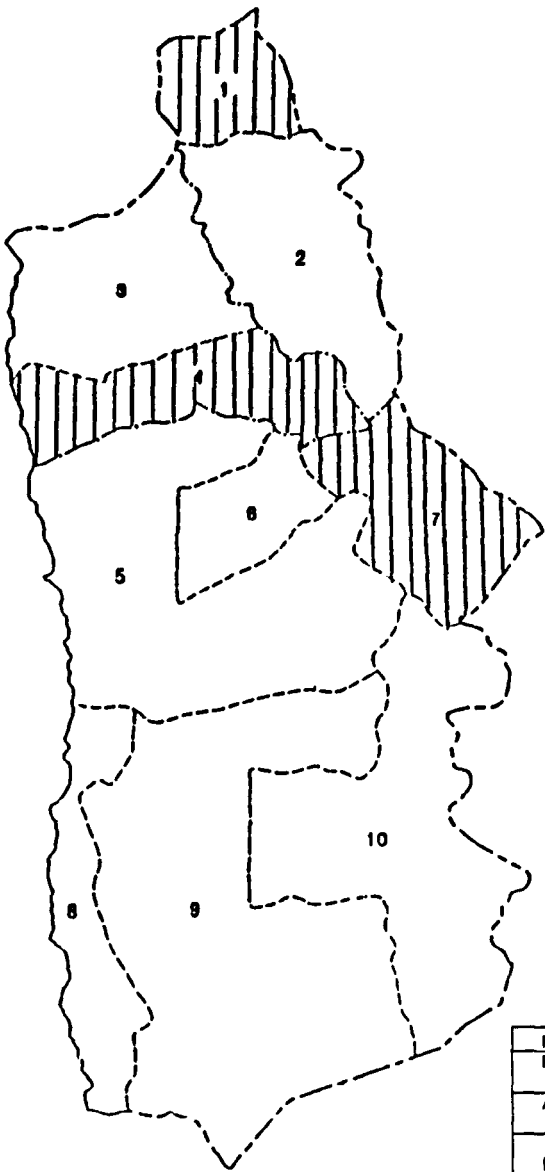
The interfluvial area of the Coquimbo region and the landscape associated with the coastal range from the regions of Bernardo O'Higgins (VI) to Los Lagos (X) appeared to be among the most disadvantaged geographically-homogeneous areas. Conversely, the lowest level of rural poverty appeared to be located in the Chilean Central Valley, that is to say the intermediate plain located between the main mountain ranges of the Andes and Coast, from the Metropolitan Region of Santiago to the southern "Los Lagos Region". Undoubtedly, this condition can be explained by both larger amount of urbanised communes and by the existence of a more efficient domestic-market oriented agriculture due to the predomination of relatively good soils.

In these two landscapes, however, there seems to be a high level of interdependence between poverty conditions and socio-environmental features. This can be considered a rather static argument for explaining poverty. The analysis of new processes resulting from the expansion of agricultural exports has also been contributing to a wider understanding of the dynamic of rural poverty in these areas. It is also important to be aware of both critical intra-and inter-communal manifestations of rural poverty which are not represented in any of these rankings due to lack of statistical weight in influencing communal aggregates.

Relevant examples of these omissions are some small communities in Chile's Altiplano of the "Norte Grande" (the communes of Putre and San Pedro de Atacama in Tarapacá and Antofagasta Regions respectively) (see Map 1). Another example is the situation of small itinerant miners principally working in copper in the most urbanised communes of the semi-arid "Norte Chico", as in the cases of Copiapó, Tierra Amarilla, Andacollo and Illapel (see Map 2 and 3) Furthermore, there is the case of small-and medium-scale coal miners in the communes of Coronel, Lota, Arauco, Curanilahue, and Lebu within the Biobío region (Map 7) -all of these present high levels of rural poverty particularly during the last ten years of crises in the domestic coal price. Last but not least, more than three hundred small-scale fishing villages, most characterised by extreme poverty and located along the Chilean coastal fringe, are also omitted due to the predominance of urban population in those communes. An important number of these villages are also located in the same Biobío region, notably in the communes of Tomé and Penco.

The inter-communal analysis of poverty permits one to aggregate and visualize in a relatively clear way wider spatial areas of rural poverty than those at the communal level. This permits one to identify wider developmental priorities and scales than the communal ones regional, national and transcommunal strategies against rural poverty.

REGION OF TARAPACA
Rural Poor Communes
CIDER



SURVEY
Mideplan Fosis



Legend

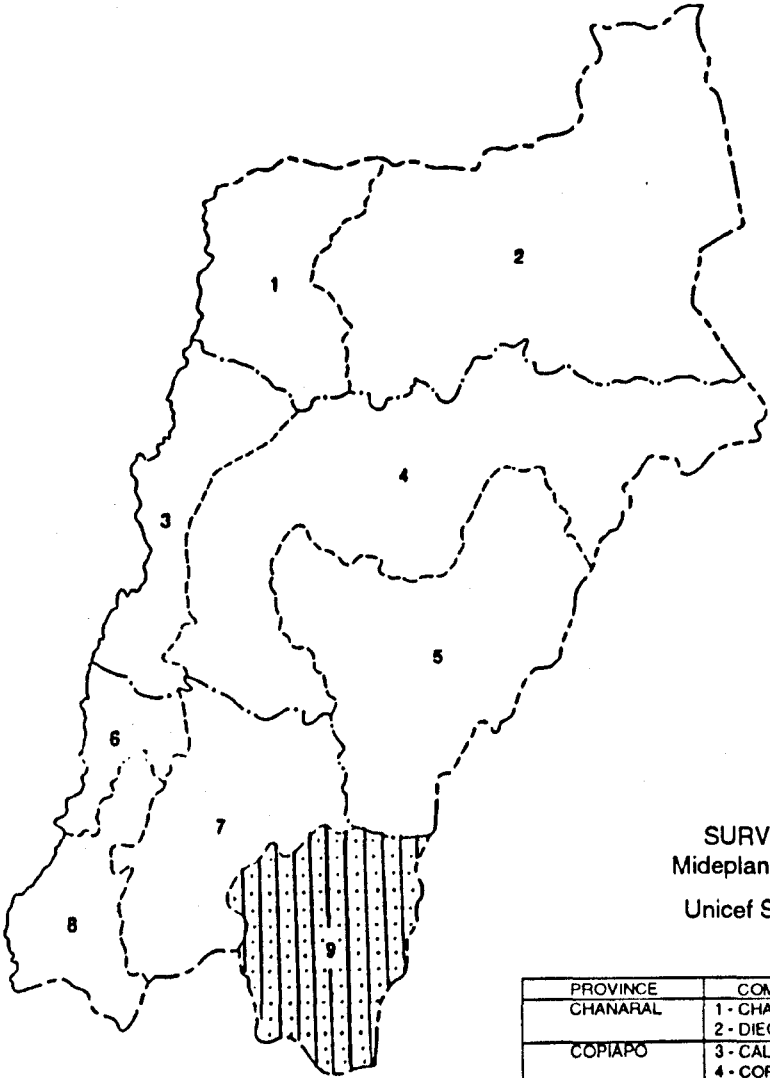
- International border
- Regional border
- Provincial border
- Communal border



Numbers identify Communes

PROVINCE	COMMUNE
PARINACOTA	1 - GENERAL LAGOS
	2 - PUIRE
ARICA	3 - ARICA
	4 - CAMARONES
IQUIQUE	5 - HUARA
	6 - CAMINA
	7 - COLCHANE
	8 - IQUIQUE
	9 - POZO ALMONTE
	10 - PICA



REGION OF ATACAMA
Rural Poor Communes
CIDER



SURVEY
Mideplan Fosis 
Unicef Salud 

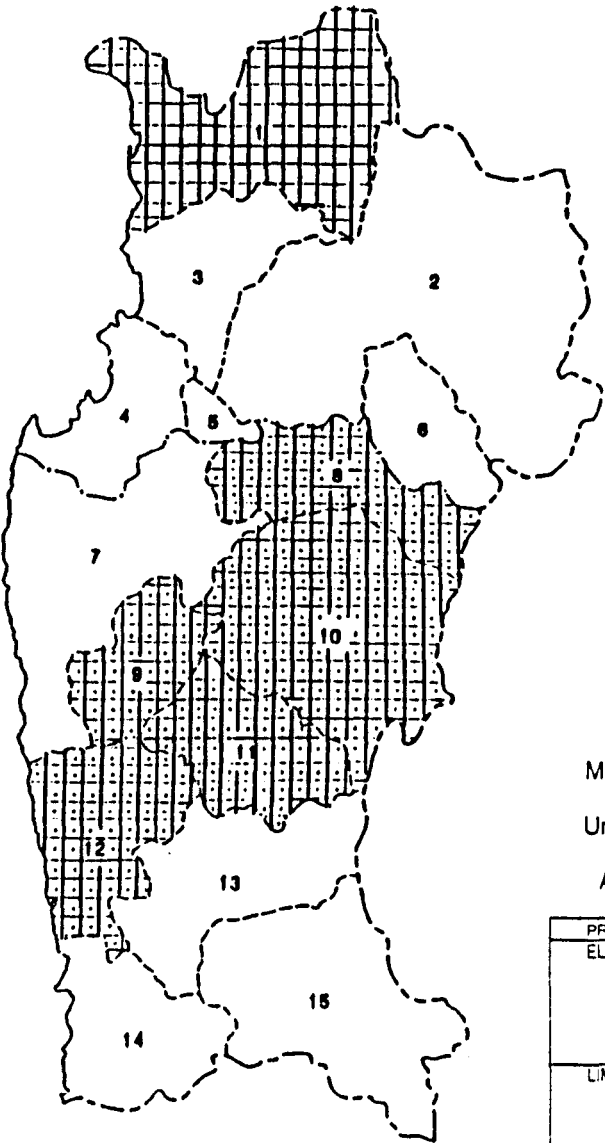
PROVINCE	COMMUNE
CHANARAL	1 - CHANARAL
	2 - DIEGO DE ALMAGRO
COPIAPO	3 - CALDERA
	4 - COPIAPO
	5 - TIERRA AMARILLO
HUASCO	6 - HUASCO
	7 - VALLENAR
	8 - FREIRINA
	9 - ALTO DEL CARMEN

Legend
----- International border
----- Regional border
----- Provincial border
----- Communal border

Numbers identify Communes



REGION OF COQUIMBO
Rural Poor Communes
CIDER





Legend

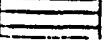
- International border
- Regional border
- Provincial border
- Communal border

Numbers identify Communes

SURVEY

Mideplan Fosis 

Unicef Salud 

Agriculture 

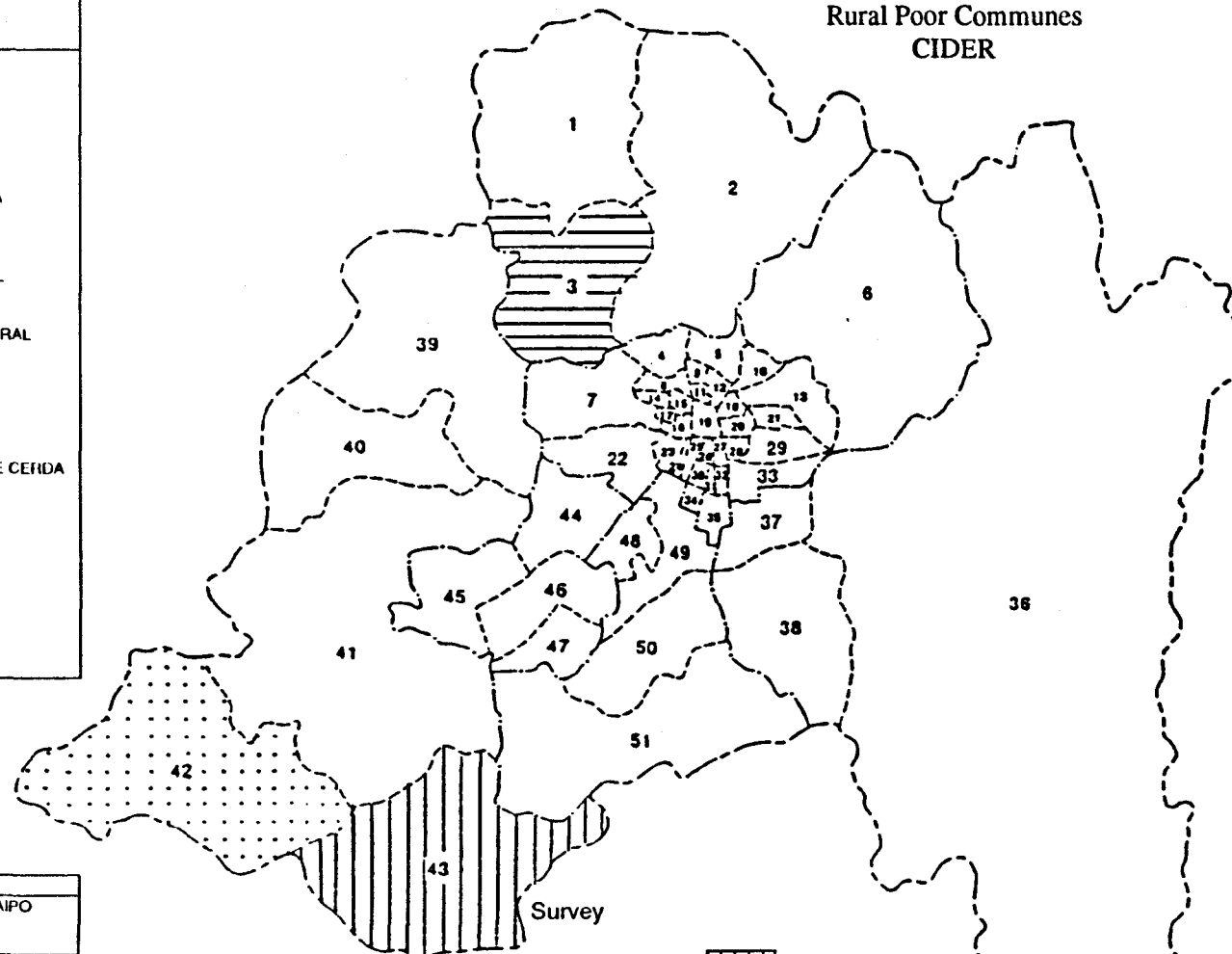
PROVINCIA	COMMUNE
ELQUI	1 - LA HIGUERA
	2 - VICUNA
	3 - LA SERENA
	4 - COQUIMBO
	5 - ANDACOLLO
	6 - PAIHUANO
LIMARI	7 - OVALLE
	8 - RIO HURTADO
	9 - PUNITAQUI
	10 - MONTE PATRIA
	11 - COMBARBALA
CHOAPA	12 - MINCHA
	13 - ILLAPEL
	14 - LOS VILOS
	15 - SALAMANCA



PROVINCIA	COMMUNE
CHACABUCO	1 - TIL TIL
	2 - COLINA
	3 - LAMPA
SANTIAGO	4 - QUILICURA
	5 - HUECHURABA
	6 - LO BARNECHEA
	7 - PUDAHUEL
	8 - RENCA
	9 - CONCHALI
	10 - VITACURA
	11 - INDEPENDENCIA
	12 - RECOLETA
	13 - LAS CONDES
	14 - CERRO NAVIA
	15 - QUINTA NORMAL
	16 - PROVIDENCIA
	17 - LO PRADO
	18 - ESTACION CENTRAL
	19 - SANTIAGO
	20 - NUNOA
	21 - LA REINA
	22 - MAIPO
	23 - CERRILLOS
	24 - LO ESPEJO
	25 - PEDRO AGUIRRE CERDA
	26 - SAN MIGUEL
	27 - SAN JOAQUIN
	28 - MACUL
	29 - PEÑALOÉN
	30 - LA CISTERNA
	31 - SAN RAMÓN
	32 - LA GRANJA
	33 - LA FLORIDA
	34 - EL BOSQUE
	35 - LA PINTANA

MAP 4

METROPOLITAN REGION OF SANTIAGO
Rural Poor Communes
CIDER



PROVINCE	COMMUNE
CORDILLERA	36 - SAN JOSE DE MAIPO
	37 - PUENTE ALTO
	38 - PIRQUE
MELIPILLA	39 - CURACAVI
	40 - MARIO PINTO
	41 - MELIPILLA
	42 - SAN PEDRO
TALAGANTE	43 - ALHUE
	44 - PENAFLOR
	45 - EL MONTE
	46 - TALAGANTE
	47 - ISLA DE MAIPO

PROVINCIA	COMMUNE
MAIPO	48 - CALERA DE TANGO
	49 - SAN BERNADO
	50 - BUIN
	51 - PAINE

Survey

Mideplan Fosis

Unicef

Salud

Agriculture

Legend



- International border
- Regional border
- Provincial border
- Communal border

Numbers identify Communes

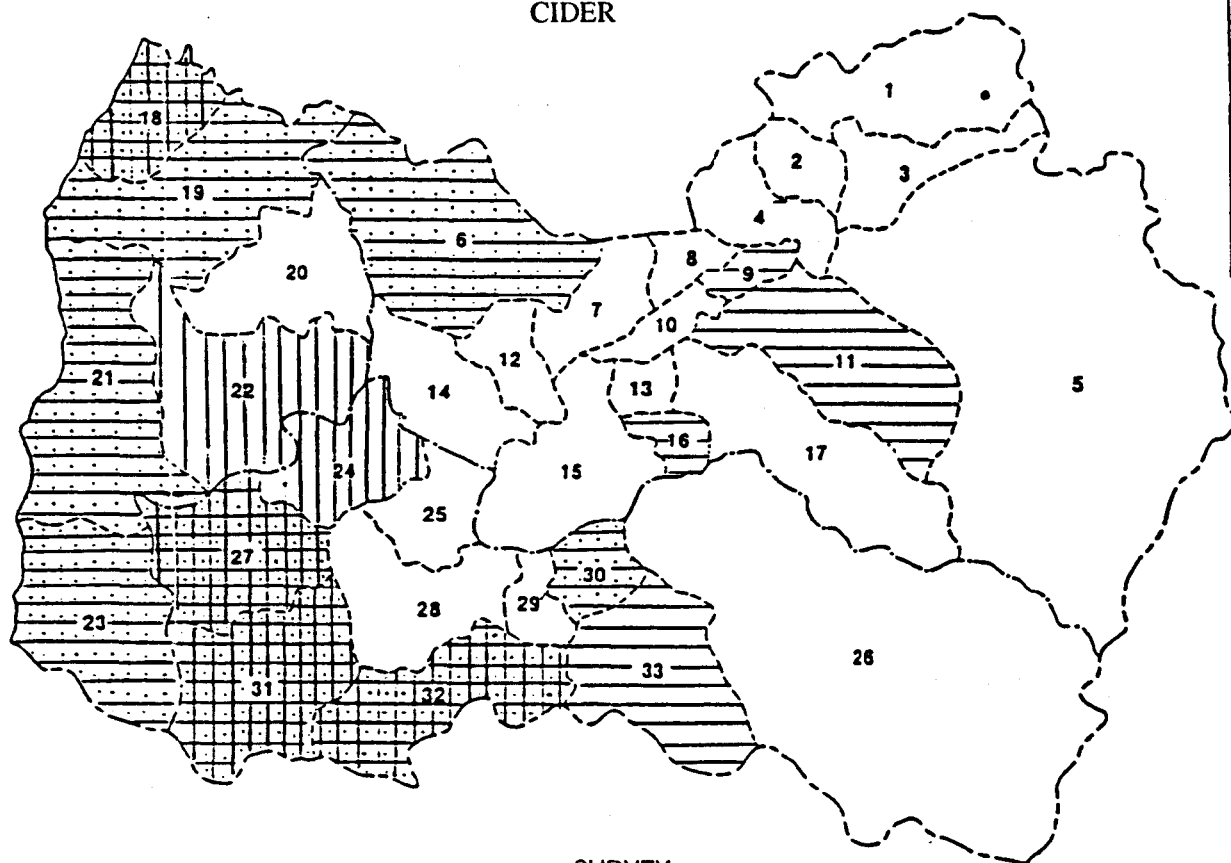





PROVINCIA	COMMUNE
CACHAPOAL	1 - MOSTAZAL
	2 - GRANEROS
	3 - CODEGUA
	4 - RANCAGUA
	5 - MACHAU
	6 - LAS CABRAS
	7 - COLTAUCO
	8 - DONIHUE
	9 - OLIVAR
	10 - COINCO
	11 - REQUINOA
	12 - PEUMO
	13 - QUINTA DE TILCOCO
	14 - PICHIDEGUA
	15 - SAN VICENTE
	16 - MALLOA
	17 - RENGÓ

PROVINCIA	COMMUNE
CARDENAL CARO	18 - NAVIDAD
	19 - LITUECHE
	20 - LA ESTRELLA
	21 - PICHILEMU
	22 - MARCHIHUE
COLCHAGUA	23 - PAREDONES
	24 - PERALILLO
	25 - PALMILLA
	26 - SAN FERNANDO
	27 - PUMANQUE
	28 - SANTA CRUZ
	29 - NANCAGUA
	30 - PLACILLA
	31 - LOLOL
	32 - CHEPICA
	33 - CHIMBARONGO

MAP 5

REGION OF BERNARDO O'HIGGINS Rural Poor Communes CIDER



SURVEY
 Mideplan Fosis 
 Unicef Salud 
 Agriculture 

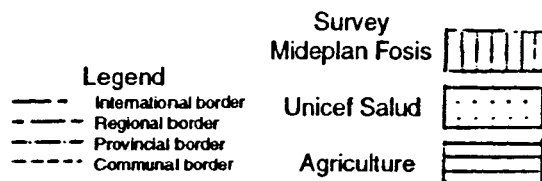
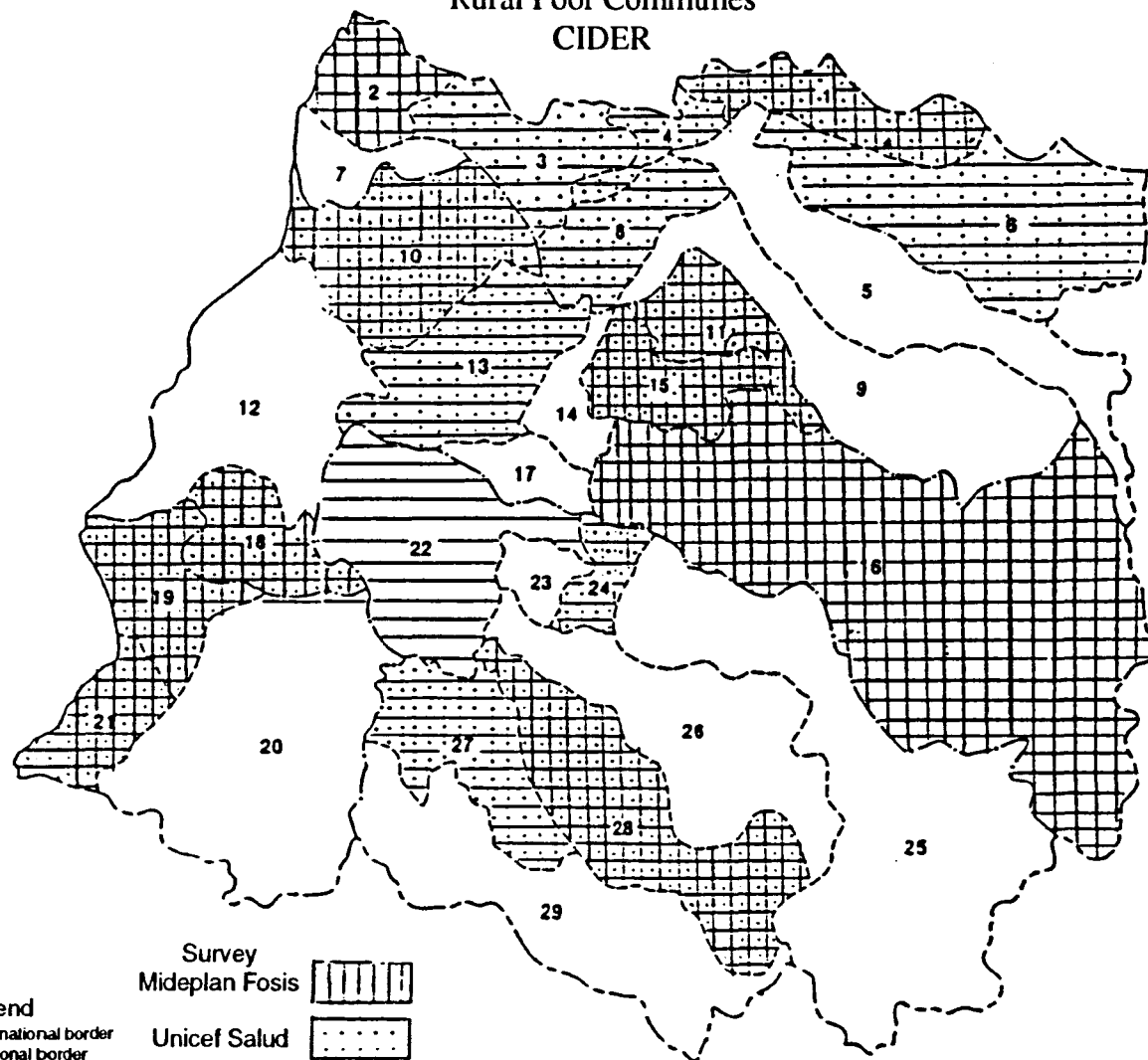
Legend
 --- International border
 --- Regional border
 --- Provincial border
 --- Communal border



PROVINCE	COMMUNE
CURICO	1 - TENO
	2 - VICHUQUEN
	3 - HUALANE
	4 - RAUCO
	5 - CURICO
	6 - ROMERAL
	7 - LICANTEN
	8 - SAGRADA FAMILIA
	9 - MOLINA
TALCA	10 - CUREPTO
	11 - RIO CLARO
	12 - CONSTITUCION
	13 - PENCAHUE
	14 - TALCA
	15 - PELARCO
	16 - SAN CLEMENTE
	17 - MAULE
	18 - EMPEDRADO
CAUQUENES	19 - CHANCO
	20 - CAUQUENES
	21 - PELLUHUE
LINARES	22 - SAN JAVIER
	23 - VILLA ALEGRE
	24 - YERBAS BUENAS
	25 - COLBUN
	26 - LINARES
	27 - RETIRO
	28 - LONGAVI
	29 - PARRAL

MAP 6

REGION OF MAULE Rural Poor Communes CIDER



Source MINAGRI (1992b)



MAP 7

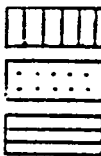
REGION OF BIOBIO
Rural Poor Communes
CIDER

COMMUNE	
1 - COBQUECURA	
2 - QUIRIHUE	
3 - NINHUE	
4 - SAN CARLOS	
5 - NIQUEN	
6 - SAN FABIAN	
7 - SAN NICOLAS	
8 - TREGUACO	
9 - PORTEZUELO	
10 - CHILLAN	
11 - COIHUECO	
12 - COLEMU	
13 - RANQUIL	
14 - PINTO	
15 - QUILLON	
16 - BULNES	
17 - SAN IGNACIO	
18 - EL CARMEN	
19 - PEMUCO	
20 - YUNGAY	
21 - TOME	
22 - TALCAHUANO	
23 - PENCO	
24 - FLORIDA	
25 - CONCEPCION	
26 - CORONEL	
27 - HUALQUI	
28 - LOTA	
29 - SANTA JUANA	
30 - SAN ROSENDO	
31 - YUMBEL	
32 - CABRERO	
33 - LAJA	
34 - LOS ANGELES	
35 - TUCAPEL	
36 - ANTUCO	
37 - QUILLECO	
38 - NACIMIENTO	
39 - NEGRETE	
40 - MULCHEN	
41 - SANTA BARBARA	
42 - QUILCO	
43 - ARAUCO	
44 - CURANILAHUE	
45 - LEBU	
46 - LOS ALAMOS	
47 - CANETE	
48 - CONTULMO	
49 - TIRUA	

Survey
Mideplan Fosis

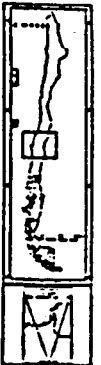
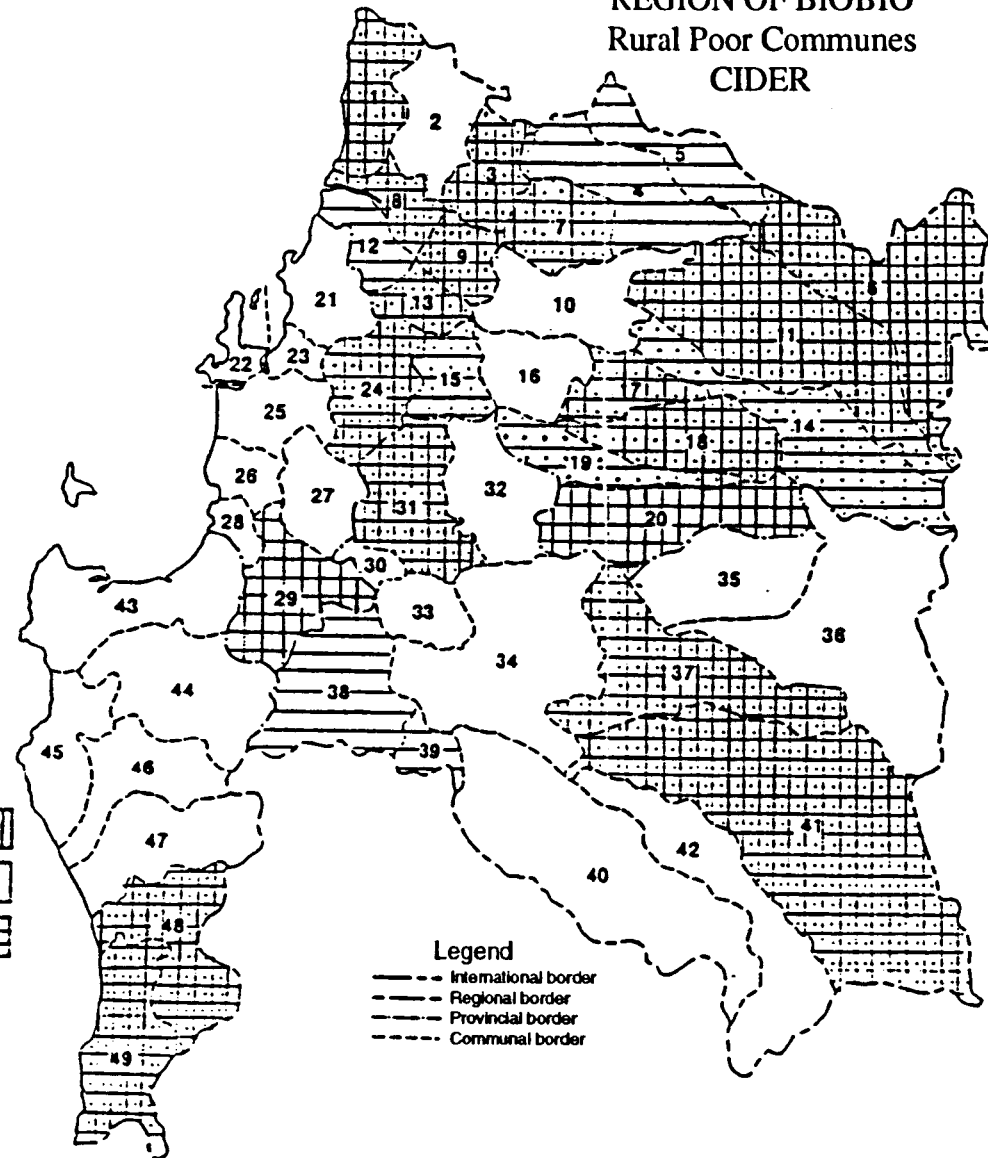
Unicef Salud

Agriculture

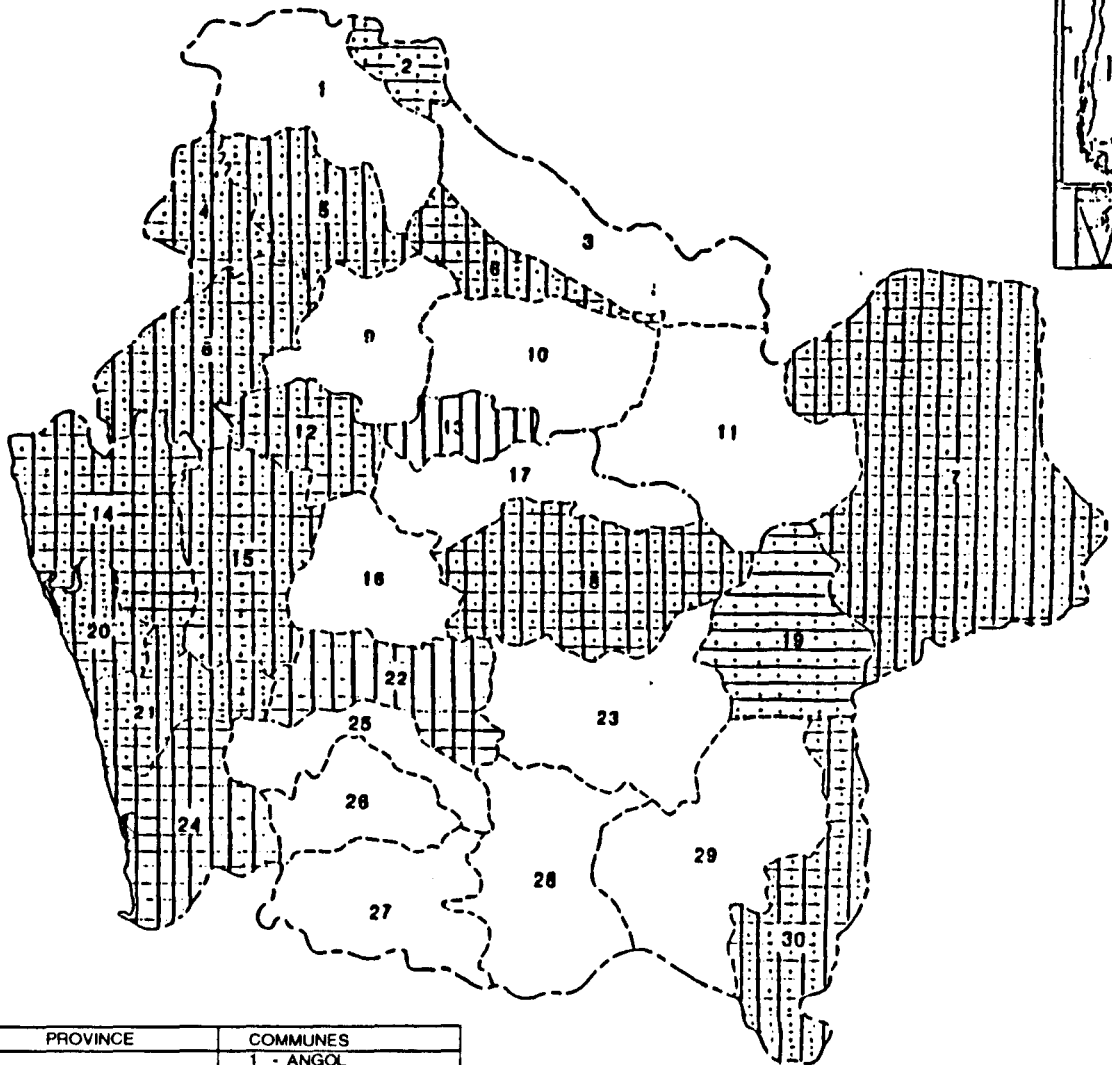


Legend

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--- Regional border
--- Provincial border
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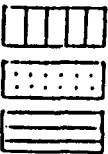


REGION OF LA ARAUCANIA
Rural Poor Communes
CIDER



PROVINCE	COMMUNES
MALLECO	1 - ANGOL
	2 - RENAICO
	3 - COLLIPULLI
	4 - PUREN
	5 - LOS SAUCES
	6 - ERCILIA
	7 - LONQUIMAY
	8 - LUMACO
	9 - TRAIGUEN
	10 - VICTORIA
	11 - CURACAUTIN
CAUTIN	12 - GALVARINO
	13 - PERQUENCO
	14 - CARAHUE
	15 - NUEVA IMPERIAL
	16 - TEMUCO
	17 - LAUTARO
	18 - VILCUN
	19 - MELIPEUCO
	20 - SAAVEDRA
	21 - TEODORO SCHMIDT
	22 - FREIRE
	23 - CUNCO
	24 - TOLTEN
	25 - PITRUFQUEN
	26 - GORBEA
	27 - LONCOCHE
	29 - PUCON
	30 - CURARREHUE

Survey
Mideplan Salud
Unicef Salud
Agriculture



Legend
--- International border
--- Regional border
--- Provincial border
--- Communal border

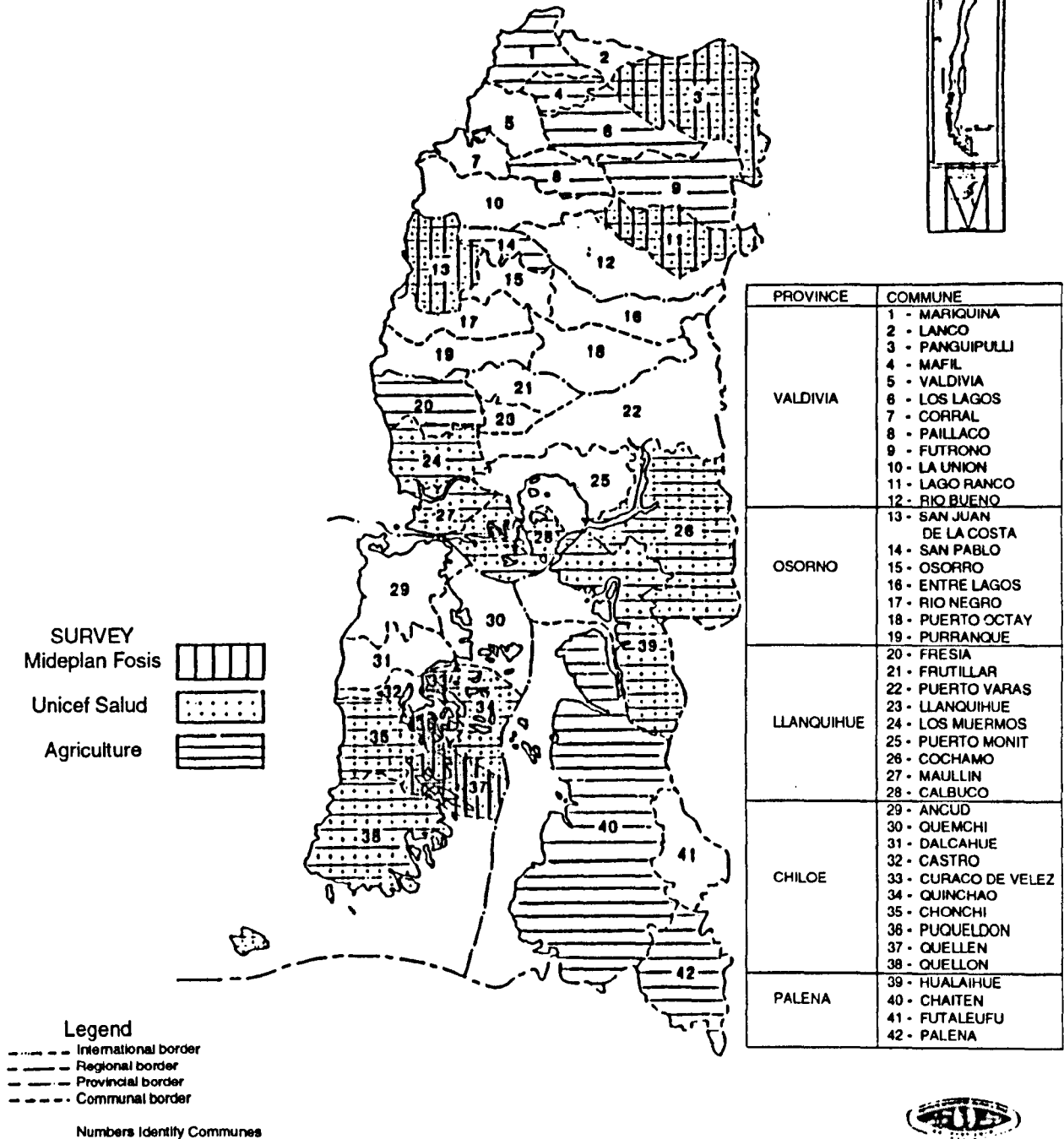


MAP 9

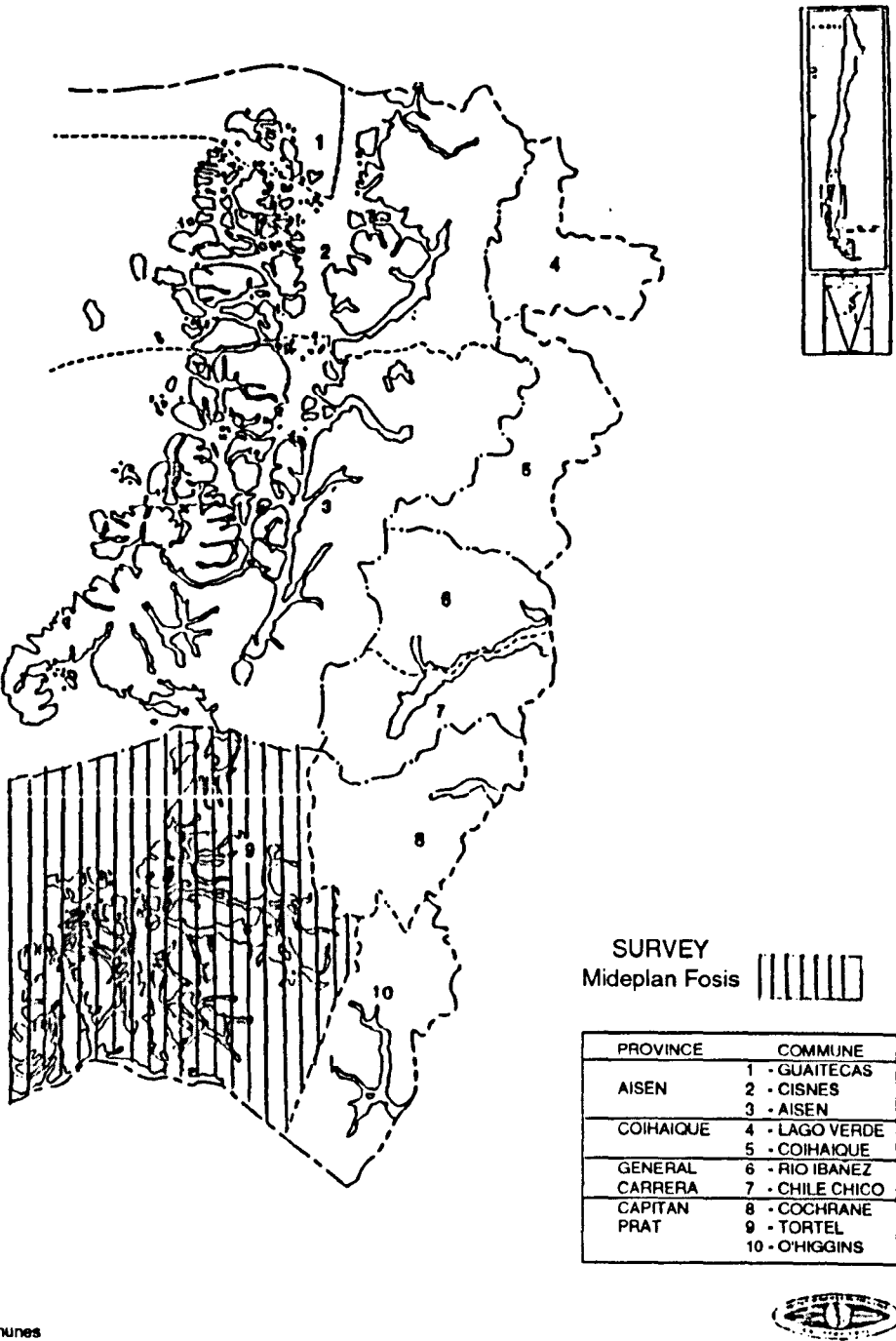
REGION OF LOS LAGOS

Rural Poor Communes

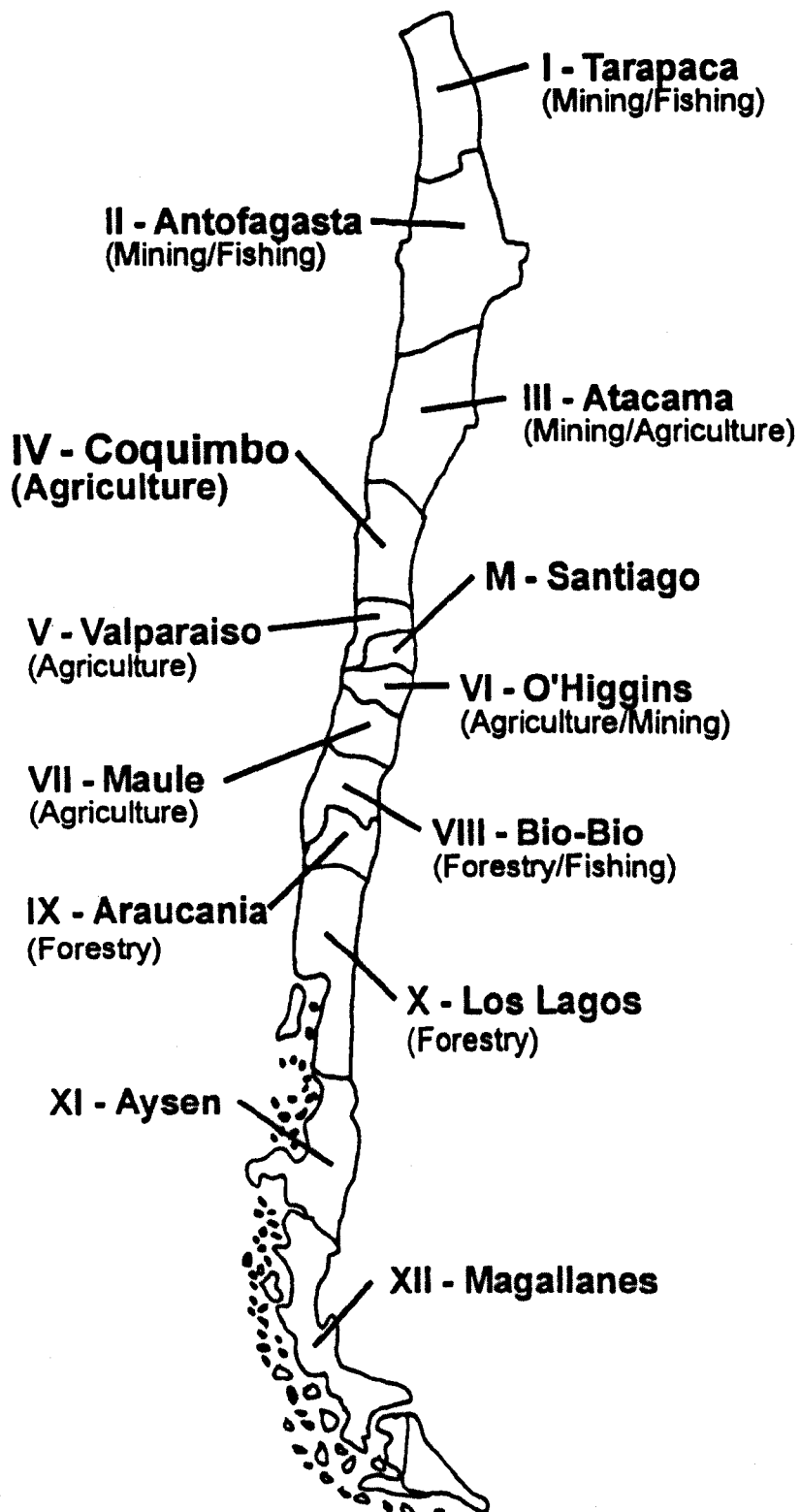
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Region of Aisen
Rural Poor Communes
CIDER



MAP 11 Sketch Map of Regional Division and Economic Activity in Chile



Source Gwynne (1994)

2.3. Two Trans-communal Homogeneous Landscapes of Rural Poverty: The Norte Chico Region (The Little North), and The Drylands of the Coastal Range ("Secano Costero")

2.3.1. The Norte Chico region

Within the Norte Chico macroregion, the Region of Coquimbo is one of the poorest of the country. According to the Economic Commission for Latin America (ECLA), this region would be considered one of the poorest between Regions IV (Coquimbo) and X (Los Lagos). They estimated that 231,094 inhabitants live in poverty out of a global population of 445,136 persons (PAF-Chile, 1993). The share of communal people living in extreme poverty can be seen in Table 2.6.

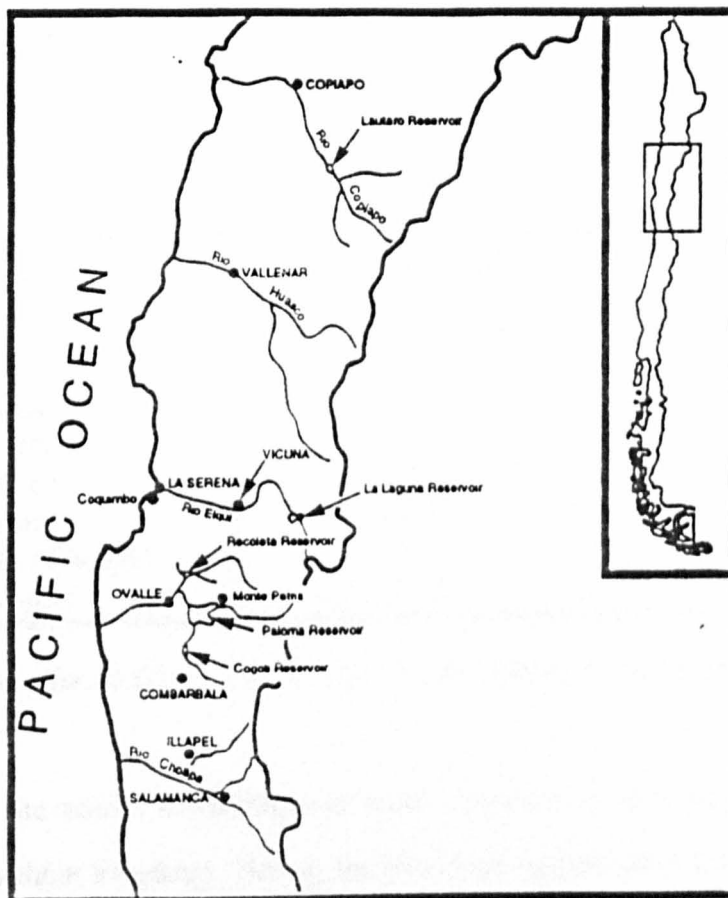
Table 2.6 Share of People Living in Extreme Poverty in the Communes of the Coquimbo Region

Commune	%	Commune	%
La Serena	12.8	Combarbalá	242.9
La Higuera	37.0	Punitaqui	38.3
Coquimbo	12.0	Illapel	17.7
Andacollo	15.6	Salamanca	18.3
Vicuña	16.3	Los Vilos	24.4
Paihuano	14.2	Mincha	33.0
Ovalle	20.6	Montepatria	28.4
Río Hurtado	40.5		

Source: UNICEF (1987), quoted from FIDA, 1993.

The Norte Chico region has a rather homogeneous environmental landscape corresponding to a transitional semi-arid zone, between the Atacama desert of the "Norte Grande" (Big North) and the Mediterranean central region. This region, which covers a surface of approximately 90,000 square kilometres, is largely characterised by its mountainous territory which is transversely crossed by five main rivers; Copiapó, Huasco, Elqui, Limarí and Choapa (see Figure 2.3).

Figure 2.3 The Five Valleys of the Norte Chico Study Area.



(Source; Gwynne and Meneses, 1994)

Despite this climate variability, the Norte Chico region was particularly suited for the discovery of rich copper deposits. The discovery of copper deposits in the Norte Chico region was a major factor in the process of migration to the Norte Chico region. The Norte Chico region was a major center of copper production in the Norte Chico region. The Norte Chico region was a major center of copper production in the Norte Chico region. The Norte Chico region was a major center of copper production in the Norte Chico region.

Regional rainfall averages vary from 25 mm/year close to the northern border to 215 mm/year near to the southern extreme (see Table 2.7). However, water is not only scarce because of the relatively low amount of rainfall but also as a result of its extreme seasonal concentration. Furthermore, this region has been constantly affected by periodic droughts due to significant historical variations in rainfall events through the years and high annual variability. This can be noticed in Figure 2.4, which shows the annual distribution of rainfall in La Serena, the Norte Chico's largest city.

Table 2.7 Rainfall in the Norte Chico.

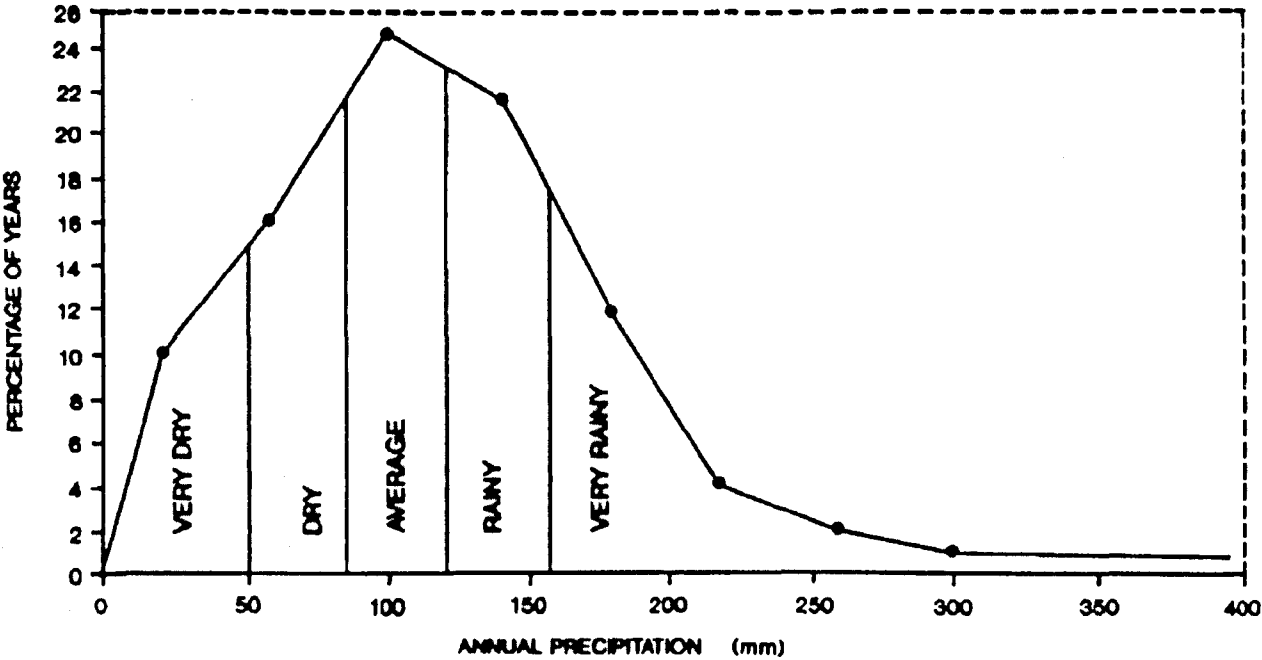
Station/Basin	Mean Rainfall (mm 1950-80)	% of years in which rainfall below mean
Copiapo	25	60
Vallenar (Huasco)	46	66
La Serena (Elqui)	85	66
Vicuna (Elqui)	100	62
Ovalle (Limari)	109	58
Combarbala (Choapa)	215	58
Illapel (Choapa)	178	54

Source: Geografia de Chile (1988), pp. 18, 26, quoted from Gwynne and Meneses, 1994.

Because of the scarce availability of water, productive agricultural activities cannot be developed without irrigation. Hence, the five river systems have historically been significant for regional agricultural activities, since they are the main permanent sources of water supply, sourced by snow melt from the upper Andes Range.

Despite this climatic constraint, the Norte Chico was populated early as a result of the discovery of rich mining ores throughout its territory. The finding of significant gold and copper deposits in the Copiapó valley at the beginning of the 18th century, initiated an intense process of migration to the area, mainly by small-scale miners. Later in the nineteenth century, important silver mines started to be exploited in the region (as in the

Figure 2.4 Frequency Distribution of Annual Rainfall in La Serena per Period, 1869–1971



(Source Santibanez, 1992 quoted by Gwynne and Meneses, 1994)

case of Chañarillo), becoming an additional source of attraction for people from the south. As a result, a population of no more than 8,000 people in the northern half of the Norte Chico in the mid-18th substantially increased to 77,400 in the second half of the 19th century, most of them directly or indirectly attracted by mining activities.

So, mining activities can be considered to be the first factor in explaining the Norte Chico's process of socio-geographical structuring, since from the very beginning it started to initiate close inter-sectoral and intra-regional linkages (Apey, 1987). Incipient agricultural production started to appear in these valleys in order to provide food for miners and pasture for breeding a large amount of cattle needed for both dietary and transport purposes.

In parallel, however, the enormous pressure that small and medium-scale mining activities imposed on the regional landscape (principally on the fragile vegetation of this dry eco-system), initiated a severe and generalised deforestation in the Norte Chico region. This has been considered the first stage in a long- term process of desertification, high levels of environmental degradation in soils, water and vegetation; all of these are easily visible nowadays throughout most of the regional landscapes. However, this process of environmental deterioration has been exacerbated as a result of the enormous pressure that the rural poor produces in terms of providing themselves with the basic elements of food and energy. The share of rural population in the fourth region of the Norte Chico's regions has been decreasing dramatically through the last three decades (see Table 2.8).

An important and exclusive socio-geographical feature of the southern half of the Norte Chico, is the presence of historical systems of communal land -the "Comunidades Agrícolas del Norte Chico"-(agricultural community land of the Norte Chico). These 187 agricultural communities "comunidades agrícolas" covered a surface of nearly 1 million hectares; there were 37 communities in Choapa Province, 128 in Limarí Province and 22 in Elqui Province (FIDA, 1993).

Table 2.8 Distribution of Rural and Urban Population in Coquimbo (1970, 1982, 1992)(%).

Provincial Government	1970		1982		1992	
	Urban	Rural	Urban	Rural	Urban	Rural
Elqui	80.4	19.6	88.8	11.2	91.8	8.2
Limarí	43.7	56.3	56.0	44.0	64.9	35.1
Choapa	37.0	63.0	56.9	43.1	63.0	37.0

Source: National Institute of Statistics (INE)

Furthermore, the agricultural communities covered 25 per cent of Coquimbo's regional area and 58 per cent of the rural property regime under which community members ("comuneros") enjoyed: permanent exclusive usufruct of residential and irrigated sites in the valley bottoms ("goces singulares"); temporary exclusive usufruct of dry land located above the gradient irrigation channels of the valley systems for cultivation of rainfed cereals("lluvias"); and permanent non-exclusive usufruct of common pasture mainly devoted to goat herding ("campo común")(Scott, 1993). By law, these "comunidades" were not allowed to be sub-divided among their members until the Decree Law 108 was passed in 1978. This law permitted members of an agricultural community to dispose of their rights in the community to people who were not members of the community, providing that property ownership had already been regularised.

Historical features and environmental constraints, have contributed to produce a particular spatial pattern in the Norte Chico largely characterised by high levels of urbanisation, with one dominant medium-sized city heading a transverse distribution of small settlements along each of the five valleys. As regards rural activities, most of the region has been historically characterised by the presence of a large number of medium-and small-scale mining ventures of low productivity(principally in dry interfluvial areas), and by a rather dualistic system of agricultural production, very much associated with geographical and economic accessibility

to both fertile soils and an irrigated water supply. As far as the agricultural sector is concerned, three main productive patterns have been historically co-existing in the Norte Chico's landscape:

- a. A productive association of fodder crops and cereals with tree fruits -notably vines for the spirit "pisco", olives, walnuts and avocados. These dominate the largest plots of the valleys' most advantageous irrigated land (more than 70 per cent of land under use).
- b. A small-scale productive system - principally devoted to grow early-season horticultural crops such as tomatoes, green beans, courgettes, red chilies, green peppers and some fruits, these are produced in small irrigated plots (less than 1 hectare to less than 10 hectares). This productive pattern has been common in the surroundings of the main towns of these valleys. However, these crops have also become particularly important in permitting the development of an incipient market-oriented agriculture for people living in the higher sections of the Norte Chico's valleys.
- c. Upland-dry farming almost totally devoted to small surfaces of rainfed wheat. Productivity levels of this self-sufficient agriculture is significantly low if it is compared with national or regional standards. This is because production comes as a result of a combination of two elements: a limited undulating semi-arid landscape, and the occurrence of rainfall events, followed by the sowing of stored seeds.

The last two productive systems are the most distinctive and dominate economic activities within the Norte Chico's agricultural communities, though they can be combined with geographically-extensive practises of goat rearing. However, small-scale mining is still a common feature in the region and a significant portion of the male population combine mining and agricultural activities (they engage in this last activity especially when mineral prices decline below certain critical levels).

Thus, people living in these communities have historically had a significant socio-productive interaction with both regional landscapes, the irrigated valley bottoms and the non-irrigated dry lands of the interfluvial zone.

The weakness of regional natural resources in association with rather inefficient technologies has largely contributed to reduce the quality of life, especially in rural areas but notably in the interfluvial sections where many agricultural communities are located. Some indicators show the depth of poverty in rural areas where 68 per cent of houses are with minimal services and poor constructions (ranchos and mediaguas), 57 per cent of households do not have sewer, and only 37 per cent of them have access to piped water (FIDA, 1993).

It is in the margins between irrigated and non-irrigated lands of the Norte Chico valleys (notably in Limarí and Copiapó) where the dramatic process of agricultural change started to take place in the late 1970s.

2.3.2. The coastal range drylands ("Secano Costero")

The whole geographical area of the Coastal Range's drylands ("Secano") corresponds to a longitudinal area that stretches from the Aconcagua region (V) to the Los Lagos region (X), between parallels 32° 20' and 42° 30' South. This landscape, which covers an area of almost 6.0 million hectares is closely associated with the Coastal Range ("Cordillera de la Costa"), comprising the two sub-areas of the Coastal Drylands ("Secano Costero", associated with its western slopes) and the interior Drylands ("Secano Interior" related to the eastern slopes).

This landscape is normally divided into two latitudinal sub-areas. The Biobío river basin constitutes a clear geographical border in dividing the macro-region. The main focus of this analysis is going to concern the northern area, between the Aconcagua and Biobío regions (V and VIII respectively). The main reasons for doing this are:

- a) the high level of poverty this area presents;
- b) the complexity of the traditional association of physical and social factors contributing to explain historical poverty in this area;
- c) recent social impacts in the poorest sections of this area as a result of intensive expansion of forestry activities; and
- d) the fact that this area comprises, among others, the Maule Region (VII), where a substantive part of this research has been carried out.

- Main geographical features: the northern section of the "secano" area extends over nearly 4.9 million hectares, of which 1.2 million are arable (class I to IV), almost 0.8 million limited to pasture (class VI), and about 2.6 million hectares suitable only for forestry. The climate in this area is characterized by relatively scarce rainfall, concentrated in winter months, with a total absence of rainfall in summer and in long periods of spring and autumn. The dry period lasts about 8 months in the northern extreme (La Ligua, Aconcagua Region) becoming shorter as one moves south, lasting no more than 1 month around the Biobío river. Average annual rainfall increases from 350 mm in the northern extreme to 1,200 mm in the Biobío basin, and occurs in winter time when low temperatures limit plant growth. Periodically, there are up to three consecutive years of drought (as in the Norte Chico case), with heavy losses to agricultural production in the "secano" area.

The total population of the "secano" area has been estimated at 3.3 million inhabitants distributed in 89 communes. Nearly 0.6 million (17 per cent) is currently classified as rural. In the northern "secano " section total population grew by 14 per cent between 1982 and 1992, while rural population rose by more than 7 per cent, mainly as a consequence of the harsh living conditions in this landscape. According to ECLA /MIDEPLAN figures it has

been estimated that more than 53 per cent of the "secano"'s rural population live in poverty (see Table 2.9). Accordingly, the level of formal education of the population over 18 years of age is less than 6 years, well below the national average (even for rural areas nationwide). Thus, illiteracy rates in the "secano" reaches about 19 per cent, higher than in any other spatial aggregate in the country (World Bank, 1994).

Production in the "secano" area is dominated by agriculture, agriculture-livestock-forestry systems, where a rather limited number of crops intervene, predominantly cereals and pulses. However, the productive pattern with crops only and crops associated with livestock principally prevail in the Aconcagua region. From that region southwards forestry has been gradually introduced, acquiring more importance as one moves further south. In both Maule and Biobío regions grapevines are also cultivated.

Thus, in general terms, it is possible to estimate that nearly 45 per cent of the "secano" is currently devoted to natural pasture, the majority of which (over 90 per cent) is severely degraded, with only 5 per cent consisting of improved or artificial pastures. Close to one third of the area corresponds to forest uses and other marginal uses. Forestry plantations in the "secano" represent close to 86 per cent of the country's exotic forest, where *Pinus Radiata* represents 92 per cent and *Eucalyptus* the remaining 8 per cent.

However, land distribution in the "secano" can undoubtedly be considered as a major factor to explain social contrasts amongst its population. As is clearly shown in an estimate made by the World Bank (1994) using CIREN information -Natural Resources Information Centre (see Table 2.10), land distribution by size of plots presents a highly uneven system, with a large domination (85 per cent) of relatively small plots (defined as those smaller than 50 hectares), with an average size of 23 hectares. But, if the poor quality of most "secano's"

Table 2.9 "SECANO" Area: Population Distribution by Regions¹.

Region	Population ²			Rural Poverty ³	
	Total	Rural			
	(1,000 hab)	(1,000 hab)	(%)	(1,000 hab)	(%)
V	1,075.4	65.1	6.1	28.4	43.6
VI	469.2	163.7	34.9	61.4	37.5
VII	473.3	132.2	27.9	88.7	67.0
VIII	1,021.8	141.2	13.8	89.9	63.7
MR	170.3	52.1	30.5	25.4	34.3
TOTAL	3,210.0	554.3	17.3	293.8	53.0

¹ Refers only to communes in the Secano

² Source: population census of 1992

³ Source: ECLA 1987

Source: World Bank (1994 pag 13).

soils is considered the average size for this share diminishes to 5 Basic Irrigated Hectares equivalent (BIH). Conversely, only 3 per cent of the units covered more than 50 per cent of the total area, showing a size average of 1,898 hectares or 47 BIH. Nevertheless, even those farms within the range of 50 to 200 hectares (normally considered medium-size plots) have an average size equivalent to less than 12 BIH, and are within the range of small farms according to INDAP's classification.

It is also estimated that there are at least 50,000 small farmers in this northern share of the "secano" area, which would represent nearly 25 per cent of the total number of small farmers in the country. An additional productive problem that these small farmers are currently facing is a number of restrictions related to land rights. In fact, about 45 per cent of the farmer of this "secano" area (22,500) still have serious problems regarding their land titles; 30 per cent

have no titles at all. As a result, they are currently marginalised from gaining access to benefits and subsidies as in the cases of: the forestry subsidy under the Forestry Development Programme (Decree Law 701); the allocation of water rights for irrigation and subsidies for small irrigation projects (Decree Law 18,450); the subsidy for the rural housing programme; and most of the INDAP programmes oriented to allocate credits and technological transfer to the small-scale peasants. An additional consequence which arises as a result of unclear land titles is the difficulty in developing a land market.

Table 2.10 "SECANO" Area: Land Distribution by Size.

Size	Units		Areas				Average Size	
(ha)	(No)	(%)	(ha)	(HRB) ^a	% (ha)	% (HRB) ^a	(ha)	(HRB) ^a
Less than 50	45,500	85	1,057,206	230,988	22	61	23	5
50 to 100	6,500	12	955,158	79,279	20	21	147	12
More than 200	1,500	3	2,847,512	70,367	58	18	1,898	47
Total	53,500	100	4,859,876	380,634	100	100	91	7

^a HRB: Basic Irrigated Hectares equivalent

Source: World Bank, 1994 pag 13.

Furthermore, small farmers have only minimum agricultural equipment, limited working capital, and make little use of credit facilities due to both the difficulties imposed by commercial banks and the risk involved. As a result, small farmers use a simple and low cost production technology, which not only results in low yields (see Table 2.11) but also has caused negative effects as regards natural resource conservation.

These farmers are temporarily linked to the market through the sale of their labour (principally to the forestry sector), and the occasional sale of production surpluses. Their agricultural activity is mostly oriented towards self-sufficiency, in which livestock is used

both as a source of draught power and a kind of "reserve fund" for unforeseen circumstances. The small-scale of their marketing operation, their lack of organization, with their high relative isolation from the main regional urban centres of consumption, poor means of transport and lack of information on marketing, make them extremely dependent on the small traders (middlemen) who periodically, visit the zone (Cox, 1984). The lack of organization among these farmers makes it extremely difficult for them to improve the marketing of their agricultural products and accessibility to new inputs (seeds and fertilisers).

Table 2.11 "SECANO" Area: Average Yields Obtained by Small Producers.

Product	Unit	Yields by Region				National Average Yield
		V a VI		VII y VIII		
		Actual	Potential	Actual	Potential	
Wheat	t/ha	1.2	4.0	1.5	4.0	3.4
Legumes	t/ha	0.3	1.0	0.5	1.0	0.8
Pastures (dry matter)	t/ha	0.8	1.8	1.0	2.0	n.a.
Wine grapes	l/ha	-	-	3,000	4,000	6,800
Maize	t/ha	-	-	0.8	1.5	8.4
Potatoes	t/ha	-	-	6.0	8.0	14.2
Beef/lamb	kg/ha	21	75	30	80	n.a.

Source: World Bank, 1994 pag 59.

This condition is made worse by the lack of productive and transport infrastructure such as post-harvest storage, processing and marketing and all-weather rural roads. This is especially problematic in the south of the Maule region. Such constraints, along with the poor quality of the provision of basic services such as health, education, drinking water and electricity, have contributed to further depress the quality of life of the poorest segments of the rural population of the "secano". Thus, the combination of productive, social and environmental

constraints affecting the local population of this fragile landscape have become a significant constraint for achieving better level of development according to sustainable basis in both economic and ecological terms (World Bank, 1994).

2.4. Concluding Remarks

As this chapter has shown, poverty in general and rural poverty in particular is the result of the interaction of a complex set of factors. Rural poverty presents different faces throughout the territory and actions oriented to simply increase levels of minimum income would have little overall effect. There are so many other factors that contribute to lower the quality of life in both urban and rural areas. There is no doubt that the rise in the minimum wages would contribute to improve consumption and as a consequence the standard of living of the poorest social groups. This can even contribute to lower the current statistical level of poverty in the country. This alternative, however, would contribute little to the removal of the different factors which are inducing poverty to exist within the socio-geographical heterogeneity of the country. In some of these areas, the level of income does not necessarily appear as the main developmental restriction.

This argument becomes even more important if some rural patterns resulting from the regional impact of the opening of the Chilean economy is considered. As is going to be discussed in the following chapter, some of these patterns seems to have become important factors contributing to the explanation of new trends concerning poverty in some particular rural areas of the country. One important factor has become the increasing spatial and labour mobility of poor people as they move from rural to urban areas -the process of rural depopulation.

Chapter 3. The New Economic Model and Regional Change: the Development of Nontraditional Agricultural Exports and the Norte Chico Region

Introduction

The strengthening of a wide variety of primary exports in Chile since 1975 can be considered the starting point for the development of the country's process of nontraditional export growth. In the regional mosaic of Chile, however, there have been some regions that have benefited from this shift to an outward oriented economy in terms of increased production, and others that have benefited much less. In this chapter, the general aim is to examine the socio-productive evolution of a region that has significantly benefited in terms of production from the promotion of nontraditional exports as a strategy for development.

The following analysis, therefore, will be principally oriented to examine some socio-productive features which have resulted from the strengthening of nontraditional exports at the meso-scale level. This will produce some insights regarding market shifts and spatial implications for regions in Chile.

In order to deal with this aim, the chapter is divided into three main sections. In the first place, some insights concerning nontraditional exports in Latin America are presented as a general background. Secondly, a brief analysis with respect to the evolution of agricultural and forestry exports at the national level is provided in order to contextualise the Norte Chico's process of evolution. Finally, the analysis is focused on two of the more active areas of export-led fruit production of the Norte Chico (the Copiapó valley and the Guatulame section of the Limarí valley) in an attempt to characterise the main

features that have started to emerge in the region as a result of the agricultural modernisation process that started in the late 1970s. In this regard, however, most of the attention is going to be focused on three main variables: productive investment, market of land markets and labour markets. From the very beginning of this process of agricultural shift, the evolution of these variables very much affected the social dynamic of the local population.

3.1. Nontraditional Exports in Latin America: A General Background

Primary exports have always been one of the most important factors in explaining the socio-productive evolution of Latin American countries since colonial times. A clear pattern of export-led economic specialisation based on one or two products was for a long time a rather distinctive feature among these countries. As a result, most of these economies have been affected by the fluctuation with world prices for these primary goods.

Although significant efforts have been historically made in the region in order to overcome these constraints, the general framework has shown little change. Thus, inward-oriented strategies of development, implemented in most Latin American countries since the World Depression of the 1929-1933 period, proved unsustainable unless heavy protectionist measures were maintained. Furthermore, during the 1950's, a well respected United Nations's body was established in the region -The Economic Commission for Latin America (ECLA)- whose main role, notably inspired in the Argentinean economist Raúl Prebisch, was to search for a more regionally-based strategy of socio-economic development. The strengthening of import substitution industrialisation could be considered one of the main outcomes of both processes. However, even though the Latin American geographical pattern of production changed very much as a result of the development of its industrial sector, specialisation in primary exports continued

(Kohlhepp, 1987)

In most Latin American countries, the encouragement of nontraditional exports has come in parallel with an active discouragement and restructuring of most of its import substituting industry. However, little has been said on the regional impacts that such a shift has generated inside Latin American countries compared with the wide literature on the social and spatial implications of the post-Fordist process of industrial restructuring (as one of the new features of the world economy). It needs to be considered that one of the remarkable features of the collapse of the old world economic order from the mid-1970s, apart from its severity, was its high uneven impact across different sectors, national states and regions. As Sadler (1992 pag xiv) pointed out:

..."the significance of places was being (re)discovered in social science at just the same time as capital was apparently increasingly able to transcend space. Yet production still had a geography; not only in its physical location, but also more generally in the sense that key strategic decisions incorporated a heightened awareness of the competitive advantages and disadvantages to capital of particular places and regions from within the global web, and the diversity of ways in which they could be connected as part of truly international strategies. Such decisions rested on a conscious evaluation of particular attributes to do with historical-geographic processes of development".

Therefore, both the integration and disintegration of places and regions within broader national and international circuits via corporate and state policies poses some harsh challenges not only to people living and working there but also to the state. Accordingly, concerns on how regions can adapt to an increasingly volatile international market place become a paramount aspect to be considered in medium- and long-term development. The spatial mobility of capital used to be much higher than the capacity of readaptation of labour, services and infrastructure.

By the beginning of the 1990s, a major shift in the orientation of economic policy had

occurred in the majority of Latin American countries. After the severe crisis of the 1980s, in which economic decline was practically a general feature throughout the region, most Latin American countries turned to more outward-looking economic strategies to redirect their process of development (Gwynne, 1990, 1993a; Messner, 1993; De Janvry, 1993; Hojman, 1994). This dynamic towards change has come as a result of a combination of internal political actors and international lending aid agencies, looking for mechanisms to stabilize the balance of payment and to revitalise long-term economic growth in Latin American countries. The centrepiece for this new strategy of development has been the promotion of "nontraditional" exports (Barham, 1994 pag 53). Because "nontraditional" exports is a rather vague concept, it seems useful to adopt Barham's definition as a general reference for a better understanding of Latin American countries's process of economic shift:

"The term nontraditional exports is used to describe three distinct phenomena. First, an export can be nontraditional because it involves a product that has not been produced in a particular country before, such as snow peas in Guatemala. A second type of non traditional export is a product that was traditionally produced for domestic consumption but is now being exported, like various tropical fruits. Finally, the term can refer to the development of a new market for a traditional product, such as exporting bananas to the Soviet Union".

Even though most Latin American countries are currently involved in serious attempts at increasing nontraditional exports, this process did not start simultaneously throughout the region, nor has it been the result of a unifactoral process of evolution. Despite the fact that the continent has lost much of its importance as an exporter of food and the percentage of exports derived from agriculture has declined, absolute outputs of agricultural cash crops and exports continue to rise and new exports are constantly sought in the region (Kohlhepp, 1987; Townsend, 1987).

One important factor that explains this process has been the growing transnationalisation of agricultural production in the region. In addition to consolidating its control over the

production and external commercialisation of traditional agricultural goods, transnational capital has diversified and expanded significantly in both new agricultural and agribusiness activities such as: export-led horticultural and fruit production in Mexico and Central America (other than bananas) and Chile; the development exports of cut flowers in Colombia; the introduction of soya beans in Brazil (increased its exports of soya products from a value of US\$15 million in 1965 to US\$1,644 million in 1979), Argentina, Colombia, Guatemala, El Salvador and Peru; the development of export-oriented poultry farms in Colombia, Brazil and Mexico; and meat production in Brazil and Central America became clear examples of export-oriented diversification in Latin America's primary production, as regards the agricultural sector (Gomes, 1979; Townsend, 1987).

Therefore, it seems not easy to define clearly the particular moment in which the new outward-oriented strategy of development started to be a common feature in most Latin American economies (in contrast to the establishment of The Great Depression of 1929 as the starting point for the inward economic strategy). However, it can be suggested that the process began as a result of several contributing factors, such as: urgent needs for foreign currency to face the debt problem which had reached truly staggering proportions in some countries (specially in Mexico, Brazil and Argentina); the expansion of transnational capital in the region (involved not only in production with the latest advances of the green revolution, but also ensuring commercialisation in international markets); improvement in both internal and international transport systems and a substantial fall in transport costs (reducing the frictional effect of geographical distance); development in communication systems allowing investors quick decision-making and using information received in real time; the role played by military regimes (especially in Chile, Argentina and Uruguay) in the restoration of the free operation of the market and the opening of the economy to the rest of the world; and last but not least as a result of a demonstration effect by trying to emulate other countries' successful experiences as regards macroeconomic stability.

3.2. Nontraditional Exports in Chile

Although every particular country could find different factors for explaining the beginning of its own nontraditional export-oriented dynamic, the role played in the region (principally since the beginning of the external debt crisis in 1982) by the economic international organisations -IMF, World Bank, Inter-American Development Bank- cannot be neglected as the main factor in explaining the latest expansion and generalisation of this strategy throughout Latin America, as one of the main components of the structural process of economic adjustment (Hojman, 1994).

In the case of Chile, the shift to an outward oriented strategy of development could be evaluated as highly successful, at least from the macroeconomic perspective. This statement can be supported by analysing the dramatic changes that the evolution of Chilean exports has shown since the 1970s. Since the nitrates crisis of the 1930s, copper production became the main source of the country's revenues for more than half a century (Apey, 1987a). Accounting for 73 per cent of Chilean exports in 1970, copper has started to lose pre-eminence as a result of the impressive development of nontraditional exports (see Table 3.1). Thus, the share of copper among total exports fell to 41 per cent in 1987 and to only 36 per cent in 1993, in spite of the fact that copper production has been continuously rising from 0.83 million tons in 1975 to 1.42 million tons in 1987 and to 2.04 million tons in 1993. In contrast, food imports had amounted to over US\$500 million in 1973, but by 1991 the situation was clearly reversed. Primary agricultural exports amounted to US\$1,136.9 million and agroindustrial exports (excluding forestry) totalled US\$464.3 million. Thus, total exports related to agriculture amounted to US\$1,601.2 million in 1991, whilst imports of primary agriculture and agroindustry came to US\$467.6 million. As a result of that, Chile had a balance of trade

Table 3.1 Evolution of Chilean exports, 1971-87 (US\$ millions).

	1971	1980	1984	1986	1987
1. Mining	813.2	2,946.2	2,165.7	2,299.2	2,745.8
(Copper)	701.8	2,154.8	1,584.4	1,771.0	2,100.5
2. Agricultural products	29.4	339.9	428.1	683.0	743.0
(Fresh fruit)	13.4	244.4	291.5	476.8	527.2
3. Manufactured goods	119.6	1,427.3	1,063.4	1,240.1	1,613.2
(Fish meal)	29.8	233.5	275.7	314.9	358.3
(Frozen/canned fish and shellfish)	n.d.	50.8	78.7	106.5	141.3
(Timber products)	7.0	286.2	116.3	137.4	151.5
(Paper & Cellulose)	32.0	297.2	259.4	272.4	364.9
(Chemicals)	11.8	163.2	124.3	119.5	103.2
(Basic metals)	9.0	147.4	60.5	77.2	87.3
(Metal products)	4.4	63.9	19.5	23.1	26.8
TOTAL (1 + 2 + 3)	926.2	4,713.4	3,657.2	4,222.3	5,102.0

Source: Annual External Trade Reports of Chile's Central Bank, quoted from Gwynne, 1990, p.80.

surplus of US\$1,133.6 million in 1991 (Gwynne, 1994). In general, nontraditional exports of agriculture, fishing, manufacturing and forestry products continued to develop after the deep 1982-1984 crisis (which created a 14 per cent decline in GDP). Thus, nontraditional exports more than doubled between 1984 and 1990 from US\$1.67 billion to US\$3.83 billion (Gwynne, 1993a).

3.2.1. The cases of fruit and forestry products

Although Chilean fruit exports became relatively significant throughout the 1960s, only in the 1980s did they start to be an important source of income for the national economy. As can be noticed in Table 3.2, export income from fresh fruits increased ten times between 1975 and 1985, constituting, thus, 84 per cent of total agricultural exports at the end of this period. Fresh fruits were from the beginning the main component of the development of nontraditional exports in Chile's agricultural sector.

Table 3.2 Agricultural and Fruit Exports

(US\$ million of FOB each year)

Year	Agricultural Exports	Fresh Fruit Exports	Proportion (2):(1) (%)	Rate of Growth (average per year)	
				Agricultural Exports total (%)	Fresh Fruit Exports (%)
	(1)	(2)	(3)	(4)	(5)
1965	15.0	8.8	58.7	-	-
1970	22.4	11.8	52.7	8.4	6.0
1975	59.7	37.8	63.3	21.7	26.2
1980	244.3	168.7	69.1	32.6	34.9
1985	436.1	367.5	84.3	12.3	16.8

Source: Central Bank; J.M., Cruz, 1988.

This Table grape showed the most dynamic growth among all export fruits. Between 1975

and 1988, table grape exports grew by 40 per cent a year (Figure 3.1), constituting 60 per cent of total fruit exports. In 1977, Chile exported only 36,649 tons of grapes at a total value of US\$24.9 million. Thirteen years later, tonnage had increased by twelve times (to 471,923 tons) and total value by fifteen times in nominal terms (to US\$379.3 million). Grape exports as a percentage of total exports had risen from 1.1 to 4.4 per cent (Gwynne, 1990). This showed a very specialised export structure in agriculture, with table grapes and apples constituting more than 80 per cent of total agricultural exports in 1990. This concentrated structure of fruit exports undoubtedly constituted risks for the national economy if market uncertainties and price fluctuations at the world scale are considered (see Table 3.3).

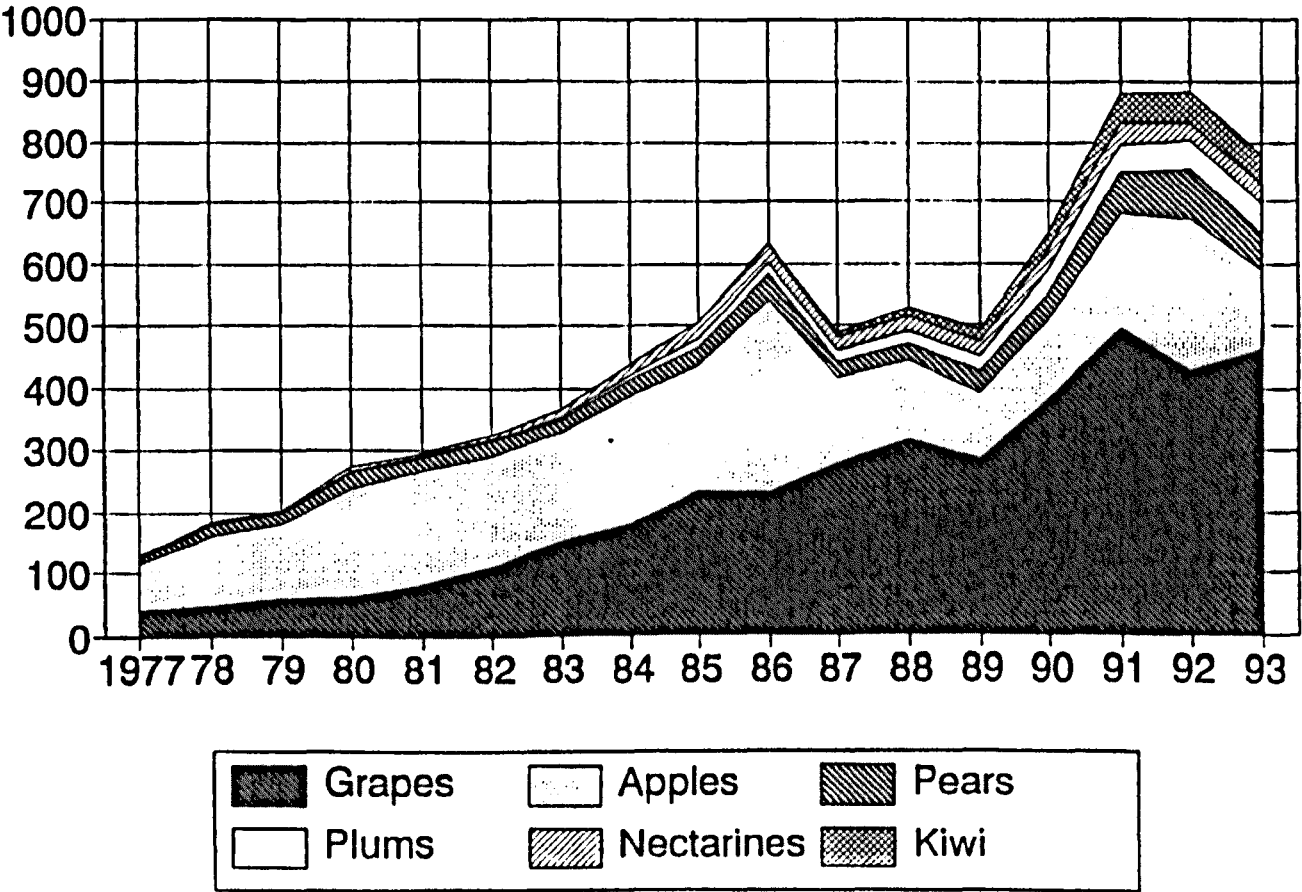
Table 3.3 Fresh Fruit Exports, 1979-1985.

Fruit	Annual rate of growth		Behaviour of average prices	
	US \$ (%)	Quantity (%)	Nominal prices (%)	Real prices (%)
Table Grapes	30.0	28.8	1.1	-0.5
Apples	9.5	9.0	0.5	-1.0
Plums	26.4	35.3	-8.9	-10.4
Peaches	25.8	16.4	9.4	7.8
Nectarines	32.9	35.8	-2.9	-4.5
Pears	8.0	6.9	1.2	-0.4
Lemons	15.5	4.2	11.3	9.8
Rest	-1.1	-4.7	3.5	2.0
TOTAL	19.4	16.0	3.4	1.9

Source: Central Bank Data, quoted from J.M.Cruz, 1988.

According to Table 3.4, the combination of agricultural, agroindustrial and forestry exports became an important in total Chilean exports by reaching US\$2,505 million in 1991 (more than trebled in value since 1985). Of this latter aggregate agroindustrial exports amounted US\$1,145 million (45.7 per cent) in 1991, of which US\$660.1 million corresponded to cellulose and forestry products. Forestry production and exports has developed significantly in the country during the last two decades. Accounting for US\$39.1 million in 1973 (3.1 per

Figure 3.1 Fruit Exports, 1977-93 (US\$m)



(Source Gwynne, 1994)

Table 3.4 Evolution of Chilean Exports: Agricultural and Forestry Products (1985-1991).

(US\$ thousands)

	1985	1986	1987	1988	1989	1990	1991
Total	836,706	1,101,900	1,360,139	1,637,392	1,780,500	2,122,726	2,508,233
Primary Products	481,920	621,943	711,162	831,467	802,665	1,093,348	1,363,055
Agriculture	50,834	55,141	39,019	63,923	107,477	86,636	73,369
Fruit	355,669	476,983	527,401	582,296	552,649	747,484	999,076
Horticulture	6,525	11,686	19,624	20,367	19,825	28,828	32,441
Livestock	19,656	30,804	42,284	40,313	30,107	25,310	21,831
Forestry	49,236	47,329	82,384	124,568	92,607	205,090	236,338
Industrialised Products	354,786	479,957	648,977	805,925	977,835	1,029,378	1,145,178
Agriculture	19,411	25,998	33,889	52,846	68,065	60,973	56.385
Wine & Alcohol	13,558	16,656	21,667	26,195	37,015	71,899	88.375
Fruit	28,912	52,409	71,506	77,530	95,594	117,672	187.778
Horticulture	12,728	18,096	21,991	30,831	67,525	93,808	102.438
Livestock	11,305	20,576	23,071	32,337	40,373	43,808	50.144
Forestry	268,872	346,222	476,853	586,186	669,263	641,297	660.058

Source: Central Bank Data, quoted from ODEPA, 1992.

cent of total Chilean exports), forestry exports rose to US\$896.4 million in 1991.

The development of nontraditional export activities has undoubtedly implied a deep impact on land use. As an example, the area covered with forestry and fruits has expanded considerably. Between 1973 and 1991, the area planted with fruit trees more than doubled, to reach 165.400 hectares (ODEPA, 1992). The Central Valley's (Aconcagua to Curicó) share of this total was about 84 per cent (Cruz, M.E. 1993). In parallel, plantations of radiata pine (84.5 per cent of forestry plantations) increased from 1 million hectares in 1982 to 1,31 million hectares in 1991; 67 per cent of the 1982 radiata pine surface was planted between 1974 and 1982 (Sanchez, R. 1986)). According to World Bank calculations (1986), production costs (from the cost of afforestation to the cost of transport to the export terminals) for logs of the most important species in Chile, Monterrey pine (*Pinus Radiata*), are only 30 to 50 per cent of the costs of equivalent production locations in the USA and Scandinavia countries, which compete directly with Chile in world markets (Messner, 1993).

This process of productive dynamism has generated deep changes within the national agricultural sector. Domestic fruit producers have diversified their business, transnational export companies have flourished in the country whilst packing and cooling plants can be seen throughout the main productive areas. New agri-business groups (with a new attitude to risk, technology and efficiency as regards export production) appeared and started to take advantage of the new macro-economic environment: private initiative and export promotion were highly encouraged; reductions in tariff protectionism and elimination of non-tariff barriers assisted in this process; multiple exchange rates and price controls and the commitment to an effective, competitive exchange rate that favoured exporters were established; certain subsidies for production were instituted (Decree Law 701) (Barham, 1994). Furthermore, Pinochet's government early on dismantled the power of organised labour, eliminating its capacity to bargain collectively and ensure even the most basic workers' rights. Thus, little by little the Chilean countryside began to show deep

socio-geographical changes.

3.3. Socio-geographical Implications of the Norte Chico's Process of Agricultural Restructuring

Although the Norte Chico is not as relevant as the Central Valley in quantitative production of nontraditional exports, this macro-region is an interesting subject of socio-geographical analysis as regards the impacts of the opening up of the Chilean economy.

In effect, the incorporation of more than 10 thousand hectares of export-led table grape vineyards between 1977 and 1990 in one of the most unproductive and poorest Chilean agricultural landscapes (Regions III and IV of the Norte Chico's semi-desertic region), could be considered one of the most remarkable socio-geographical responses to the opening up of the national economy. The rather homogeneous socio-geographical macro-region of the Norte Chico has historically led most of the country's poverty rankings in terms of both production and social standards of living (see chapter 2). Although different development initiatives have occurred in the area trying to improve social conditions, the combination of environmental constraints, the cultural attitude of local people as regards the process of capital accumulation, the difficulties in marketing practices, and the scarcity of productive capital investment in agriculture, have historically prevented significant success. As a result, the Norte Chico has not only been one of the less significant contributors to GDP but also one of the less favoured as regards private and public investment (Boisier, 1987).

However, from the mid-1970s and as a result of the development of the open free-market economy, it has been possible to observe an intensive shift in regional agricultural production, principally along some of the irrigated valleys. Leading the national process of a boom in export-oriented crops, the Norte Chico region reacted rapidly to the different measures that the government applied for facilitating the implementation of a development

strategy based on the exploitation of comparative advantages. Thus, the Norte Chico's historic model of agricultural production where communal land ownership was a traditional common feature, started to coexist with an aggressive export-led productive system in the region, a system that incorporated new lands and demanded increased inputs of water. At the beginning of the 1990s, roughly 25 per cent of the country's export-led table grapes came from the Norte Chico valleys.

The introduction of new productive activities in most of the regional valleys has undoubtedly improve the regional process of economic growth. This regional economic growth has been also an important component of the economic success at the national level. From the social perspective, however, deep changes have also occurred in those areas as a result of the regional restructuring process. Changes in the structure of land tenure, labour demand, urban dynamics, investment, and other variables, have notably re-directed the socio-productive development of these valleys. As regards productive outcomes, there is no doubt that this process has created significant improvements in most of these valleys. But from the social perspective, the evaluation of the whole process is still a rather controversial matter, very much depending on both the selected variables and on the ideological approach considered for evaluating development.

3.3.1. The new regional productive pattern

As soon as the country started to adopt the open free-market strategy of development the Norte Chico region was notably affected by the emergence of two unusual and closely related factors: first, new sources of investment flows of trans-regional productive capital and technology (notably transnational), and direct functional and productive linkages with new international markets. Consequently, both new factors very much interfered with the historical pattern of spatial organisation in the region (notably in the valleys), whose main output had historically been structured by the influence of the location factors of

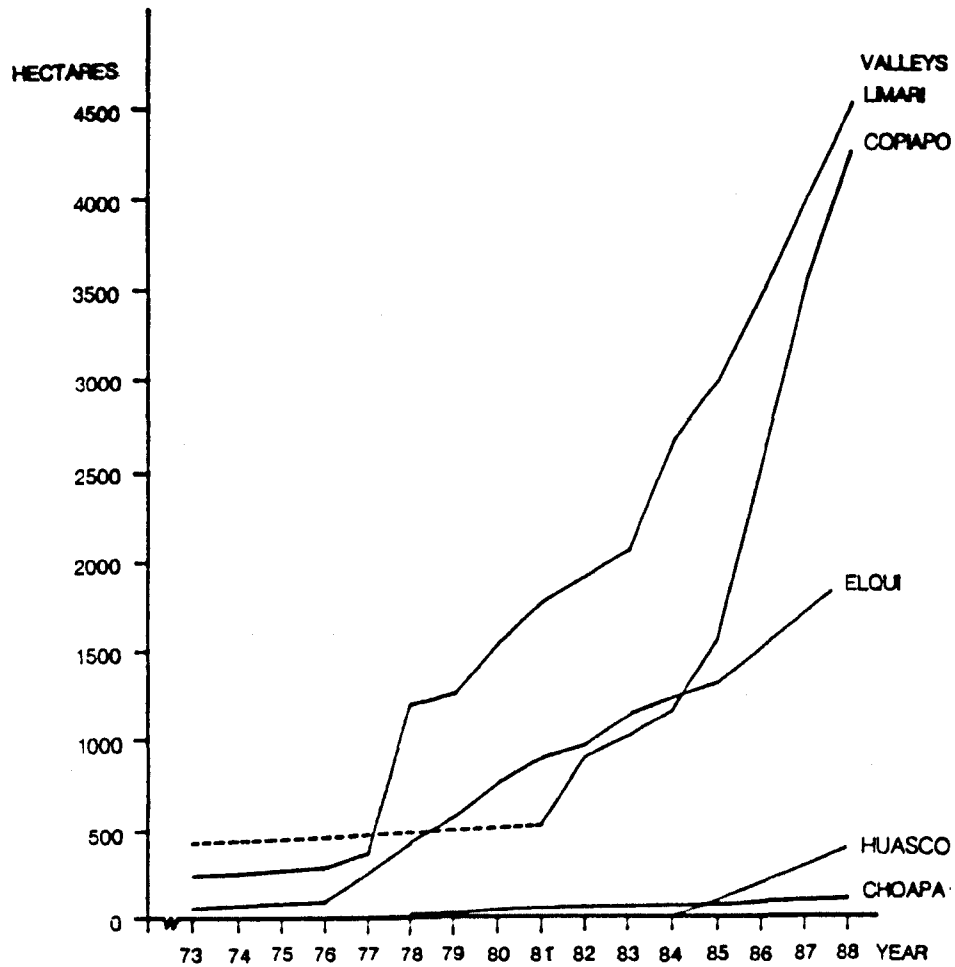
domestically-oriented agricultural production.

Suddenly, however, some traditional regional characteristics became attractive advantages for facilitating a progressive allocation of significant amounts of capital in three of the five Norte Chico valleys (Copiapó, Elqui and Limarí). Thus, the high level of sun radiation and spring temperatures in the upper sections of the Norte Chico valleys, availability of cheap land and labour in the region permitted the dramatic spread of table-grape vineyards to fulfil the counter-seasonal demand of northern hemisphere countries, principally winter-time U.S. markets (see Figure 3.2).

The timing of Norte Chico table-grape production is very important. The climatic characteristics of these valleys allow a significant share of the crop to be ready for harvest as early as the beginning of November, that is to say, at least one and a half months in advance of the Central Valley of the country, whose harvest normally comes between January and April. This fact allows Norte Chico's freshly-picked grapes to be marketed in the Northern Hemisphere from the beginning of December, profiting thus from the high prices of the U.S. Christmas shopping period. At the beginning of the 1980s, prices for Copiapó's table-grapes production in U.S markets (8.2 kg. box), varied from US\$38 to US\$20 in less than one month, depending if it was commercialised before or after Christmas. According to one of the largest producers of the Limarí valley prices decreased substantially after the 10th of January.

If it is considered that the valley's average production is about 2,000 boxes per hectare, it can be said that no other crop in the region could have equalled the level of profits that vineyard plantations yield by hectare at the beginning of the Chilean export-oriented agricultural boom. This aspect undoubtedly became one of the most relevant factors that investors in the table grape business considered before choosing the particular place where to invest in vineyards. From the very beginning the spread of vineyards throughout the

**Figure 3.2 Evolution of Table Grape Vineyards
in the Five Valleys of the Norte Chico, 1977-1987**



(Source Apey, 1990)

region occurred by both changes in land use (largely in the irrigated agricultural land) and by a significant expansion of the agricultural frontier (mainly on marginal newly-irrigated dry-lands) (see Table 3.5). In this way, the region started to show socio-geographical change as a result of its new operation at a scale of international economic space.

Table 3.5 Land Use Change in Areas of Table Grape Production 1965-88 (hectares)

LAND USE	UPPER COPIAPO*			GUATULAME		
	1965	1979	1987	1962	1979	1988
Annual Crops/Pasture	1,343	2,090	718	1,397	1,166	963
Fruit Trees	73	82	67	10	81	76
Table Grapes	255	272	3,514	73	129	1,514
TOTAL	1,671	2,444	4,299	1,480	1,376	2,553

*This corresponds to the commune of Tierra Amarilla

Source: Field Work, quoted from Gwynne and Meneses, 1994.

It is important to bear in mind, however,that in spite of the high level of climatic homogeneity of the five Norte Chico valleys and their ability to produce early table-grapes, production, there have been significant differences in the pace at which they have attracted international and national capital investment into the region. Furthermore, according to both direct fieldwork and indirect information on the valleys affected by the expansion of export-led table-grape vineyards, there were some minor differences also in the way and intensity in which the regional socio-geographical variables reacted to this process of agricultural expansion. Consequently, from the organisational perspective both inputs (or intervening factors) and outputs (spatial changes) affecting the study area at the meso-scale level have been rather the same, though from a structural perspective the Norte Chico valleys have been presenting some distinctions. Considering, however, that this chapter is primarily oriented to identify potential patterns rather than to deal with the peculiarities that the process of agricultural modernisation has been presenting within the

area, the following analysis will be principally oriented to give some insights at the organisational level.

Without doubt, the high level of prices that Chilean table-grapes have been reaching in international markets became the principal factor for explaining the allocation of productive capital in the region. Thus, international demand, acting through prices, evolved into the main functional linkage between world markets and the Norte Chico Region. As a result of that, the whole socio-geographical dynamic of most of these agricultural valleys has become largely dependent on the prices that regional table-grape production cyclically reaches in world markets. Thus, markets and prices were (and still are) the main source of explanation for the deep changes the region presents. They are also the main engine to maintain the new socio-productive system in operation.

Undoubtedly, there are several factors which could be considered important to be analysed in order to have a better understanding of the whole process of regional change in the Norte Chico valleys. However, three of them have become extremely important as inputs for the new regional dynamic: productive capital, land and labour.

As far as capital is concerned, most of the classical scholars in regional development theory -notably Hirschman (1958) and Myrdal (1957), have agreed that the attraction of productive capital to peripheral regions has to be considered one of the first problems to overcome (or at least to minimize). Inward capital flows can rectify the strongly uneven pattern of development that most developing countries present as a result of historically-based productive, social, and political influences. Thus, the spatial re-direction of investment flows from core to periphery was an important (though unsuccessful) goal advocated for most Latin American governments since the mid-1960s (deeply influenced by the Economic Commission for Latin America -ECLA). But, in spite of all efforts spent by those countries, the uneven development pattern not only remained unchanged but has also worsened.

Concerning the other main productive input, labour, it seems important to discuss some characteristics of the regional labour force recently engaged in table-grape production. Significant criticisms were focused on the agricultural modernisation process from the very beginning mainly because the social problems it initiated was one of its outcomes. However, official public speeches advocated that the creation of new agricultural employment (as a result of the strength of nontraditional exports) needed to be considered as one of the main factors for raising the level of regional development. Therefore, the Norte Chico case study has provided some useful empirical information for a better understanding of the new socio-productive regional dynamic and for the inspiration of potential social policies at both local and national level.

3.2.2. Productive capital

As soon as the economic strategy changed, productive investment started to flourish in parts of the Chilean periphery, even though the State did not have a direct role in the allocation of resources. Conversely, the main source of capital has come from the private sector and the most affected areas as regards this new spatial division of labour have precisely been the historically most dis-advantaged peripheral regions of the country, as in the Norte Chico. This is one of the reasons, therefore, why it seems important to have some information on both the way in which productive capital has been allocated in the region and the effectiveness in raising the level of regional development.

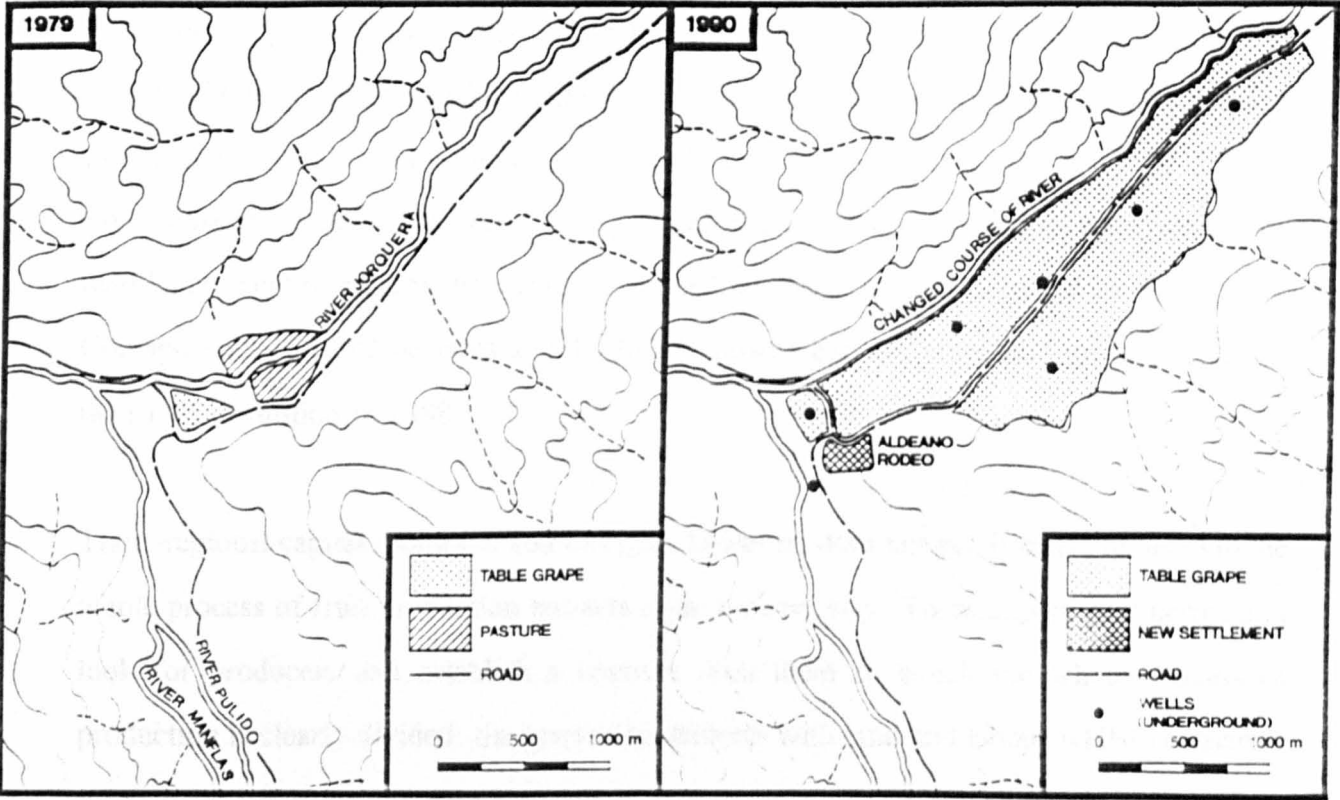
Because of the large number of elements involved in the process of agricultural change, it is extremely difficult to estimate the total amount of capital that the Norte Chico valleys have received throughout its productive shift. However, according to field information, the single process of setting up a table-grape vineyard amounted nearly US\$5,000 per hectare (only in basic inputs) in the mid-1980s. By considering only this single aspect, and taking into consideration that in 1990/1991 there were already nearly 12,700 hectares of export-table

grape vineyards in the Norte Chico region (ODEPA, 1992), it is possible to estimate the basic investment at roughly US\$63.5 million. This figure does not include, however, other expenses such as the cost of land, and the installation of a drip feeding irrigation system. According to Gwynne and Meneses (1994) if these expenses are also included (US\$5,000 per hectare of non-irrigated land in 1992) the global investment per hectare rises to about US\$10,000 (Riffo, 1993) estimated in US\$11,600 the basic investment for setting up 1 hectare of export-led table grape in the Limarí valley. Although these figures could be properly considered representative of the case of nearly 70 per cent of the Norte Chico vineyards, there have been exceptions which clearly show the capital interest for expanding this attractive business throughout the valleys.

An illustrative example of this fast territorial process of capital expansion is one of the investments made by Alfonso Prohens in the upper section of the Copiapó river (one of the largest and more successful table-grape growers in the Copiapó valley). He borrowed US\$2.5 million from Standard Trading Fruit (trademark Dole) to shift the course of the Jorquera tributary to the north of the valley; to level and prepare the former river bed and valley bottom for cultivation; to dig two deep wells; to plant about 150 hectares of table grape vineyards; and to create a small settlement called Aldeano Rodeo with accommodation for both permanent and temporary labour (see Figure 3.3).

Furthermore, private investment in other variables such as rights for irrigation water ("derechos de agua"), packing and cooling buildings, machinery, labour accommodations, have been also significant. On the other hand, a large amount of public expenditure has been allocated to the region, mainly for the provision of electricity coverage and transport infrastructure (paving roads and port facilities) to assist the progress of domestic transport and table grape storage. Thus, whichever the final amount directly or indirectly invested in the Norte Chico for growing its principal nontraditional export, it certainly became the most significant flow of investment ever allocated in the agricultural sector of this region (1990b)

Figure 3.3 Land use in the Upper Copiapo, 1970 and 1990.



(Source Gwynne and Meneses, 1994)

(Apey, 1990b). It was especially important if it is considered that this occurred in one of the most disadvantageous environmental regions of the country and throughout one of the more critical periods of the country's foreign debt.

3.3.2a Sources of investment

The main sources of productive investment came to the region from both domestic and transnational capital traditionally linked to fruit production. In the agricultural season of 1989/90 Chilean exports of table grapes accounted 63,767,367 boxes, of which 49.6 per cent were exported by five enterprises (David del Curto, Standard Trading-Dole, United Trading Co., Unifrutti Traders, and Frupac S.A.). In the Norte Chico, at the end of the 1980s, more than 50 per cent of exports were commercialised by these same five enterprises. Only in the Copiapó valley (4,292 hectares and 3,126,174 boxes) exports accounted for slightly more than US\$30 million in 1988.

Trans-regional capital (domestic and foreign), however, does not get directly involved in the whole process of fruit production but acts in an indirect way. These export fruit companies look for producers and establish a contract with them in which the whole process of production is clearly divided: the grower contributes with land and labour whilst companies provide the initial and subsequent flows of credits for setting up and running the productive rotation of the vineyards. They also supply the complete technological package for production and packing; give technical advice; and finally ship, transport and commercialise production in overseas markets. After some months (July/August) the company pays the producers in accordance with the obtained price minus all the costs of inputs received from the company for production, the agreed mortgage and the commission that the company charges for their services (between 8 and 10 per cent). Often producers get indebted with these companies.

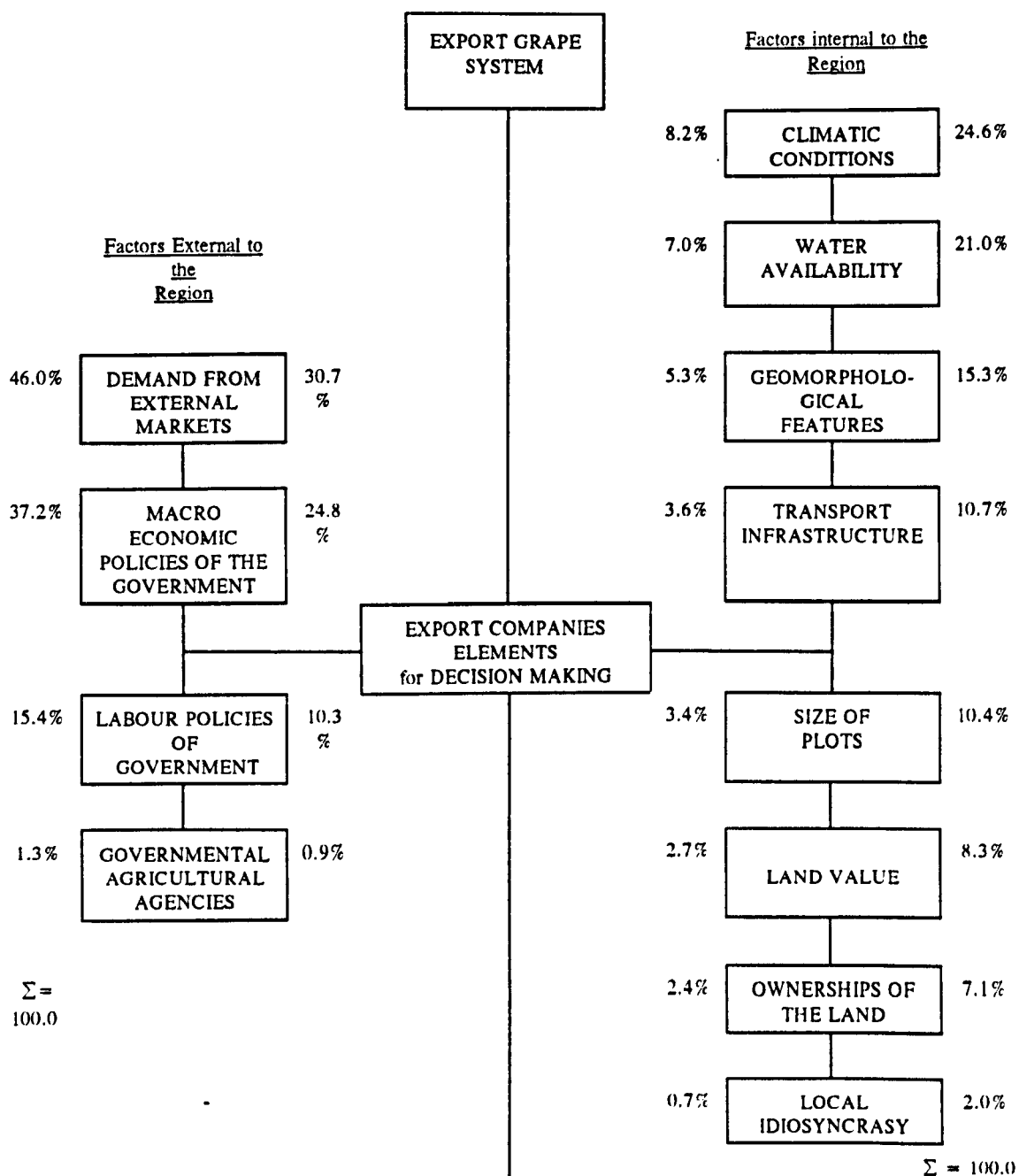
At the beginning of the productive boom in both the Copiapó and Limarí valleys (notably in Copiapó), most of the investors in export-led table grape came not only from the agricultural sector. They came also from regional and inter-regional urban business and mining entrepreneurs living in the region's largest cities (Ovalle, La Serena and Copiapó) or in the central region of the country.

Fruit production has turned into a highly sophisticated technical process requiring substantial capital investment and know-how. Growers who have been able to acquire the necessary capital and have invested in the latest technologies have managed to obtain yields as high as their counterparts in the United State and Europe. Not surprisingly, these managerial requirements have tended to exclude smallholders, few of whom have enjoyed the same success as some large landowners and urban and foreign investors (Rivera, 1988 and Echeñique 1989; quoted by Barham, 1992), though, as soon as the productive process showed its profitability, some few medium-size regional agricultural producers have started to get involved in production. This local process of agricultural change very much endorses the diffusion of innovation through time presented by Rogers (1962 quoted by Ilbery, 1985), and the main characteristics of agricultural innovators by category of farmers presented by Jones, 1975 quoted by the same author). In the Norte Chico region, however, this process of diffusion of innovation has not reached the smallholders, so far.

3.3.2b Factors affecting investment in export vineyards in the Norte Chico

An additional interesting aspect to be considered in the Norte Chico as regards the process of capital expansion is the contrasting speed in which vineyards expanded through the five valleys. As was observed in Figure 3.2, both the Huasco and Choapa valleys showed a rather limited development in export-led vineyards. As all these valleys present similar climatic advantages to grow the crop, it seems important to give some insights as

Figure 3.4 Norte Chico: Ranking of Factors Affecting Investment in Export - Grape Enterprises (1989)



Norte Chico's Valleys: Land under Table Grape Vineyards (hectares)(1989).

Copiapó	Huasco	Elqui	Limari	Choapa
4,375	293	1,916	4,482	163

(Source Rosales, 1990)

to some of the reasons which could explain such a different pace. According to a direct two round survey conducted with the production managers of the 13 top fruit-export companies investing in export-led table grape production in the Norte Chico valleys, there was a high level of homogeneity in the way they defined and ranked the factors taken into consideration for the allocation of productive resources in the area (Rosales, 1990)

As a result of the weight that the interviewed people gave to the different variables, the ranking shows clearly the relevance that external factors to the region present in influencing the allocation of capital in the Norte Chico. This is not strange since the other factors have played an unchanged role for a significant period of time. The role of new government macroeconomic policies (strongly encouraging nontraditional exports), in which the new Labour Code was important for neutralising potential pressures from workers, was repeatedly considered as the main factor for starting business in the region.

A similar approach could be used for interpreting the weight played by the regional internal factors. The three most important factors (climatic conditions, water availability, and geomorphology) have been historically part of all five Norte Chico valleys (water availability is even larger in the non reactive areas). As far as the following variables is concerned, however, significant differences start to appear if all five valleys are compared:

- a) The lack of minimum standards in feeder roads in the Huasco and Choapa valleys make it extremely difficult for access to the upper valley areas where climatic conditions would permit earlier vineyard production. Export companies do not take the risk of losing production quality as a result of difficult internal transport along poor unpaved roads.
- b) According to the companies, one of the most important factors taken into consideration for selecting the allocation of productive resources in the valleys was a combination of two regional features: the size of the plots and ownership of land. Due to the fact that

a minimum size of plot is required for making grape production attractive to export companies (not only for obtaining economies of scale but also for providing a minimum income to local producers with a positive attitude to allocate capital risk), they preferred to start business with larger producers. In this regard, the Choapa and Huasco valleys show again some disadvantages -if they are compared with the others, since they have the smallest average in plot size in the Norte Chico region because of a generalised minifundia, especially in the upper sections (2.8 hectares and 6.2 hectares respectively). These figures are significantly different to the 43.2 hectares that the Copiapó valley has as a size average and to the 9.3 hectares of the Limarí (Apey, 1990b).

- c) A large number of small plots in both the Choapa and Huasco valleys present problems of land titles. This fact very much prevented the possibility of qualifying for credits as regards these small- and medium-scale landowners, because they could not use the land as a guarantee. Moreover, this circumstance was also an active barrier for a potential enlargement of the size of plots through the land market. This restriction has been especially important in the Choapa and Huasco valley and in the first stages of development of the Limarí (before some agricultural communities were subdivided and sold or rented, allowing a fast expansion of investment in vineyards in previously non-irrigated areas).

3.3.2c Productive capital: final remarks

The most significant flows of productive capital invested in the table-grape business in the Norte Chico valleys came from trans-regional and transnational investors. Moreover, they have been currently participating in a rather indirect way in the whole process since they have very seldom become involved in the productive stage. By doing that, exports companies have been able to minimize as much as possible all the risks involved in potential market crises, and because they do not own land they can potentially behave in accordance with the

high level of spatial mobility characteristic of transnational capital. Thus, in long-term perspective most of the risks seems to be inevitably transferred to local producers.

An additional aspect to be considered, especially by the new democratic governments, is the high weighting that the previous military regime's macroeconomic and labour policies had as a factor for allocating investment in the Norte Chico valleys. An intensive negotiation process between the government and the main sources of foreign investment seems important to be done in order to maintain a balance between the interest of export companies for maintaining investment throughout the country and all the changes in legislation (notably in the Labour Code) that the democratic government offered as regards improvements in social conditions. A long term agreement in this regard appeared to be a major pre-condition in order to allow a long term sustainability to the development of the country's nontraditional export process.

Furthermore, if the government has intentions to continue with the expansion of nontraditional exports within a more equitable social approach some policies need to be identified in order to achieve both the expansion of export-led vineyards in the two laggard valleys (Huasco and Choapa), and the incorporation of the smaller agricultural producers into the export track. In relation to this point, the information provided by export companies -as explanation of their differential interest in allocating investment among these valleys, could be used as a source of information for inspiring public action.

As an example, improvement in public infrastructure (particularly in roads and electricity) could facilitate the participation of these valleys in some of the benefits linked not only with transnational markets but also with larger domestic ones. Furthermore, to help the organisation of small producers in cooperatives (as has been a long tradition in these valleys for pisco vine production) could potentially overcome some productive constraints linked to small-size plots. Thus, the achievement of collective economies of scale resulted from

aggregating larger levels of production could allow smallholders to increase productivity, increase their bargaining power with export companies, and to gain a better standard of living. The case of Taiwanese agriculture (developed on a private basis) could be used as a successful example on this. With an average of one hectare per family, Taiwanese farmers became very competitive in some crops (mainly in horticulture) as a result of cooperative practises in both production and commercialisation. Both regional and local governments and some NGOs such as JUNDEP which has had a significant role pursuing social development mainly in the Choapa basin could play a relevant function in the near future by changing the pattern in which export activities have been developed almost exclusively by a small agribusiness elite (Cruz, 1988).

3.3.3. The agricultural land market

The spectacular rise in export-oriented agricultural production has implied significant demands for land. This requirement (as was previously illustrated) has been fulfilled in the region through two main processes: expansion of the agricultural frontier along formerly uncultivated land on cones and in ravines adjacent to the rivers; and by an active agricultural land-market in which changes in the use of land have been a subsequent related output. Thus, in addition to the flow of financial capital to the region the availability of land became an other relevant input for the expansion of table-grape production in the Norte Chico. In general terms, the provision of land for table-grape business was a duty to be carried out by domestic producers.

Whereas most of the previously uncultivated land currently devoted to export-led table grapes was owned by the state (notably in the Copiapó River), its transfer process to private agribusiness entrepreneurs was rather fluid, through direct purchase, auction or even as a gift. As an indication, between 1981 and 1988, 1,538 hectares of public land were transferred to the private sector in the Copiapó valley, out of which nearly 951 hectares was

obtained by only one company -CODELPA, previously mining company which wanted to diversify into export-led agricultural production.

The majority of the land devoted to export vineyards, however, came as a result of a relatively fast development of a land market. The supply of land came from: small-sized farms derived from agrarian reform; private property that survived the agrarian reform; agricultural communities; and schemes of agricultural colonisation (Gwynne and Meneses, 1994). The following analysis, therefore, has been oriented to give some insights as to the main processes which have characterised the land market in permitting the fast expansion of table-grape plantations in both the Copiapó and Limarí valleys.

3.3.3a Land markets in the upper Copiapó Valley

Although land in this area was historically considered unsuitable for agricultural production, there were a number of small plots devoted to supply horticultural products. As soon as the export boom started, however, this geographical landscape became one of the most attractive productive zones within the country with respect to its potential link to overseas markets. Accordingly, as a result of the growing interest that external capital showed for investing in the area, domestic producers started an aggressive search for land along the valley in order to become involved in this new business. Thus, in about a decade more than 95 per cent of land use was devoted to export-led table grape production.

According to Meneses (1990), the main sources of land devoted to export vineyards in the Copiapó Valley were: 1,529 hectares transferred from public land and 1,068 hectares obtained from small-sized farms that were previously used for horticultural production. The public land was purchased through 38 land titles ("asignaciones de propiedad fiscal") of which 22 (1,067 hectares) went to 3 producers: CODELPA, Prohens and Agricola Chañarcillo. The remaining 463 hectares went to different smaller producers.

With respect to the land coming from small-scale producers living in the surrounding areas of Nantoco, Amolanas, Hornitos and Jotabeche (1,296 hectares grouped in 57 plot), 44 properties (1,068 hectares) were bought by the largest producers. Thus, by 1989, 82 per cent of the land owned by small-scale peasants was transferred to the larger export-led producers.

According to information provided by local sources (members of the police force and teachers), these plots were rapidly sold at low prices at the beginning of the productive boom. Two main reasons were given for explaining the rapid development of a land market: large indebtedness of these peasants with private banks; and restrictions in their access to INDAP credits which could have been used in order to increase land productivity. As a result of this, for most of these small-scale producers the opportunity for selling their land was perceived as a good way of tackling short-term financial problems. Most of these families migrated to either Copiapó or Tierra Amarilla, the largest urban centres of the valley, even though two of them were hired as permanent workers on the land they previous-owned.

It is interesting to note that after the initial purchasing of and investment in vineyards in the valley, there were practically no further transactions of land among producers, at least until the early 1990s. The business proved so profitable that no producer wished to sell their land.

3.3.3b Land market in the Limarí Valley (the Guatulame section)

The active development of a land market in this valley, the largest Norte Chico valley producing export-led table grapes, has been dominated by two main processes:

- a) changes in the property of private land small-sized farms derived from agrarian reform and larger properties which survived the process of land redistribution.

- b) purchases of irrigated and non-irrigated communal land owned by the agricultural communities of the Norte Chico.

Whilst the former process was dominant in the northern section of the Guatulame tributary (El Palqui area), the latter was principally carried out further south in the area surrounding Chañaral Alto. Both areas contributed more than 80 per cent of the Limarí Valley's total grape production in 1990. It is worth mentioning that in this area of the Limarí valley land under table grapes increased by a factor of twelve between 1979 and 1988 (Gwynne and Meneses, 1994).

a) Market of private lands in the El Palqui area

According to information provided by the "Income Tax Office" ("Oficina de Impuestos Internos"), total private land in the El Palqui area amounted to 4,100.64 hectares in 1990. Half of this surface (2,016.98 ha) corresponded to land unaffected by the process of agrarian reform, and the remaining 2,083.66 ha comprised 1,055.23 of communal-land ("bienes comunes") and 1,028.43 ha of small-sized plots; both resulted from the agrarian reform.

- i) Land which survived the process of land reform: In this category export-led vineyards increased between 1980 and 1990 from 1,663.50 ha (initially distributed in ten properties) to 2,016.98 ha (distributed in 33 properties). This extra amount of land came from the incorporation, by the main owners, of previously non-irrigated sectors of the area. Although there has been no significant changes in land ownership (only one estate was sold during the period) the additional number of properties was the result of the partial fragmentation of one of these ten estates in a number of smaller plots. The main purpose of this was the creation of a company shared between the owner of the land and its workers ("Sociedad Las Represas).

By 1990, however, 33 per cent of the surface covered by these properties was purchased by the other larger producers of the surrounding area of El Palqui (notably by the Prohens' "Sociedad Agrícola del Palqui" and Santa María). As a result of land market, the surface in this category under export-led vineyards increased by 21.2 per cent between 1980 and 1990. The size of these properties devoted to table grape is rather heterogeneous (Table 3.6), 5 producers owned 59.9 per cent of this land (Riffo, 1992).

Table 3.6 Guatulame Valley: Distribution by size of non-reformed land under export-led table grapes, 1990 (ha)

No of Plots	Size (ha)	Total Surface Area (ha)	Average
9	> 0 - < 4	24.26	2.7 has
7	≥ 4 - < 12	66.72	9.5 has
9	≥ 12 - < 50	299.24	33.2 has
2	≥ 50 - < 100	116.50	58.3 has
6	≥ 100	1,510.26	228.0 has
Total 33		2,016.98	61.12

Source: Adapted from Riffo, 1992

Thus, as in the case of the Copiapó Valley, the largest estates devoted to grow export-led table grapes have not sold land. However, relatively small-scale farmers have experienced pressures to sell their lands.

- ii) Land affected by Agrarian Reform: As a result of the expropriation of 5 large estates in the late 1960s and early 1970s, there were 2,310.25 hectares in 1980 affected by the Agrarian Reform Programme. This surface was sub-divided into two components: 1,677.72 ha of communal-owned lands (7 communal properties and 2 agricultural cooperatives) and 632, 53 ha of private land (77 productive plots and 14 smaller plots

for housing purposes). In 1990, 68 additional productive plots were transferred to peasant owners as a result of a partial sub-division of the communally-owned lands. In this way, total land under peasant ownership increased by 62 per cent.

Between 1980 and 1990, however, 35 plots out of the initial 77 plots transferred to the local beneficiaries of the agrarian-reform were purchased by table-grape producers and local, national, and international marketing companies. Furthermore, even though there is no detailed information on the destiny of the 68 plots assigned after 1990, 5 properties were purchased during the first year by one of the export-agricultural companies (Tracy). By 1992, four companies had purchased 40 plots and had come to dominate nearly a quarter of the land previously assigned to present farmers by the state through the agrarian-reform process (Riffo, 1992).

In aggregate terms, therefore, 9 export companies (though there are some common owners of these companies) have come to dominate nearly 82 per cent of the land devoted to grow table grapes for export.

b) Market of the communal lands (agricultural communities)

In contrast to the northern lands of the Guatulame Valley (El Palqui sector) practically the whole southern area which has become devoted to export-led vineyards was communally owned by 9 different agricultural communities (Figure 3.5).

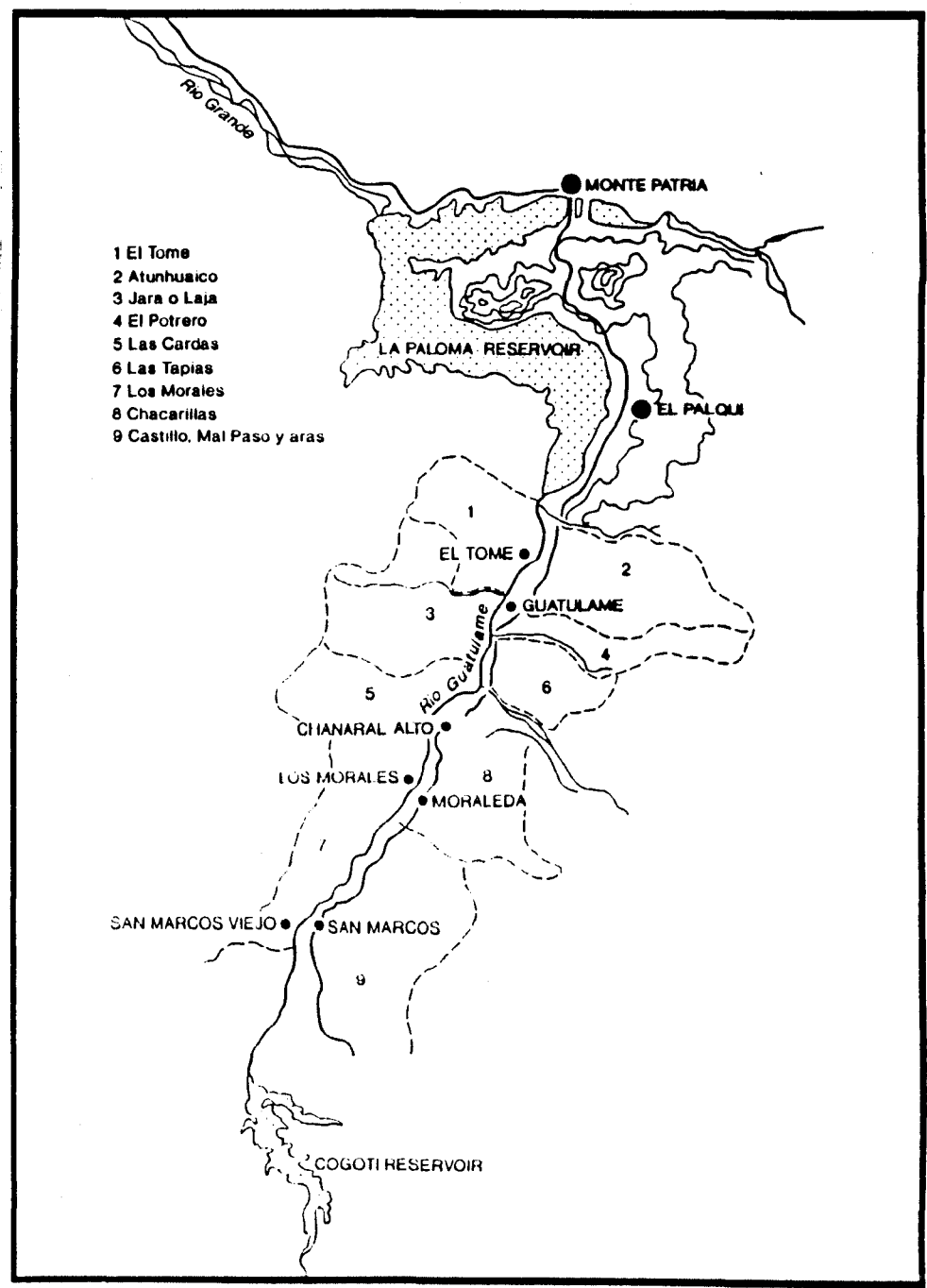
These lands were registered as communal properties at least since the creation of the "Keeper of Land Ownership" ("Conservador de Bienes Raices") in 1857 (Silva 1993) and were not directly affected by the agrarian-reform process. However, the military regime passed Decree Law No 108 in 1978 which allowed members of an agricultural community to dispose of their land-ownership rights to people who were not members of the community.

In spite of the fact that most of these lands were not as attractive in productive terms as those established in the agricultural area of El Palqui (mainly due to the larger investment required for levelling and irrigation) they have become rather valuable because of micro-climatological features. The narrowness of the valley and the better levels of solar radiation do permit grapes to be ready for harvesting from the first two weeks of November; that is to say as earlier as the Copiapó's first harvest (the first in the country's export-season).

The agricultural communities of Chacarillas and Las Tapias (the only ones which had regularised land ownership by 1992) were the first to start the subdivision of their communal lands. In 1984, there were 206 community members in Chacarillas in a position to transfer their land-rights ("derechos") to non-community members. By 1992, 126 "derechos" had changed hands mainly benefiting commercial farmers. Although no individual was permitted to own more than ten "derechos", J. Prohens (the largest of the table-grape producers in the valley) managed to purchase 19 of them. He circumvented this restriction by buying up further land in the maiden name of his wife. In this way, the Prohens export-company had bought 27 "derechos" between 1985 and 1988, notionally equivalent to about 54 hectares. Furthermore, three other large farming groups specialising in table grape production have purchased a significant number of "derechos" in the former communal land of Chacarillas; the Zepeda, MacPherson and Chacón Mosjos families. They altogether managed to buy 28 further "derechos" comprising a total amount of 56 hectares.

In parallel, in Las Tapias -the smallest agricultural community of the Guatulame river (840

Figure 3.5 Agricultural Communities in the River Limari (Guatulame).



(Source Gwynne and Meneses, 1994)

hectares comprising 35 "derechos"), 16 "derechos" had been purchased by commercial farmers by 1992, 12 of which went to enlarge the Prohens' agricultural society (Gwynne and Meneses, 1994).

As it can be observed, the land market has developed intensely in those two communities which have regularised their ownership land-rights. Since the process of sub-division in the remaining agricultural communities is under progress, however, further processes of land transfer are expected to occurred in the near future in the Guatulame section along the Limarí valley. It has been estimated that around 30 per cent of community members in the Coquimbo region have registered land titles within the communities (see Table 3.7). Undoubtedly, this land-market has been very much linked to the rapid expansion of land under the table grape and with a subsequent process of economic growth in the area. Although in terms of economic efficiency there are large contrasts between the new productive use of these lands and the historical ones there are a number of social effects that have to be taken into consideration.

Table 3.7 Agricultural communities in the Guatulame Valley, 1984.

Agricultural Community	Members with Rights	Size (Hectares)
El Tome	106	2,487
Atunhuaico	24	4,431
Jara o Laja	82	5,010
El Potrero	36	2,904
Las Cardas	93	2,624
Las Tapias	35	840
Los Morales	89	2,250
Chacarillas	216	2,542
Castillo	196	7,406
TOTAL	877	30,494

Source: Avendaño, S (1986), quoted from Gwynne and Meneses, 1994.

In communities that have not regularised, land markets are much less dynamic. Here, a large number of migrants often keep their titles in the community alive through entering share cropping agreements ("medieros" in both crops and/or livestock) or other types of informal contract with both resident members and non-members. In addition, migrants who become unemployed outside the region may wish to return temporarily to their community of origin which they consider to act as a source of employment of last resort. If all else fails, their membership rights allow them an entitlement to a small plot of irrigated and unirrigated land for subsistent cultivation and to graze a few goats on common pasture until external labour opportunities improve. Furthermore, many temporary migrants from these communities return to them at retirement age. This allows them to benefit from the lower costs of living in rural areas once they become dependent on a fixed pension. These processes of land transfer have significantly weakened the agricultural communities as a political organisation due to the increasing proportion of new external members (Scott, 1993).

Therefore, the evolution of the land market in the agricultural communities has implied a process in which poor lands have been transferred towards more productive and efficient agricultural producers. In addition, a number of irreversible social impacts have occurred within one of the poorest segments of the country's population.

Furthermore, it can be also concluded that the land reform programme, at least in the region, did little to help peasants farmers to establish stronger linkages with both their lands and with the different agricultural markets. Although not all of them had the possibilities for engaging in export-led activities (see factors considered by the export companies to allocate productive investment) the growing regional specialisation in export crops has resulted in rising prices for domestic agricultural products in the Norte Chico (Apey, 1990b). However, large indebtedness with both INDAP and commercial banks in addition to the lack of state support for increasing technical and productive efficiency very much prevented these peasants farmers from developing longer-terms linkages with their lands and benefiting from these

new markets opportunities. However, most of them continued being partially linked with agricultural production but through the emerging labour market -paradoxically, with some of them working on their previously-owned land.

3.3.4. The Labour force

The role of labour needs to be considered as another relevant factor in permitting the expansion of export-led vineyards in the Chilean countryside. Table- grape growers have been substantially profiting from the direct and indirect benefits related to the particular conditions that have affected Chilean agricultural labour since the very beginning of the process of sectoral transformation.

The significantly lower costs of Chilean labour engaged in table-grape production (10 and 8 times lower than the French and Californian ones respectively), have been an important factor in permitting the fast spread of export vineyards in Chile. Moreover, the suppression of relevant labour rights has diminished potential pressures which could have jeopardised the whole productive process, given the strict schedules and requirements that this export activity demands throughout its different stages (production, packing, domestic transport and shipment). Thus, the relative low cost of labour within the productive cycle and the legal constraints concerning labour claims could not be neglected as a significant additional advantage to the climatic ones in explaining the Norte Chico's table grape competitiveness in export markets and in international competition.

3.3.4a Requirements of labour for export table grape production

The demand for labour to fulfil the different requirements that table grape production presents has proved to be highly seasonal, and the relationship between the maximum and minimum demand is close to ten to one (Apey, 1989). In effect, according to the information

supplied by CODELPA (the second largest table grape producer in the Copiapó valley in 1989), the demand for labour varies in accordance with the stages that the productive cycle of the table grape presents. Accordingly, one representative example is presented in Figure 3.6 which shows the monthly variation in labour demand taking as a reference one of the most representative productive cases in the upper-Copiapó valley: The Amolana system, comprising 140 hectares of Sultanina grape).

However, a more precise and representative estimation of labour demand in both the Copiapó and Limarí valleys is presented in Table 3.8, resulting from a direct survey of producers which covers 35 per cent of total land devoted to export-led vineyards in both valleys (Apey and Barriga, 1990).

As can be noticed, both valleys present significant similarities in the demand for labour to fulfil the productive cycle of export-led vineyards. Some small differences can be found, however, in the higher value of people permanently hired in the Limarí valley. The main reason given by producers for explaining such a difference is the higher availability of rural labour in the Limarí valley compared to that of the Copiapó. Most of the expansion of vineyards in the Limarí valley occurred principally through changes in the use of land previously devoted to small-scale horticultural crops (Meneses, 1990). Thus, the relatively high availability of local labour in the Limarí valley resulted from a significant process of proletarianisation of former small-scale agricultural producers (due to changes in the local land market). This meant that labour in the Limarí was at least 20 per cent cheaper than in the Copiapó.

In this last valley, labour was more scarce than in the Limarí due to the fact that most of the vineyards expanded in unpopulated areas (an expansion of the agricultural frontier). There, agricultural labour was historically scarce, even considering the high level of unemployment that the valley presented in the mid 1980s. This was because of the price crises that affected

Figure 3.6 Monthly Labour Demand for Export-Grape Activities in the Norte Chico.

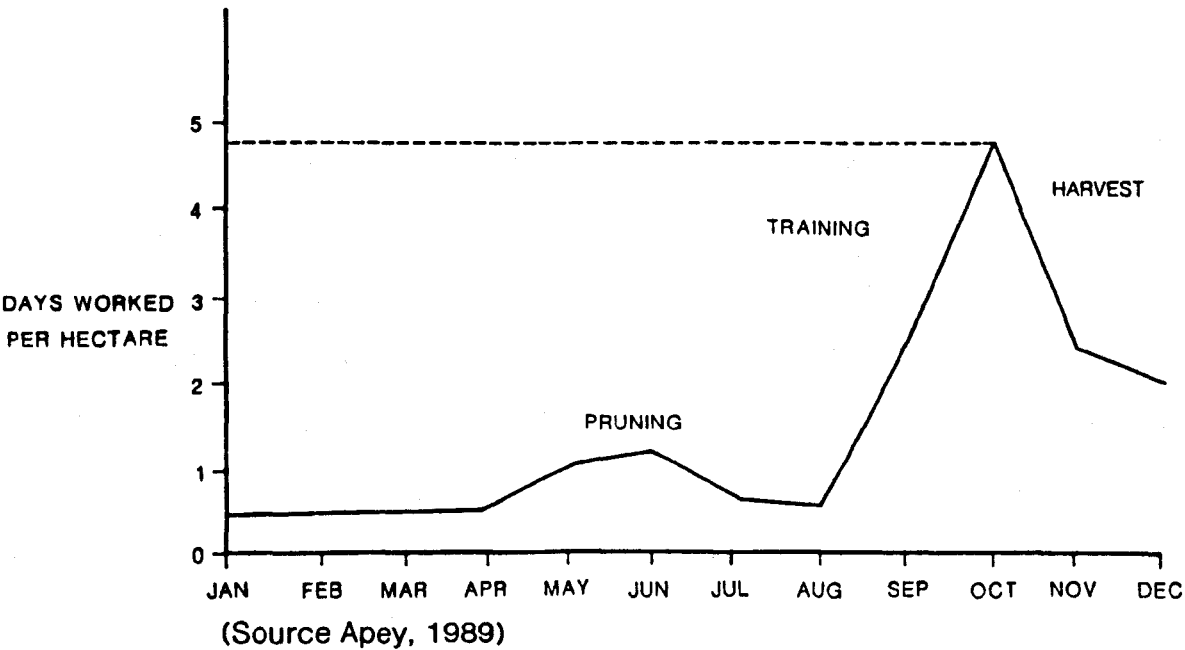


Table 3.8 Labour Demand per Hectare According to Different Activities in The Productive Process of Export-Led Vineyards; Copiapó and Limarí Valleys.

Valley	Permanent	Pruning	Harvest	Max/Min
Copiapó	0.3	0.9	2.6	1:9
Limarí	0.6	0.8	2.6	1:4

Source: Direct survey by author, 1989.

small- and medium-scale copper mining activities in the Norte Chico. As CODELPA's managing director said (1989), "Copiapo's labour was not culturally prepared nor interested to work in vineyards since they largely preferred to enjoy the freedom associated with independent small-scale mining activities".

Consequently, most of the valley's producer preferred to hire agricultural labour from the central region (principally from Aconcagua, more than 700 kilometres south) as a consequence of the higher skill they presented for dealing with the different requirements that table-grape production demands. As a matter of fact, the same CODELPA source declared that they had compared the productivity in harvesting shown by both Copiapó and Aconcagua's labour working in their vineyards. Aconcagua labour showed a level of efficiency almost 50 per cent higher than that of the Copiapó (32 boxes/day and 18 boxes/day respectively). This was one of the principal reasons in explaining why nearly 80 per cent of agricultural labour working in Copiapó's export-led vineyards in 1989 came from outside the valley.

Furthermore, due to the low levels of population and housing facilities that the Copiapó valley had in the areas of vineyard expansion (only 1,500 inhabitants where 55 per cent of vineyards were planted) vineyards which were more than 80 kilometres away from Copiapó city needed to be settled by a permanent labour force close to the place of production. Conversely, the resettling of labour by producers was not necessary in the other Norte Chico

valleys, since most vineyard expansion occurred throughout previously populated rural areas, where permanent workers did not have a problem for commuting on a daily basis. Undoubtedly, this was another important argument for explaining the higher cost of agricultural labour in the Copiapó valley and the more intense use of technology for substituting permanent labour in that valley compared to the Limarí (Apey, 1989).

Concerning pruning and harvesting, both activities are highly-labour intensive. The extreme care that production requires in all stages from pruning to packing, in parallel to the high productive standards required for satisfying final demand, has shown that specialised labour has become more efficient than the technology available for handling both plants and grapes. This aspect, in addition to the level of efficiency which table grape production has reached in the Norte Chico (as regards the most efficient combination of productive factors) has implied that the pattern of labour requirements for pruning and harvesting became practically the same in both the Copiapó and Limarí valleys.

3.3.4b Some impacts from the cycle of labour in export table grape production

As a result of the fast spread of new export-led vineyards in the area the dynamic of local population has been significantly affected by the new pattern of labour demand.

The high level of seasonality shown by the demand for labour (concentrated in one peak of less than two months) has become particularly important as regards the Norte Chico's historical trends. In an estimation of labour demand for export-led table grape production, taking as a reference the information presented in Table 3.9, it is possible to roughly identify the number of people cyclically engaged during the most representative productive activities in both valleys.

Different important impacts can be seen in both valleys as a result of this particular

distribution of labour opportunities concerning table grape production:

Table 3.9 Seasonal Estimate of Labour Demand in Export-led Vineyards (days worked per hectares under crop). Copiapó and Limarí Valleys. 1990.

Valley	Permanent	Pruning	Harvest
Copiapó	1,232	4,004	11,254
Limarí	992	1,008	4,192

Source: Direct survey by the author; 1989.

a. The emergence and predominance of temporary labour (the "temporeros"):

Despite some quantitative differences between valleys in labour demand, there exist in both a significant deficit between supply and demand during the harvest peak (Apey, 1990b; Gwynne and Meneses, 1994). However, though most of the producers used to hire in advance the required additional labour, a large number of people is attracted by work expectations from the whole country (most notably from the Aconcagua valley). Thus, an enormous social pressure has started to alter the historical way of life of the small valley's villages from October to January. To give an example, the police force of the highest section of the Copiapó valley surveyed 6,000 temporary people from outside the valley in the period October 1988-February 1989 in an area where the traditional local population normally totalled 1,500 inhabitants (this was the jurisdictional area of Villa María-frontera). This temporary population dynamic in the Copiapó valley has undoubtedly implied dramatic pressures upon accommodation and services throughout the mentioned period, in an area in which export-led vineyards prevail on more than 95 per cent of the agricultural land use.

b. Temporal concentration of local income and significant financial exodus from the productive areas.

According to direct surveys applied to local people in the Guatulame area of the Limarí valley (Apey and Ortiz, 1988; Ortiz, 1990), the expansion of monocultural production has resulted in a seasonal concentration of local income and expenditure within about four months. In contrast to the previous pattern of horticultural and fruit production (in which several crops existed throughout the year), local income from vineyard production presents a similar degree of concentration to that shown in Figure 3.6. As a result of that, local income becomes scarce from February to October affecting the income of local families during that period (particularly those working in temporary labour). In addition, there are financial problems for most small-scale activities oriented to provide goods and services throughout their local hinterlands.

Furthermore, local people showed dissatisfaction because, despite the labour opportunities at the end of the year, a large portion of the agricultural income is not spent in the area of production. It flows elsewhere together with the external seasonal workers ("temporeros").

c. Social impacts in the villages:

According to the head of the public school of Guatulame village (personal interview), the high concentration of people in the area during the period of maximum labour demand has severely affected the valleys. Social problems, such as generalised school absences at the end of the year (children become attracted to getting some income from vineyard activities), massive levels of alcohol and drug consumption, mobile prostitution, high rates of adolescent pregnancies, have emerged.

An interesting point to be considered has been the growing involvement of female labour in some of the different stages of table-grape production for export, notably in packing. This provides additional family incomes (ARANDA, 1993 for more details). However, there are fears regarding the lack in facilities they have to take care of their children whilst they are working. Sources related to local government in both the Copiapó and Limarí valleys, have

warned that children are becoming progressively semi-abandoned for long daily periods in their homes (Apey and Ortiz, 1989).

The impact on local labour that the expansion in export activities has caused is complex. There is no doubt that labour opportunities have increased and provided an important source of new resources for people who have historically been living in poverty in both valleys. Moreover, this process has also benefited agricultural labour from outside the region. Labour commutes periodically through the year to areas in accordance with the requirements presented by stages of table-grape production.

Conversely, the relative quiet pace in which these areas had been historically evolving has changed. The aggressive introduction of new socio-productive patterns as a result of the strict standards imposed by export-oriented businesses have induced a dramatic process of change in these valleys. This should necessarily be taken into account in further research and policy implementation. As an example, features related to the inflexibilities of the Labour Code and those associated with the emerging social pattern at the local level affecting both temporary and permanent labour.

3.4. Concluding Remarks on the Norte Chico's Geographical Process of Change

There is no doubt that the opening up of the Chilean economy has started to promote deep changes in the region of the Norte Chico. However, the deepest impacts has occurred in those areas where new productive capital has been provided by both trans-national and domestic investment, though a wider hinterland has also been very much affected. Thus, the upper Copiapó valley and the Guatulame tributary of the Limarí valley have become the central zones of a significant regional process of economic growth by producing a quarter of the country's total exports of table grape. This process of regional economic evolution has been principally triggered by private initiative and with little participation of direct state

intervention in the area. However, macro-economic policies, subsidies and reforms in the Labour Code have been important contributions for allowing productive capital to flow into this particular region (as well as into other areas of the country).

From the beginning of this process of regional economic links with world markets, different spatial changes have transformed the historical patterns of the Norte Chico. The arrival of significant investments for shifting the use of land towards export-led crops; the profound changes in the ownership of local land, and the new trends in labour demand have become crucial factors for fuelling the regional process of socio-productive restructuring.

As far as the social dynamic is concerned, however, the benefits resulting from this productive shift are still rather unclear. As an example, there is no doubt that the emergence of new productive activities has promoted new working opportunities within the region. This has meant an interesting new source of income for people living in an area where labour alternatives have been historically scarce. Moreover, specialised labour from outside the valleys have also been benefiting as a result of the agricultural export boom. However, for those people unable to become involved on a permanent basis, benefits are more unclear. For those living in villages and medium-sized towns in the surroundings of the productive areas (such as Monte Patria, Ovalle, Copiapó and Vallenar), working in vineyards during peak periods has produced a periodic source of additional income which supplements urban wages. But for the others, especially those who sold their lands, incomes from these new labour opportunities has become mainly restricted to a few months.

Unfortunately, the process of agricultural change has failed to incorporate the small- and medium-sized peasants to the direct benefits of export business. This has not only meant that they remain marginalised in the agricultural modernisation process but also that a significant number of peasants have been deprived of their properties as a result of an active land market.

As regards a more aggregate evaluation of regional trends, the current process of socio-economic transformation is still in its early stages for permitting a judgement on the balance between economic benefits and social costs resulting from this experience. Since most of the re-investment flows are still being allocated in the expansion of vineyards in the region there is not enough evidence on the establishment of further backward or forward productive linkages, between export surplus and new intersectoral activities, which could revitalise and diversify the rather specialised regional economic base. In this way, these areas could finally evolve from a "new economic zone" to a more sustainable "development zone" where both inter-regional and intra-regional factors could be mutually linked (Sklair, 1987). At least this alternative could promote better expectations for the creation of new productive activities and jobs, especially for all those people who have been affected by the establishment of this new productive pattern in both the Copiapó and Limarí valleys.

In this way, the government cannot continue being as absent as it was in the past. At least the promotion of export activities has proved that a number of social changes has occurred in the region which needs to be more closely monitored. The shift in the location of the local population has very much changed the demand for services such as public schools, health facilities and other infrastructure. Improvement in road quality and transport facilities for movement of both production and population have become determinants for allowing for more flexible development. Thus, the former spatial pattern developed in conjunction with the inward-oriented system of production needs to be realigned in order to be more functional with the newly emerging pattern derived from outward orientation.

Furthermore, the government has declared its intention for moving to a second stage concerning the promotion of primary export products in which it is not just a rather limited agribusiness elite that benefits. In this respect, and at least in the Norte Chico, there is still a large amount of potentially attractive land for export-led activities to be developed by small- and medium-scale peasants on both a private and communal basis. Otherwise, for the

large number of local people the flourishing process of new export crops in the Norte Chico's desert would become little more than a mirage.

Chapter 4. Socio-productive Changes in a Backward Region of Traditional Agriculture

Introduction

In spite of the macroeconomic success achieved by the country, mainly as a result of the adoption of an outward-oriented strategy of development, not all regions have directly benefited from the evolution of this process. This has been the result of the differential capacity to attract export-led capital that the country's regions have showed in the last two decades. In addition, the opening of the Chilean economy has also implied that more competitive import goods and products (either as a result of productive efficiency or of subsidies) have started to be commercialised within the country. As far as agricultural products are concerned, significant amounts of imported grain has been coming into the country principally from North America and Argentina. As a result, some regions have experienced economic decline or stagnation compared with those characterised by export specialisation. Some of these regions have started to be affected by growing socio-productive crises as a result of the recession in their traditional economic base. This has been the case of the Maule region, the most representative region of traditional agriculture in the country ("región huasa de Chile").

However, as previously stated in Chapter 2, the Maule region presented the largest proportion of people living in poverty within its rural areas. Moreover, according to some sources [the World Bank (1994), SERPLAC of the Maule region (1994a) and (1992b), SECPLAC of Empedrado (1995) among others] rural poverty has tended to increase particularly in the western "secano" area. Two reasons stand out: the fall of local agricultural competitiveness with respect to cheaper import crops; and the fast expansion in area of one of the country's most competitive sector within international markets, forestry. The growth

of forestry plantations has severely affected the "secano" population as a result of demands for land of leading forestry companies.

This chapter intends to give some introductory insights into the factors of socio-economic change in the Maule region during recent years. Most of these changes have only recently been perceived as a significant component of the new socio-productive pattern developing in the region; so far there are no aggregated surveys completed on this topic. Furthermore, the lack of availability of disaggregated statistical information on prices, production and social features make it difficult to establish accurate diagnoses at the local- and meso-scale levels. Therefore, the main aim of this brief analysis is to provide preliminary information on the regional economic base and the spatial processes which have started to emerge in the different areas of the Maule region.

Much of the attention, therefore, is going to be focused on the dynamic affecting the most backward and poorest rural areas of the region; the southern section of the Central Valley -where most of the irrigated grain is grown (notably rice), and the "secano" area where most of the non-irrigated crops have historically been grown (notably wheat and pulses) and also where most forestry plantations have developed. Special attention has been directed to the main features of the commune of Empedrado. This is currently the commune with the largest proportion of land devoted to forestry plantations in the Maule region. The general geographical background of this last area was presented in the last section of Chapter 2. Moreover, these two areas have also become important due to their linkages with the exercise of coordination for rural development to be presented and discussed in Chapter 10. Finally, it is important to mention that a significant part of the information used in this analysis came principally from direct structured interviews carried out within the region during the last two years.

4.1. Factors Adversely Affecting Rural Activities in the Maule Region: Main Trends

Different agricultural areas that have specialised in the production of domestic cash-crops have started to show some adverse trends as a result of the opening up of the Chilean economy. The Maule region has been one of the most severely affected by the country's macroeconomic shift. Lower prices for most of their traditional agricultural products, especially in the latest five years (e.g wheat, rice, maize, beans oil-seeds and low quality wines), have implied a growing process of social and political unrest among farmers. This has produced a number of traffic interruptions and blockages on the main national highway which passes through the centre of the region. Farmers have also been demonstrating against regional government; thousands of litres of wine were spread in front of the offices of the Maule regional government ("Intendencia"). In parallel, the representative of the larger agricultural producers (the "Sociedad Nacional de Agricultura" -SNA, has been strongly challenging the central government and demanding further intervention as regards traditional agriculture in order to tackle what he has called "the current agricultural crises".

Even though most of these actions have been carried out by the larger regional farmers (they have more access to political representation), a significant number of peasants in the regional periphery has also experienced severe productive disruptions. These have worsened their social conditions. As the World Bank stated, productive problems in the region have contributed to the fact that between 1970 and 1980 the segment of the "secano" population living below the poverty line increased from 21 per cent to more than 40 per cent; income distribution became more skewed and food consumption of the poorest population dropped to levels below the standards established by the World Health Organisation for Chile (World Bank, 1994).

In the present decade this process seems to be continuing. Accordingly, the regional government has estimated that the pace of migration from rural areas has increased during

recent years; rural population has decreased from 53 per cent to 40 per cent between 1970 and the present (SERPLAC, 1994a). The Maule region has come to have the largest share of rural population in poverty within the country; in the centre of the "secano" area, one of the poorest trans-regional landscapes of Chile is located.

According to regional government the main factors which are jeopardizing medium- and long-term expectations for better levels of development in the Maule region are (SERPLAC, 1994b):

- a) the significant levels of poverty. This fact neutralises in the region the macroeconomic success that the national economy has been experiencing during the last decades. There is potential social pressure from those people in extreme poverty.
- b) the growing loss of productive competitiveness in agricultural production with respect to cheaper products from both external and national sources. This has caused progressively cheaper prices for most of the region's agricultural production.

4.2. Main Trends of Regional Agricultural Production: The Recent Impacts from Growing Volumes of Import Crops

In strong contrast with the development of a highly efficient export-led agricultural sector in the Norte Chico, the Region VII of Maule can be easily considered as one of the clearest examples of agricultural stagnation in the country. The productive regional economic-base is principally sustained by the agricultural and forestry sectors -28.3 per cent of the GNP and 37.0 per cent of the regional labour force. However, with the exception of part of the Curicó Province (the regional northern sector) in which fruit trees have been growing for domestic and export purposes, agricultural production in this region is mainly devoted to growing traditional cash-crops. These are characterised by low levels of competitiveness even in comparison to national standards. Since these agricultural products have been historically

oriented to substitute imports, both the lower prices of new agricultural imports and the rising cost of labour have substantially contributed to the economic stagnation of the sector in this region (SERPLAC, 1994b).

In the 1993/1994 agricultural season 46 per cent of the regional land use was devoted to grow grain. The most important produce was wheat accounting for about one third of the regional land use; rice and maize occupied 8 per cent each. Beans, chick peas and lentils represented 10 per cent and vineyards 11 per cent (SEREMI of Agriculture, 1995). All these crops together comprised two thirds of the agricultural land under use in the Maule Region (ODEPA, 1994b). According to information provided by the SEREMI of the Maule region all these crops have been affected by strong variations in prices during the late five years. All of them got lower prices with respect to the previous season. However, the most significant decline has been affecting cereals.

4.2.1. Dynamic of the most representative regional crops

In spite of the fact that crops are an important component of the regional agricultural production the dynamic affecting both wheat and rice has become significant for explaining some socio-productive impacts within the regional landscape resulting from growing imports. Therefore, most of the analysis has been focused on the main trends affecting both products; in the case of wheat due to its significance within the regional productive pattern, and in the case of rice due to the relevance that this crop presents for the southern landscape of the Maule region where about two-thirds of the national production is grown.

4.2.1a The case of wheat

Concerning the case of wheat, the most dominant regional crop (ODEPA, 1994b), prices fell about 20 per cent in 1994 with respect to the previous year. This tendency in wheat prices,

however, was not just the result of a seasonal variation. From 1986 to 1995 wheat prices have been steadily falling. Between 1986 and 1995 the price of wheat fell 42 per cent in the domestic market (despite some small rise in 1989 and 1991). Meanwhile wheat imports (principally from the highly protected U.S. agricultural sector and from Argentina) have been rising. According to the Central Bank (1995), during the last two years imports of wheat increased by 35 per cent. If a longer time period is considered wheat imports rose from 161,030 tons in 1991 to 697,030 tons in 1994; this last amount was equivalent to about 42 per cent of national consumption. As a result of this cumulative trend wheat production has been diminishing in the region. Between 1987 and 1994 land devoted to this crop diminished from 95,110 to 61,970 hectares (ODEPA, 1994b). This contraction in wheat production has been occurring even when the government has continued applying a policy of guaranteed prices ("banda de precios").

According to the regional SEREMI of agriculture, most of the change in land use has been carried out by the larger producers of the Central Valley. However, most of the regional agricultural production corresponds to small- and medium-scale peasants -90 per cent of the agricultural properties are smaller than 10 hectares and 67 per cent smaller than 5 BIH. A significant number of small- and medium-sized holdings continue being involved in wheat production. The main reason suggested by the regional secretariat of agriculture is that these producers have been able to neutralise the negative effects of lower prices through the cost of their labour (they do not consider their labour as part of the costs of production). As soon as they produce some surplus for food and grain for seed they are satisfied. So, at least in this region, the contraction of prices is a problem mainly affecting large-scale commercial agriculture, since for the smallest-scale peasants wheat production has become the main self-supporting crop within their strategy of survival.

Ironically, the lower the wheat price, the more they depend on it for food consumption. Although INDAP supplies technical assistance to small farmers in order to improve

agricultural productivity, its emphasis has been principally directed to those who have viable productive units under existing production conditions and cropping patterns. Thus, the majority of subsistence farmers is left out of INDAP's programme. Some preliminary estimates indicate that in this region small producers receiving INDAP assistance do not exceed 10 to 15 per cent of the total (World Bank, 1994).

4.2.1b The case of rice

Rice is currently the fourth most relevant crop in the region with respect to the ranking of agricultural land under use. Most rice production is concentrated in the irrigated area of the central valley, covering both the southern section of the Maule region and the northern part of the Biobío region; more precisely in the communes of Parral, Longaví and San Carlos.

An interesting geographical feature of these lands is the fact that soils present a clay stratification ("tosca") between 20 and 40 centimetres deep. As a consequence, this agricultural land is highly impermeable for the percolation of water. Thus, after rainfall or irrigation they easily saturate. As a result of this geomorphological feature these areas have historically been devoted to rice production; this is practically the only crop which can be commercially grown in this restricted agricultural area. As a paradox, the main limitation for agricultural production is the excessive amount of water; this happens just some few kilometres away from the "secano" where water is one of the main restriction for agricultural purposes. Practically 80 per cent of the national rice production comes from small- and medium-scale producers in this agricultural area. Most of them are beneficiaries of the land reform programme.

According to the regional SEREMI of Agriculture (1995), rice production faced no significant restrictions with respect to prices and markets until the late 1980s. However most of the problems affecting regional producers started to appear as a consequence of the

growing imports of rice principally from Argentina. Rice imports were 47,040 tonnes in 1994, 32 per cent more than the previous year (35,518 tonnes). If this amount is compared with the imports of 1992 (20,244 tonnes) foreign rice imports increased by 130.0 per cent in two years. In this same period, however, the total value of imported rice increased by only 88 per cent (Central Bank, 1995). Thus, imported rice has become cheaper during the last three years. As a result, national production has declined steadily from 1987 to 1994. The surface devoted to this crop fell from 25,240 hectares to 18,650 hectares (a drop of 26.8 per cent) between 1987 and 1994 (ODEPA, 1994b).

The lower competitiveness of Chilean rice with respect to the Argentinean is principally explained by three main reasons (MINAGRI, 1993):

- a) Argentinean and other rice-exporting countries are able to produce two harvest a year at least; due to climatic reasons Chile has only one harvest.
- b) the lower quality of most of the Chilean rice production (Paddy short grain).
- c) the productivity of land devoted to rice is relatively low due to: an over-utilisation of the land, bad quality of seeds and low technology in production. According to some estimates current regional productivity reaches between 35 and 40 quintals/per hectare; the potential yield is estimated at about 60 quintals/hectare.

However, there are some additional factors which are affecting small- and medium-scale producers. Among the most important are: a monopsonistic structure of commercialisation in which producers only know the final price of their production some months after they deliver it (due to the fact that rice-mills are concentrated in the hands of few speculative regional rice-traders), the lack of organisations of producers which could improve their bargaining power and achieve more competitive prices, and due to the lack in storage

infrastructure which could allow producers to maintain rice production for longer periods in order to sell in periods of better prices (Muñoz, 1994).

According to an interview made with the mayor of the Municipality of Parral (1995), the main problem affecting rice producers is related to the fact that the opening of the national economy was not accompanied by a diffusion of new technologies for increasing the level of farmers' competitiveness with respect to external competition. According to him not all the land devoted to rice production presented severe limitations. Some investment in productive infrastructure and in technological transfer might have helped local producers to overcome the current price crises.

In this regard, a director of the cooperative of small-scale rice producers "Buscando Desarrollo" explained that they have experienced that some berry products (notably strawberries) have proved to be a good alternative crop for replacing low competitive rice production. But, no cooling plants are available for small-scale producers at least in the southern area of the Maule region. As a result, the few farmers which have shifted from rice production to this alternative crop have been significantly affected by the low prices that the companies pay to them for the fruit (more than ten times lower if they were compared with final consumer prices in domestic markets at the beginning of 1995). Nevertheless, due to the fact that berries need to be sold immediately after harvesting, producers are unable to refuse any price they are offered by both middle-men or by the plants of the main fruit-companies. In this regard, some potential small-scale cooling plants would contribute to overcome this problem of commercialisation and open up new possibilities of production for other farmers suffering from the rice crises; strawberry exports have been significantly rising during the last five years.

According to the mayor of Parral, the scarce budget allocated by government (notably by INDAP) in order to improve productive conditions of the small- and medium-scale farmers

in these peripheral communes has become another indicator which proves the strong centralism which characterises the intra-regional process of budget allocation. In the commune of Parral 44.0 per cent of the labour force directly depends the agricultural sector and the current agricultural crises have heavily affected the city of Parral's local economy - notably in the retail and service sectors.

However, some attempts have been made by government to both improve the quality of rice production and to convert land use to both complementary uses or alternative productive activities (livestock, berries and small-scale forestry activities). No significant achievements have yet been obtained. Accordingly to the local economic base most of the efforts have been directed to improve the quality of rice production through the incorporation of more competitive varieties (Paddy long-grain) and to the use of better technology and other productive inputs (MINAGRI, 1993). These attempts by government have been sponsored and financed through INDAP credits. The main restrictions faced by the INDAP programme, however, were related to difficulties in reaching a more significant number of farmers.

4.2.1c Other crops

In the case of other important grains concerning regional production the general trend has been rather similar; that is to say higher imports and lower regional production. The case of maize, however, has been presenting a more complex dynamic. Despite growing imports (from the U.S. and Argentina) in 1994 -37 per cent and 68.5 higher than 1993 and 1991 respectively, regional production has followed a rather erratic trend. Although there is some inter-annual variation in land-use under maize production the regional surface devoted to this crop has been fluctuating between 20,500 hectares and 17,500 during the last 5 years (ODEPA, 1994b). One reason which could explain this trend is the fact that maize is principally produced in the irrigated area of the central valley where most alternative crops could be usually cultivated in order to face seasonal price variations. Nevertheless, most of

the maize imports has been mainly affecting northern production, since productivity of this crop in the irrigated area of the Maule region is one of the highest in the country (SEREMI of Maule secretariat).

Finally, lentils has been one of the most severely affected crops in the region but especially in the western area of the region in the "secano" where it used to be extensively cultivated by small- and medium-scale peasants as one of their main cash-crops; most of the country's lentil production is harvested throughout the whole of the "secano" region. Although no disaggregated information was available on lentil imports, regional production has been hardly competing with imports from Argentina and Canada (SEREMI of Agriculture). The low productivity of this crop in the "secano" area (see Chapter 2) have severely affected local producers which have been unable to compete with cheaper and better quality imports. As a result of this new trend, lentil regional production has plummeted. From 4,480 hectares devoted to this crop in the Maule region in 1987 it decreased to 2,250 in 1991 and to 1,640 hectares in 1994. Thus, between 1987 and 1994 the regional land cultivated with lentils fell 66,4 per cent (ODEPA, 1994b). "Secano" farmer involved in lentil production have shifted to wheat production as a self-supporting food crop while others have migrated (SEREMI of Maule secretariat, 1995).

Although it is always difficult to analyze changes in agricultural patterns by considering medium-term trends (principally because of the seasonal variations in the use of land) it has to be considered that traditional agriculture in the Maule region has started to show some negative effects as a result of its structural weakness in competing with external products. Although the direct costs of production have diminished for most of the traditional agricultural products in the region, prices in the national market have plummeted substantially further (SERPLAC, 1994b). However, most of the negative impacts have principally affected small- and medium-scale farmers usually marginalised to the less productive lands or severely restricted in the size of their properties. The "minifundio" is

still one of the most distinctive features of regional land distribution and of the location of people in poverty.

Conversely, some new alternative crops have started to be developed in the region as an alternative to the traditional ones. On the one hand, some fruit trees have begun to expand in the region -for apple, lemon, pears and avocado production. On the other hand, other horticultural crops have also expanded as with the cases of onions, peas, asparagus, broccolis and green peppers (ODEPA, 1994b). In most cases, however, these processes of change have been occurring in the most valuable irrigated lands of the central valley where the more efficient and capitalised commercial agriculture tends to dominate. In the meantime, as was reflected in the social diagnosis, rural people in the regional periphery seem to have continued to be involved in traditional agricultural activities even though largely for survival.

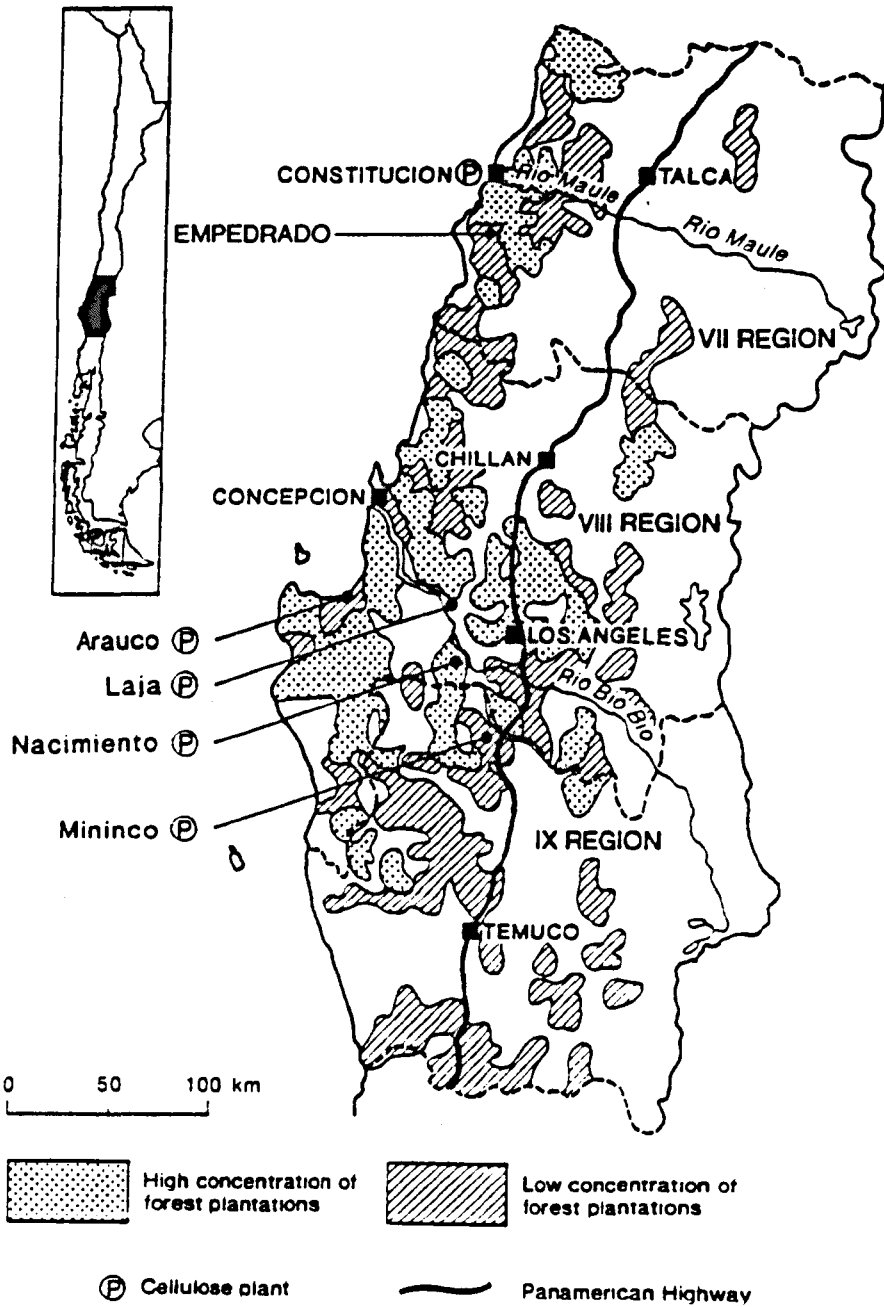
4.3. The Expansion of the Forestry Sector and its Impact at the Local Level: General Trends in the "Secano" Commune of Empedrado

The fast expansion of the forestry sector has been occurring in the whole "secano" area of the Costal Range. This process has shown most intensity in the regions of Biobío and Maule due to the location of two of the larger forestry processing plants; Celco Arauco and Celco Constitución in the Biobío and Maule regions respectively (see Figure 4.1). Although this process of forestry expansion has generated benefits in aggregate macroeconomic terms, there have also been some significant social impacts at the local level that need to be taken into account.

Therefore, the following analysis has been mainly oriented to give some insights as to the main trends affecting one spatial area where export-led forestry plantations have become the main productive resource through most of the landscape. Since this process of forestry expansion has become familiar to other areas of the "secano", a geographical analysis of the commune of Empedrado could act as a referent point for developing policies oriented to

Figure 4.1

DISTRIBUTION OF RADIATA PINE PLANTATIONS AND MAIN CELLULOSE PLANTS IN CHILE



(Source Gwynne, 1993)

tackle recent social problems affecting small-scale farmers. Most of the information utilized for this analysis has been provided by the Municipality of Empedrado -notably through a structured interview in January 1995 with the mayor, who had been democratically elected in 1992.

4.3.1. Constraints affecting the involvement of small- and medium-scale farmers in forestry production

Ironically, according to the World Bank (1994), the fast expansion of exotic forestry in the "secano" drylands in the last two decades has significantly affected small-scale farmers in two ways:

In the first place, these populations have remained largely outside the forestry development process due to the problems they faced with respect to their access to the incentives offered by the Forest Development Law (Decree Law 701). Most of the peasants cannot commit a large portion of their land to long-term investments. In this respect it is worth mentioning that the State has allocated US\$130.0 million since 1974 in subsidies for forestry plantations through Decree Law 701. However, only US\$5.0 million (3.8 per cent) have benefited producers of less than 50 hectares, whilst US\$23.0 million (17.7 per cent) have been directed to producers with less than 200 hectares. Conversely, US\$102.0 million (78.5 per cent) have directly benefited the largest producers, mainly forestry companies associated with transnational capital (ODEPA, 1994c).

Secondly, the small producer is being displaced from areas with forestry potential (practically the whole "secano") by large producers and forestry industries. These latter are strong buyers of "secano" land that is suitable not only for forestry plantations but also for livestock and even agriculture. The companies plant the land with pines and eucalyptus. In this way, forestry plantations have been growing not only in poor-quality lands (class VI and VII in the Chilean classification of land use) but also in more agriculturally productive areas.

4.3.2 Socio-geographical Impacts of the Expansion of Forestry Plantations: The Case of the Commune of Empedrado

The Commune of Empedrado can be considered one of the most representative cases concerning the impacts resulting from the expansion of forestry activities in the country. This commune, located in the "secano" area of the Maule region (in the Province of Talca), has been almost completely covered by forestry plantations in the last twenty years. Most of these plantations belong to the three large forestry companies; notably to Celco (80 per cent), to Copihue and to Pacífico.

The forestry sector has historically been a distinctive feature of Empedrado's economic base. Because of geomorphological restrictions (resulting in scarcity of water for irrigation and a undulating landscape with poor soils) forestry activities traditionally represented about 25 per cent of communal land use. The remaining area was devoted to small-scale agricultural production in which wheat, lentils, beans and some horticultural products were the most dominant crops. Forestry activities were also developed, principally by small-scale farmers. In 1976, 80 per cent of communal forestry plantations were owned by small-scale farmers whilst the remaining 20 per cent belonged to larger producers of which two thirds were owned by Celco (SECPLAC of Empedrado, 1994); it could be mentioned here, that Celco's cellulose plant in nearby Constitución started operating in 1976.

However, since 1976, the structure of production has completely changed. Forestry plantations have dramatically expanded in the Commune during the last 20 years (principally since Decree Law 701 was launched in 1974). Thus, by 1994 forestry plantations had come to constitute 75 per cent of communal land use but now with a very different pattern of ownership; 80 per cent of plantations belonged to larger producers (of which two thirds belonged to Celco) and only 20 per cent to smaller-scale producers. As a result agricultural activities in Empedrado plummeted and covered only 5 per cent of the total land use.

As a result of this process of productive specialisation rural people started to migrate from the rural areas of Empedrado. According to the last population census, the communal population had fallen from 6,000 inhabitants in 1982 to 5,000 in 1992 (a decline of 16,6 per cent). However, a significant number of rural people had moved to the small town of Empedrado (approx. 2,600 inhabitants) from the surrounding rural areas. In 1992 Empedrado had concentrated 52 per cent of the communal population. Empedrado represented the first stage of a step by step pattern of migration; in other words the rural migrant saw Empedrado as the first destination before moving on to larger regional or even national cities.

According to the mayor of Empedrado (1995), most of the people migrated as a last resort. The main communal problem has become the lack of permanent labour opportunities for the 2,000 active workers, mainly living in poverty. Forestry activities do not generate significant labour opportunities. Most activities concerning forestry plantations are either very specialised or highly seasonal. The latter type of employment is mainly carried out by local people but the work is largely concentrated between October and April. The former type of employment is increasingly done by specialised labour from outside the commune. They are hired by middle-men ("contratistas"), principally from the largest regional towns -notably from Constitucion (where the Celco plant is located) or from Talca (the regional capital).

According to the mayor, as a result of this labour pattern the situation in Empedrado in winter-time has become critical. The external perception of Empedrado is that it is a rich commune. This is mainly because outsiders have seen the fast expansion of forestry plantations in the area in addition to the growing and permanent traffic of heavy lorries laden with trunks. However, no significant benefits from forestry activities remain in the commune. As an example, local production taxes are paid where the industrial plants are located (all of them are outside the commune). In addition the residential property tax does not benefit Empedrado's municipal budget since forestry plantations have been exempted from this tax by government as a way of encouraging further investments in this export

sector.

At the same time, since the boom in forestry activities heavy lorries have been continuously damaging local the poor communal road network. Thus, in rainy periods, traffic within the commune has become practically impossible for most small- and medium-sized vehicles; this has worsened the relative isolation of the communal. Road repairs have to be made afforded by either the scarce municipal budget (80 million pesos amounts about US\$400,000) or by regionally-assigned financial resources.

Therefore, despite the fact that Empedrado had been historically leading rural poverty rankings, its inhabitants could at least remain in the commune due to their involvement in small-scale agricultural and forestry activities. Nowadays, however, the situation has become much worse. Most of the inhabitants can no longer depend on agricultural activities either as a cash-crop or as a means of subsistence. This has increased the cost of basic foods. In addition the housing deficit has increased in the town of Empedrado as a result of the growth of population that has come from the surrounding countryside. This has implied growing demand for the provision of services (notably education) and for cultural and training activities in the village.

As a final remark, the mayor considered that diminishing communal isolation with the rest of the region and with the regional and provincial governments were the main aims for the future. Improvements in communication with the rest of the region would undoubtedly facilitate labour movement with other areas and decrease local food prices for products coming from outside the commune. As an example, mayor estimated that improvement in the quality of the road connecting the town of Empedrado with the city of Constitucion would decrease the current travelling time from about 50 minutes to no more than 25 minutes.

Nevertheless, functional isolation from regional and provincial governments have made the exercise of local government difficult. Since mayors became elected they have been affected by a growing popular pressure to deal with all communal problems, most of which have largely been caused by external factors. However, current linkages with regional government are still rather scarce although benefits have been gained from the regular visits of the members of the Interministerial Commission for Rural Development in matters concerning education, health, drinking water, housing and micro-scale horticultural production (see Chapter No 10). However, more regular contacts between mayors and regional decision-making bodies are still needed.

4.4. Forestry Activities in the "Secano" Area: Final Remarks

As a result of the process of expansion in forestry activities in the "secano", many of its small-scale farmers are selling the land either due to their lack of clear perspectives for continuing their traditional activities due to the fall in grain prices or because of the strong pressure put upon them by forestry companies engaged in an aggressive process of territorial expansion. The expansion of forestry plantations tends to enclose farmers which try to keep their lands. The geographical isolation of these small-scale farmers has become a common feature of this process due to the cutting of feeder roads as a result of the spread of private forestry plantations. However, even though the process of forest expansion has a positive effect from the point of view of soil conservation in eroded landscapes, from the social perspective the situation has been creating problems. For example: a great number of landless peasants; small landowners and small-scale farmers migrating to small rural towns or to medium-sized urban centres looking for new opportunities, which either they do not find or which do not match expectations. However, the aggregate socio-economic impact that this process generates in the whole "secano" area of the country and in the surroundings regional areas has not yet been quantified nor evaluated (World Bank, 1994). However, seems to be clear is that localised poverty shows no indications of decreasing.

4.5. Summary

The opening up of the Chilean economy has affected the production of the main regional crops (notably grain) through increasingly lower prices obtained by the heterogeneous productive structure. Growing volumes of cheaper imported grains from Argentina and North American countries have started to harm large- medium- and small-scale producers which have been unable to compete successfully under the new market conditions. However, small- and medium-scale farmers have been more severely affected due to additional factors acting against them. In that regard, lower levels of productivity (derived from both their spatial relegation to the poor soils and the use of inappropriate technologies) have proved to be important restrictions. Moreover, the difficult marketing conditions that they are facing in addition to restrictions for shifting them towards more competitive crops are among the principal intervening factors. As a result, a large number of peasants have started to remain outside the agricultural market. Alternatively, they have been either increasingly involved in producing subsistence crops (and gaining some income from temporary labour) or they have definitively moved to urban areas. In this way, the traditional agriculture of the Maule region has followed the patterns presented by other Latin American countries in which cash-crop production has started to diminish as a result of cheaper imports from the surpluses of developed countries (Kohlhepp, 1987). One of the most dramatic cases has recently been affecting Nicaragua's process of economic restructuring, due to the significant social impacts which the small-scale grain producers in that country have experienced as a result of cheaper agricultural imports, particularly from the U.S. (Spoor, 1994).

At the same time, forestry plantations have been booming in the Maule region. The forestry sector has not been significantly expanding to the detriment of the traditional commercial farmers (they are mainly located in the irrigated Central Valley). However, the growth of the sector has severely affected the "secano" peasants. These have been unable either to neutralise the aggressive expansion of plantations over their lands or to gain substantive

benefits from the development of this sector in the western areas of the region. From the point of view of the macroeconomic scale, the forestry sector is currently contributing substantial financial resources to the national economy. Accordingly, the process of forestry expansion is supposed to continue not only through plantations of exotic varieties but also through the exploitation of the native forest. In this regard, even though the social impacts of this process seem to be still unclear for the World Bank, the case of the commune of Empedrado needs to be carefully considered in any serious forecast concerning the future of the whole "secano" population.

Therefore, in contrast to the regional process of change experienced in some of the Norte Chico's valleys where the incorporation of export-oriented agricultural development has at least generated a more productive dynamic, the opening up of the national economy has proved to be adversely affecting most of the productive trends in the Maule region. Although forestry activities could compensate the regional agricultural crises from the macroeconomic perspective, they have had little impact on the main central area historically devoted to traditional agriculture. Furthermore, most of the benefits associated with forestry activities come from rather long-term perspectives because the productive cycle of forestry takes at least twenty years before the final product is obtained. Consequently, this activity does not fit with the requirements that small-scale farmers present for satisfying their short-term social needs. That is not precisely the case for the Norte Chico peasants where both competitive export- and domestic-led agricultural products are grown annually. Employment in the export-led agriculture is both greater and more regular than in the case forestry activities.

The opening up of the economy has affected small-scale producers in both regions. However, expectations for more equitable development in a second stage of the outward-oriented development strategy (in which large -scale producers are not the only beneficiaries) seem to be higher in the Norte Chico than in the Maule region. In both cases, however, a more active role of the state cannot be absent for facilitating the necessary productive shift from

the exploitation of comparative advantages to the promotion of competitive advantages with a more equitable social structure.

Chapter 5. External Factors Affecting Agro-exporting Countries

Introduction

Undoubtedly the world economy is showing an intense process of restructuring where changes are very much related to opposing forces and interests. While geographical accessibility all around the earth has substantially increased as a result of transport and communication improvements, the significant increases in agricultural production and productivity has led to different sources of constraints against potential and real mobility of agricultural goods. However, the economies of developing countries are significantly more dependent on agricultural exports than advanced ones.

Moreover, problems of overconsumption coexist with large numbers of starving people despite efforts to minimize this situation from different agents all around the world. According to the World Bank, 30 per cent of the world population has a monthly income of US\$40 or less and are unable to participate as real actors in the world system of consumption. On the other hand, most industrial countries face growing surplus in agricultural production inducing the rise of different sources of protectionism and thus preventing competitive trade system and undermining the agricultural policies of developing countries at the global scale.

Many economic and political external factors are in one way or another affecting the development trends of agro-exporting countries. The present dynamic of world agricultural prices and markets, the role played by some of the international organisations (notably the International Monetary Fund and World Bank) and the complexity of different sources of domestic and international protectionism are perhaps the most relevant ones. Undoubtedly, these three external factors have become also determinant to understand the recent

socio-political and economic dynamic in most developing nations.

The main aim of this chapter, therefore, is to give some insights on three main external factors which have been currently affecting the evolution of most of the agro-exporting developing countries. Most of the attention is going to be focused on the main features that have proved to be important for the external contextualisation of the recent evolution of the Chilean agricultural sector since the mid-1970s. Accordingly, in the first place, some of the recent trends on the dynamic of the market of primary products (mainly in agriculture) are examined. Secondly, the role of two relevant economic organisations for the provision of financial funds (the IMF and the World Bank) are briefly described. These two agencies played an active role on the national process of economic restructuring developed since the 1970s. Finally, some information is provided with respect to the way in which protectionist barriers operate. Attention will be directed to the cases of the U.S., Europe (E.E.C.) and Japan. These are currently the most active factors affecting the present and future evolution of both the domestic and external dimension of the Chilean agricultural sector.

5.1. Production, Trade and Prices: Some Insights on Agricultural International Markets

There is no doubt that world trade has been growing consistently during the post-war period, with manufacturing proving the most dynamic sector. From 1950 to the mid 1980s, trade in manufactures increased more than twice as fast as manufactured output accounting for nearly a half of the total export turnover. Trade in minerals grew at nearly the same pace as the growth in world output, but started to decline after 1983. During the same period trade in agricultural products grew more slowly than world output. Since the beginning of the 1980s, the share of manufactures in world trade has increased from 56 per cent to 73 per cent whilst that of agriculture and mining products has decelerated from 15 to 13.5 per cent and from 29 to 13.5 per cent respectively. It seems important to remark that between 1950 and 1989 the share of agricultural products in world trade has declined from 46 per cent to

13.5 per cent (Barve, 1991).

5.1.1. Production and world trade

Concerning agricultural and food production, the rate of growth of both in developing countries just kept ahead of the rate of population growth, even though some important differences can be found between regions. In contrast to the successful evolution of per capita production of food and agricultural production in some Asian countries, Latin American countries -after strongly increasing per capita production in the 1970s- saw virtually no growth in the following decade. In the meantime, per capita agricultural and food production in sub-Saharan Africa countries fell markedly again in the 1980s as it did throughout the previous two decades, implying rapid growth of import requirements (see Table 5.1).

As regards the sectoral annual growth between 1965-90, there are also some interesting trends between functional regions. While in most developing countries the growth of GDP and industry fell considerably (the South-East Asian countries were the only exception), the growth of agricultural production fell much less in Latin America and did not fall at all in sub-Saharan Africa (see Table 5.2).

Table 5.1 Trends in Total and per capita Agricultural and Food Production, 1961-90 (Average annual Percentage Growth)

Country group	Agricultural production				Food production			
	1961-73	1973-80	1980-90	1961-90	1961-73	1973-80	1980-90	1961-90
<i>Total</i>								
Developing market economies	2.6	3.0	2.8	2.7	2.7	3.2	2.9	2.9
Latin America	2.6	3.4	2.2	2.7	3.1	3.6	2.3	3.0
Sub-Saharan Africa	2.4	1.1	2.5	2.0	2.3	1.5	2.5	2.0
South and South-East Asia	2.5	3.3	3.3	3.0	2.5	3.4	3.3	3.1
Asian centrally planned economies	4.8	3.1	4.4	4.1	4.7	3.3	4.3	4.0
Developing, all	3.1	3.0	3.2	3.1	3.2	3.2	3.3	3.2
<i>Per capita</i>								
Developing market economies	0.1	0.6	0.5	0.3	0.2	0.8	0.5	0.5
Latin America	-0.1	1.0	0.1	0.3	0.5	1.3	0.2	0.6
Sub-Saharan Africa	-0.2	-1.8	-0.6	-0.9	-0.3	-1.5	-0.6	-0.9
South and South-East Asia	0.1	1.1	1.1	0.7	0.1	1.2	1.1	0.8
Asian centrally planned economies	2.3	1.5	3.0	2.2	2.2	1.7	2.9	2.1
Developing, all	0.6	0.9	1.2	0.9	0.7	1.1	1.2	0.9

Source: FAO data as available in the UNCTAD Economic Time-Series (ETS) Data Bank, quoted from Singh and Tabatabai, 1993.

Table 5.2 Trends in Sectoral Production Performance (1965-1990)(Average Annual Percentage Growth).

Country group	GDP		Industry		Agriculture	
	1965 -80	1980 -90	1965 -80	1980 -90	1965 -80	1980 -90
Low-income economies (excl China and India)	4.8	3.9	8.0	3.7	2.4	2.6
Middle-income economies	6.3	2.5	6.7	2.3	3.4	2.4
Latin America and the Caribbean	6.0	1.6	6.6	1.2	3.1	1.9
Sub-Saharan Africa	4.2	2.1	7.2	2.0	2.0	2.1
South Asia (incl India)	3.6	5.2	4.3	6.5	2.5	3.0
East Asia and the Pacific (incl China)	7.3	7.8	10.8	10.2	3.2	4.8

Source: World Bank (1992), Table 2, pp 220-1

Despite the significant growth of world trade in the second half of the 1980s (17 per cent in 1987 and 14 per cent in 1988) the share of developing countries has remained almost unchanged. While the total exports of advanced countries edged up from US\$1,740 billion in 1987 to US\$2,030 billion dollars in 1988 (rising by US\$290 billion in only one year), the export of developing countries rose only from US\$498 billion to US\$572 billion (US\$74 billion) during this period. In 1988, 73 per cent of world trade corresponded to manufactures as compared to 56 per cent in 1980. Thus, industrial manufactures became largely the main driving force in the expansion of world merchandise trade. In the meantime, from 1973 to the late 1980s the total share of developing countries in world trade stagnated at around 19 per cent (Barve, 1991). The main reason to explain the poor export performance of developing countries is due to their high specialisation on products (except oil) with the sluggish demand in world markets, that is to say primary commodities.

However, perhaps the most striking point for most of the agro-export developing economies is the result of recent changes in the world structure of agricultural production. As can be noticed in Table 5.3, provided by the World Bank, the total share of developing countries in the world market of beverages, foods and even raw materials has fallen sharply, whilst industrial market economies have been increasing their share in all these commodity groups, despite their higher production costs and the fall of international prices.

Table 5.3 Export Shares of Major Agricultural Commodity Groups, 1961-63, 1982-84 (%).

Country group	Beverages		Food		Raw materials		Total agriculture	
	1961-63	1982-84	1961-63	1982-84	1961-63	1982-84	1961-63	1982-84
Developing countries	98.1	94.9	44.8	34.2	69.2	65.3	63.1	48.4
Low-income countries	27.6	23.8	9.0	3.6	15.6	13.6	15.1	8.3
Africa	19.6	15.8	1.5	0.3	6.0	4.9	6.9	3.5
Asia	8.0	8.0	7.5	3.3	9.6	8.7	8.0	4.8
Middle-income oil exporters	17.1	17.6	6.5	3.3	33.9	24.7	14.8	8.8
Middle-income oil importers	53.4	53.5	29.3	27.3	19.7	27.0	33.3	31.3
High-income oil exporters	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1
Industrial market economies	1.7	4.7	46.2	62.7	23.5	24.0	30.5	47.9
East European nonmarket economies	0.2	0.4	8.9	3.0	7.3	10.7	6.4	3.6

Note: Data are weighted by the 1978-82 world export unit prices to permit cross-country comparisons. Beverages comprise coffee, cocoa and tea. Food comprises cereals, sugar, meat, poultry, dairy products, roots and tubers, pulses, fruits and vegetables. Raw materials comprise cotton, jute, rubber and tobacco

Source: Based on FAO data, cited in World Bank, 1986, p.10.

5.1.2. Prices

A clear example of the complexity of world trade is the strong contrast in demand and prices which affected world trade in agriculture through the last decades. Despite the fact that most agricultural prices have presented a long-term declining trend since the middle of this century, strong short-term differences can also be found in most agricultural prices in the mentioned period (see Table 5.4).

Table 5.4 Real Growth of Commodity Prices, 1950-84.

(average annual percentage change)

Commodity	1950-59	1960-69	1970-79	1950-84
Total agriculture	-2.92	0.00	0.01	-1.03
Beverages	-2.08	-1.26	7.46	-1.13
Cereals	-3.84	2.72	-1.31	-1.30
Fats and oils	-3.73	-0.73	-0.81	-1.29
Raw materials	-2.51	0.50	-1.72	-1.08
Metals and minerals	0.08	6.12	-4.06	-0.09

Note: Data are deflated by the World Bank's manufacturing unit value (MUV) index. The MUV index is the c.i.f. index of US dollar prices of industrial countries' manufactured exports to developing countries. Annual exponential growth rates were calculated using ordinary least-squares estimates.

Source: World Bank, 1986.

At the beginning of the 1970s world food production was close to the level of world food consumption. However, in 1973-4 a worldwide combination of bad harvests, inflationary macroeconomic policies, and speculative hoarding by most industrial countries led to world food shortages. As a response to the crisis, global food production (except in Africa) grew rapidly -considerably outstripping consumption and resulting in a dramatic increase in global stocks. World cereal stocks in 1985 were 147 per cent higher than in 1974, and amount to 27 per cent of annual consumption (Tucker, 1994). The average annual rate of decline in prices of commodity exports between 1980 and 1986 works out at nearly 12 per cent for sugar, 8 per cent for cotton, and 4.7 per cent for vegetable oils. Prices for tea and coffee

have been subject to wide fluctuations during this period. In 1987 alone coffee prices declined by 37 per cent. As a result it has been estimated that, during 1981-86, developing countries suffered losses on their export earnings to the extent of about US\$14 billion (Barve, 1991).

The evolution of agricultural prices was also stressed by the FAO Director General in his speech on June 1993. According to him, prices of agricultural, forestry and fishing commodities exported by developing countries have plummeted by 39 per cent in real terms since 1980. Coffee and cacao prices fell by 69 per cent whilst palm oil prices fell by 49 per cent and cotton and sisal by 47 per cent between 1980 and 1992. In parallel, the primary-export prices of developed countries fell by only 19 per cent for the same period (FAO, 1993).

Moreover, different internal mechanisms within exporting countries have also been affecting internal prices in agriculture. In some selected countries agriculturally-based products presented significant differences in prices at the end of the last decade (see Table 5.5)

5.1.3. Terms of trade

As a consequence of such a price tendency the growth of real income in agro-exporting developing countries has been almost insignificant in aggregate terms. Thus, the improvement of purchasing power of in South Asia was moderate from 1980 to 1987, in Latin America it fell by 26 per cent and in Sub-Saharan Africa by 50 per cent. In contrast, in East Asia it rose by 45 per cent during the same period (Commonwealth secretariat, 1991). The poor performance of countries specialising in primary commodities in world trade has again directed attention to the concept of terms of trade. However, it is important to bear in mind that there have been long discussions regarding terms of trade since the concept was introduced to the development literature by Raul Prebisch during the early 1950s. In fact no

Table 5.5 Price Comparison of Selected Commodities (Tokyo=100).

	New York	Hamburg	London	Paris
Rice	36	123	48	43
Bread	91	84	48	136
Beef	31	35	28	35
Beef (Imported)	96	109	88	107
Ham	42	47	40	37
Milk	50	44	53	55
Sugar	53	43	48	47
Chocolate	84	70	78	74
Butter	44	44	36	37
Egg	76	126	129	144
Onion	65	54	99	38
Cabbage	35	27	75	51
Banana	59	59	120	113
Tea	71	80	22	39
Spaghetti	92	67	33	38

Source: Economic Planning Agency (1989), modified from Hirata, et. al., 1994, p.44.

agreement exists on whether it is possible to find a persistent tendency for the terms of trade of developing countries in relation to industrial countries. Competing and conflicting theoretical and methodological approaches make it difficult to compare the various findings.

As Williams (1994 pag 16) pointed out:

"Although a persistent tendency for the terms of trade of primary commodities to deteriorate vis-a-vis manufactured products can not be proven, nevertheless, the prices of primary products are more unstable. And since 1974, with the exception of 1979-80, prices of many primary commodities have fallen steadily. In the 1980s prices of many primary commodities plummeted, recording the lowest levels since the end of World II. At the close of the decade, average commodity prices were 33 per cent lower than at the beginning of the 1980s. The two regions with the largest terms of trade losses were Sub-Saharan Africa and Latin America. Declining terms of trade cost Sub-Saharan Africa and Latin America, 13 and 15 per cent respectively of their purchasing power in real terms relatively to 1970s. It is arguable that for Third World exporters with a heavy dependence on the export of specific commodities the international trading system has been unfavourable, not only in the 1980s but for most of the post-war period."

Table 5.6 Evolution of Terms of Trade for Selected Countries Classified by Major Primary Export, 1980-85.

<i>Bauxite/alumina producer</i> (bauxite 78 per cent of exports, 1980)	
Jamaica	95
<i>Cocoa producer</i> (cocoa 74 per cent of exports, 1980)	
Ghana	91
<i>Coffee producers</i> (coffee greater than 60 per cent of exports, 1980)	
Burundi	99
Colombia	97
Uganda	96
<i>Copper producers</i> (copper greater than 50 per cent of exports, 1980)	
Chile	79
Zambia	72
<i>Cotton producers</i> (cotton greater than 47 per cent of exports, 1980)	
Paraguay	83
Sudan	87
<i>Iron ore producers</i> (iron ore greater than 52 per cent of exports, 1980)	
Liberia	91
Mauritania	96
<i>Oil producers</i> (oil greater than 60 per cent of exports, 1980)	
Congo	95
Mexico	98
Nigeria	95
Venezuela	94
<i>Sugar producers</i> (sugar greater than 76 per cent of exports, 1980)	
Mauritius	78
<i>Countries whose principal exports are temperate agricultural products</i>	
Argentina	88
Uruguay	85
<i>Newly industrializing countries: exports dominated by manufacturers</i>	
Hong Kong	110
Korea	105
Singapore	101

Note: Figure by each country shows 1985 terms of trade index in relation to index of 100 for 1980; figure below 100 denotes worsening terms of trade, while figure above implies improving terms of trade.

Sources: World Bank 1987; Lloyds Bank Country Reports, quoted from Gwynne, 1990.

Thus, independently from theoretical and methodological discussions as regards terms of trade, an increasing gap between export and import prices has been affecting most agro-exporting developing countries. But in order to avoid over-generalisation, the precise impact very much depends on: the international evolution of prices; the level of dependency upon a particular commodity the country presents; and, last but not least, on the specific manufacturing import package which could be used as a reference for comparing the evolution of terms of trade. No doubt, the highly significant spread in developing nations of cheaper industrial and high-tech manufactured goods coming from the Asian NICs, might be a factor which could explain the slower pace of the worsening terms of trade for developing countries.

Developing countries must not be considered any longer as a homogeneous group of nations even for aggregate analysis (see Table 5.6). Although most of them still remain highly dependent on primary exports, the available statistical information envisages a growing disparity between Sub-Saharan Africa, Latin America, Eastern and East Asian nations as a result of their different patterns of export development. These differences have also started political antagonisms between developing countries, as has recently been observed in international political agendas related to development. As a matter of fact, as much as the number of nations involved in active trade around the world has increased, more complex has become the complete set of political and economic factors affecting the international process of supply and demand and the related system of international trade.

Thus, for most agro-exporting developing countries international prices and markets have always been a major factor of uncertainty regarding their internal economic development trends. The high dependency of these traditionally small economies upon one or a small number of primary products has imposed on them a structural rigidity to set up long term development strategies due to the impact that the cyclical variation of export prices produces on both private and government budgets. However, the negative effect of price variations on

these export-oriented economies is not just the result of low or depressed international market prices. Periods of high international prices for the main export commodity have induced serious macroeconomic problems -mainly related to overexpenditure- in the medium and long-run. The experience suffered by the Latin American oil exporting countries after the 1973-1974 oil boom provides an illustration.

Therefore, despite possibility for some small exporting countries to strengthen and diversify exports to new markets, there are some inherent risks associated with primary commodity exports which have to be taken into account in any long-term socio-economic strategy of development. Improvements in the quality of export commodities, diversification of export production, and an aggressive political attitude oriented to both the opening of new international markets and the combating of unfair world market interference, should be seen as strategies for agro-exporting developing countries to follow in order to take medium- and long-term advantage of the contemporary dynamic of world trade.

5.2. The Role of International Organisations in Developing Countries; the International Monetary Fund and the World Bank

Developing countries are not only linked to the world economy through flows of trade. The current provision and availability of international financial resources for public and private investment should be also considered a major factor for explaining the growing number of developing countries actively participating in world markets. After the renegotiation of their foreign debt, flows of fresh capital have started to contribute substantially to the organisation and financing of a more open model of economic development in a number of developing countries. This has been one of the most important requirements to be fulfilled by developing economies in regard to the structural adjustment process in which many of these nations have been involved throughout the last two decades. Thus, either the availability or lack of capital for public or private investment, oriented to domestic or world markets has become a crucial factor for understanding a country's participation in or exclusion from the current world

process of capital accumulation.

The flows of international financial and productive capital towards developing countries has different institutional sources: private banks, multilateral organisations, transnational corporations, NGOs, and direct country's loans and donations, are the most significant ones. Nevertheless, the potential allocation of investment or credits from these sources to any particular country responds to different criteria. Thus, the amount, conditions, timing and geographical allocation of these financial resources, used to be a result of the interplay of political, strategic and economic considerations, in which each institution evaluated different concerns in accordance with their own particular interest. However, as the governments of developing countries have been increasingly noticing, a number of these conditions have become common demands from some of the most important sources of external credit. The International Monetary Fund, the World Bank, and specifically for Latin America, the Inter-american Development Bank, have conformed a well defined international regime -the Washington consensus- as regards their specific demands and regulations. Since these international institutions deal directly with State agencies, most of the required conditions are mainly focused on specific policies with respect to macroeconomic objectives; the structural adjustment process is perhaps one of the most common examples.

In parallel, other important sources of foreign capital for developing economies are transnational enterprises which used to perform in a wider scope of action if they are compared with the previous multilateral agencies. Although international trade used to be analysed in national terms, it is mainly carried out by large independent companies which many have sometimes surpassed the level of influences of countries. Thus, they have a significant capacity for manoeuvre to deal with different economic and political actors within and between countries. As was discussed earlier in Chapter 3, foreign investment, through the allocation of transnational capital in export-led productive activities, has been one of the most important actors in inducing developing countries to participate in a more active way

in world markets, since they have started to liberalise their economies.

Although all sources of capital are relevant for developing nations' domestic budgets, it seems important to concentrate attention on those aspects which have been directly or indirectly involved in the strength and enhancement of exports from developing economies to world markets. At least for most Latin American governments, the World Bank, the IMF, and the Inter American Development Bank, have been the most important agents to negotiate with as regards the current and future process of budget allocation. Whilst, in parallel to the growing political stability in the region, foreign investment has started to flourish, becoming the most important source of capital for the outward-oriented new development strategy, where nontraditional primary exports have started to play a crucial role.

5.2.1. Multilateral funding agencies

Some of the most active multilateral funding agencies -the IMF, and the World Bank- have become relevant for understanding the current process of economic restructuring in almost all Latin American countries. Some arguments have been made to minimise the role of multilateral agencies in the shift of some of the Latin American countries towards a more open free-trade economic strategy [with special mention of the Chilean case (HOJMAN, 1994)]. However, it is important to bear in mind that in most of these nations, policies and actions oriented to structural adjustment processes, to stabilisation programmes, to economic productive conversion and to the opening of new external markets have become part of an integrated set of measures to be applied in long-term public policy. Government policy discipline, with regard to the conditions imposed by the funding agencies, is undoubtedly evaluated periodically, as has been agreed by all concerned.

Therefore, even though some countries have already experienced and passed the hardest part of their structural adjustment process, the policy commitments they assumed at the very

beginning with the funding agencies have obliged them to maintain a strict programme in matters like deregulation, privatisation, macroeconomic stability and export promotion. The fulfilment of these commitments are fundamental requirements for obtaining the periodic payments from these agencies. An IMF member accepting an adjustment loan has to develop a medium-term policy framework to cover the period of the loan. As an example, one of the IMF loans -the Structural Adjustment Facility- is disbursed annually and linked to successes in meeting the macroeconomic targets agreed between borrower and lender. Thus, the real influence of the funding agencies upon the national economies goes far beyond the specific momentum in which Latin American governments decided to re-orientate their development strategies.

5.2.1a The International Monetary Fund in its role in the process of economic restructuring in developing countries

The IMF and the World Bank were created as a result of wartime collaboration between the United States and the United Kingdom on the future of the international economic system in the post-war world. The Fund was a concrete response to the perceived international monetary problems of the 1930s and the demand of post-war economic reconstruction. With the presence of 44 nations the Bretton Wood Conference established the liberal international economic regime of the post-war era. The main objective was to set up an international economic order that would prevent another political and economic collapse. From these origins, the IMF was designed to perform three important roles in the international monetary system:

- a) To regulate the financial relations of its members with respect to exchange rates and balance of payments restrictions.
- b) To provide financial assistance to members experiencing balance of payments difficulties through acting as a lender of last resort to countries with chronic structural payments

problems. The regulatory and financial roles were closely entwined with access to the Fund's resources being made dependent on following the code of conduct devised by the Fund.

- c) To act as a consultative organ, by creating a climate in which governments were to be persuaded to dismantle exchange controls and to permit free trade and the free movement of capital.

Since then, the IMF has become one of the most important actors in the context of the international political economy of money and finance. At the beginning of 1993 the IMF comprised 175 countries, and its role in the provision of financial resources to its members has mainly evolved in response to pressures from the developing economies and changes in the international monetary system. The enlarged membership of the IMF after the fall of Socialist regimes in Eastern and Central Europe (the Fund has given a central role in assisting these countries in the transition to capitalism) has implied that lending to Europe has increased dramatically as can be observed in Table 5.7.

Table 5.7 Total Fund Credits and Loans Outstanding.

Region	1989	1990	1991	1992
World	24,644.9	23,290.2	16,668.3	17,846.0
Industrial countries	-	-	-	-
Developing countries	24,644.9	23,290.2	16,668.3	17,746.0
Africa	6,172.9	5,749.3	5,882.7	5,722.7
Asia	5,378.8	3,609.0	5,030.8	5,958.2
Europe	905.5	917.1	3,464.6	6,644.9
Middle East	196.8	154.1	155.2	407.0
Western Hemisphere	11,909.9	12,869.8	12,134.9	11,013.2

Source: International Monetary Fund, *International Financial Statistics* February 1993, quoted from Williams, 1994.

Thus, the IMF transition from an agency principally oriented to short-term stabilisation measures to one with an interest in growth and development started at the end of the 1970s and intensified in the 1980s. It developed an extended role in the provision of finance to developing countries and spearheaded a change in international development policy. In return for its loans it urged debtor states to follow market-oriented policies. This is stated in the Articles of Agreement which make it clear that among the main aims of the IMF in providing financial assistance are: a) the maintenance of an open world economy, b) the provision of full employment and c) the development of productive resources in the domestic economy. In this regard according to Williams, IMF policies are based on the assumption that:

"The free and unrestricted movement of goods and services across national boundaries increases the welfare of individual nations and the world economy as a whole. Perfect competition and the operation of the laws of comparative advantages according to this approach ensure gains from trade for all countries. Liberalisation of foreign exchange facilities is concomitant on trade liberalisation and guarantees the flow of scarce foreign exchange to the most efficient sectors of the economy. These underlying assumptions provide the rationale on which the economic programmes of the Fund are constructed " (Williams, 1994 pag 71).

Thus, the main belief is that the free and unobstructed operation of market forces provides the best alternative for economic recovery and growth. It is the market rather than governments which ensures the more efficient allocation of resources. According to this ideological guideline the IMF articulates its basic principle of conditionality to the provision of loans. Although the Fund does not apply an identical treatment to the different receiving countries, the main goal of the Fund's macroeconomic policies are rectification of the payments imbalance and reduction of inflation. Additional important subsidiary goals consider the promotion of growth and the continued maintenance of the debt service payment. Developing countries have recently been the major borrowers from the Fund and the price of access to resources was the application of the IMF stabilisation policies. It is important to consider that the medium- and long-term Development Strategy established by the military regime in Chile in 1977 practically reproduced the previous quotation with

respect to its regional development assumptions for development.

In the short term, the IMF's adjustment programmes for many developing countries have invariably included:

- a) A large devaluation of the domestic currency.
- b) A reduction in the budget deficit by cutting consumer subsidies and many other social expenditures.
- c) A reduction in government borrowing by placing limits on government borrowing from the Central Bank and ceilings on external borrowing.
- d) An increase in interest rates to raise domestic saving.
- e) a reduction of the money supply.

In addition to these short-term financial measures the IMF, often in association with the World Bank, also proposes other major policy changes to affect resource allocation in the medium and long-terms. Thus, the liberalisation of foreign trade through the reduction of tariff and non-tariff barriers; the deregulation and liberalisation of prices, are also suggested. Furthermore, policy measures in favour of: the production of export crops over food for domestic consumption or manufacturing; private sector economic activity over public, parastatal or cooperative production; and the allocation of resources by market forces rather than directly by the government are also strongly encouraged (Singh, 1993).

However, an interesting feature which has arisen in recent times with respect to the restructuring process that affects developing countries is the growing and closer collaboration

between the IMF and the World Bank, to the extent that this cooperation has affected the orientation of both institutions. The Bank began to place greater emphasis on market-oriented reforms whilst the Fund has taken more interest in development (Summer, 1988 quoted by Williams, 1994).

5.2.1b The World Bank and its role in the economic restructuring of developing countries

The International Bank for Reconstruction and Development (IBRD) -better known as the World Bank- was created at the same time as the IMF, on July 1944. Whilst the IMF was initially oriented to provide funds for short-term balance of payments relief, the main role of the World Bank was directed to provide longer-term finance for the development of productive resources. The main objective of the Bank is to assist poor countries to accelerate economic growth and reduce poverty through channelling financial aid from the developed world to developing nations. Its membership grew from 38 to 160 between 1946 and 1992, and nowadays the World Bank is the leading international agency involved in the promotion of economic development. It has become the single largest provider of credit to developing countries.

The World Bank has evolved significantly since it was created, particularly as regards the main guidelines it has followed to focus its lending policy. Between 1949 and 1973 (while the Bank experienced a financial and organisational expansion from the original IBRD to the World Bank Group) its main development concern was focused on the promotion of industrialisation. Between 1973 and 1979, the Bank expanded its lending given an additional emphasis on flows to the rural sector. Since the creation of the Structural Adjustment Loan (SAL) in 1980, it has been characterised by adjustment lending and by the greater role of programme lending.

The SAL was created as a response to the deteriorating balance of payments position of a

number of developing economies. It reflected the desire of the top management of the Bank (it was created at the final stage of the MacNamara presidency) to exert greater control over the policy environment of Bank lending and to persuade countries to implement policy reforms. Initially, the SALs were concentrated in a country designated to receive a series of loans, of 12 to 18 months duration over a 3 to 5 year period. However, due to the deep crises faced by most developing economies since 1982, it was accepted that adjustment lending could be allocated for longer periods. Furthermore, the Bank shifted the burden of adjustment lending to Sectoral Adjustment Loans (SECAL), which started to represent a high proportion of its lending as is observed in Table 5.8.

Table 5.8 IBRD and IDA Adjustment Lending.

Year	SAL		SECAL	
	Volume	Percentage	Volume	Percentage
1989	1,825.7	18	4,615.5	27
1990	1,434.0	17	5,534.6	25
1991	2,238.9	21	3,432.5	25
1992	3,159.8	26	2,687.5	22

Source: World Bank, *Annual Reports 1989-1992*, quoted from Williams, 1994.

The alternative on whether to use SAL or SECAL depended on the perceived operational effectiveness of both instruments concerning the particular programme of adjustment followed by the borrower country. According to Please, 1986 (quoted by Williams, 1994) the World Bank adjustment programmes has three interrelated components:

- a) A financial programme designed to monitor and exert discipline over the level of aggregate demand for goods and services.
- b) An external borrowing programme to monitor and discipline the extent to which the supply of goods and services should be augmented from abroad in the light of

creditworthiness considerations.

- c) A programme of structural adjustment measures designed to monitor and discipline the use to which resources are put.

Structural adjustment measures in developing countries have gone far beyond the changes at the sectoral or sub-sectoral level. Since these former initiatives were considered as an insufficient instrument for achieving satisfactory policy changes, the Bank's structural adjustment lending-programme initiated a wide ranging dialogue over most areas of economic policy in the borrowing country. Thus, developing countries started to be pushed to perform deep macroeconomic changes since the 1980s in order to qualify for the Bank loans. As a result similar adjustment symptoms started to appear, since most of these countries obtained loans upon similar bases of conditionalities. In this regard, Williams, 1994 presented the typical adjustment programme of the Bank; it covers the following measures:

- a) External trade: measures include devaluation, removal of quantitative restrictions, tariff cuts and improved export incentives.
- b) Resource mobilisation: measures include interest rate adjustment, tax or budget reforms, cost recovery systems for public enterprises and greater control over the level and administration of external borrowing.
- c) Efficient use of resources: including the reduction or elimination of food subsidies, the restructuring and rationalisation of state marketing boards, changes in public expenditure, e.g. a shift away from government building to agriculture, health and education, and measures to improve energy efficiency.
- d) Institutional reforms: including privatisation of publicly-owned companies, increased

efficiency for public enterprises and a better targeted support for agriculture and industry programmes to improve project evaluation and the management of public enterprises.

However, the specific application of this package depends on a number of factors concerning the borrower country's domestic conditions. As an example, the social, economic and political environment of the borrower country has to be taken into account in order to identify the particular conditions upon which the lending programme is being settled. As an example, Table 5.9 shows a typical structural adjustment package identified from the analysis of seven IMF stabilisation programmes and from seven World Bank programmes.

The first column shows the type of reform pursued and the next two columns indicate how many of these seven packages contained that reform.

Concerning this point, the previous diagnosis the Bank has on the borrower country used to be deep enough to identify in advance the policy conditionality upon which the loan would be allocated. As can be noticed in a group of different developing countries (see Table 5.10), the sources for conditionalities imposed upon them by the Bank for qualifying for SALs and/or SECALs could vary substantially depending on their macroeconomic features.

Table 5.9 World Bank and IMF Structural Adjustment Packages.

Element of Structural Adjustment Package	World Bank	IMF
Remove import quotas/cut tariffs	6	7
Improve export incentives	6	6
Revise exchange rate policy	2	5
Reform budget/taxes	5	6
Reform interest rates	2	7
Strengthen management of external borrowing	5	6
Reform public enterprise resource use	5	6
Revise current expenditure	2	7
Strengthen financial and capital markets	2	1
Reprioritize investments	6	3
Revise agricultural prices	6	5
Revise energy prices	5	6
Introduce energy conservation measures	3	2
Develop indigenous energy sources	3	3
Revise industry incentive system	4	3
Strengthen capacity for public investment	4	2
Increase efficiency of public enterprises	6	1
Improve support for agriculture	6	2
Improve support for industry	4	0

Source: Griffiths-Jones, 1988, quoted in Clark and Davies, 1991.

As can be clearly observed, most of the pressures were focused on trade policies, though the orientation of public enterprises and public expenditure proved to be also important fields of concern for Bank lending.

Table 5.10 The Structure of Conditionality.

Item	Sub-Saharan African countries (a)	Highly indebted countries (b)	Other developing countries (c)	All 15 countries
Fiscal policy	8	11	15	11
Budget and public expenditures	12	9	10	10
Public enterprises	19	17	12	16
Financial Sector	4	13	13	11
Exchange rate	4	2	0	2
Trade policy	25	32	25	28
Industrial policy	7	2	2	3
Energy policy	1	3	15	6
Agricultural policy	17	1	2	2
Other	2	1	2	2

(a) Ghana, Kenya, Malawi, Zambia

(b) Chile, Columbia, Cote d'Ivoire, Jamaica, Mexico, Morocco and the Philippines

(c) Republic of Korea, Pakistan, Thailand and Turkey

Source: IMF/IBRD Development Committee, *Problems and Issues in Structural Adjustment* (1990) based on an analysis of 51 SALS and SECALS in 15 developing countries, quoted from Williams, 1994.

Thus, the World Bank has become the leading international agency concerned with the promotion of economic growth. It is the single largest provider of credit to developing countries. As a result, the resources flowing out of the severely-indebted nations to pay for the debt (total debt service) they incurred during the 1970s amounted to 7.1 per cent of GNP in 1989 (World Bank, 1989 quoted by Clark, 1991).

Accordingly, most of the pressure has been focused on the redirection of the macroeconomic policies followed by developing countries. The main reason has been the belief that most of the socio-economic crises emerged from poor economic management. According to Clark (1991), the perception held by most of the international organisations involved in credit is that a number of developing countries are: squandering their financial resources; maintaining high subsidies and bloated civil services; not cutting spending when it is clear they need to;

putting all their money into recurrent as opposed to capital spending and neglecting the need to correct budget deficits. However, on the opposite side, the U.S. alone maintains a greater budget deficit than every single developing country combined. In this regard, a wider comparison between developing and developed countries is presented in Table 5.11.

Ironically, the IMF and the World Bank is used by the most powerful developed nations to impose financial discipline and liberal economic policies on the developing world, but no mechanism exists which forces the rich countries to play by the rules they set for others. This fact clearly reflects the unequal power structure of a stratified international society (Williams, 1994).

Table 5.11 Expenditure between Developing and Developed Countries (%).

Budget Items	Developing Countries	Developed Countries
Subsidies	6 per cent GDP	18 per cent GDP
Public sector wages	2.4 per cent GDP	4 per cent GDP
Social spending	8 per cent of government budget	56 per cent of government budget
Capital spending	16 per cent of government budget	6 per cent of government budget
Total government spending	26 per cent GDP (all Less Developed Countries)	29 per cent GDP
Budget deficits	4.8 per cent (excluding India & China)	5.1 per cent

Source: J, Clark, 1991, p.17.

5.3. Protectionism in International Agricultural Markets

Protectionism, as a concept, presents a wide variety of meaning in the current literature on development studies. In general, protectionism refers to a set of measures applied by most of the countries to stimulate and protect the development of a specific area of the economy

from internal and/or external competition. However, due to the fact that protective measures have been used around the world on different economic sectors and for different reasons (either for developing relatively weak sectors in less advanced nations or conversely, for restricting world production of demand-surplus goods) the concept of protectionism has become a rather ambiguous concept due to the wide range of hidden ideological and theoretical meanings by which it can be approached. Therefore, the following analysis is focused only on the agricultural sector. Protectionism is defined as any measure or specific set of policies acting against the free flow of agricultural products in world trade (external protectionism), and as measures that the State use to stimulate production of otherwise non-attractive commodities (domestic protectionism).

There seems to be no distinction between countries in terms of their political attitude towards the present sources of interference in world trade. Most of them agree that barriers ought to be removed, though they behave otherwise in the day-to-day process of international trade. The review of protectionism in advanced countries showed that, on average, trade barriers tend to be higher on agricultural products than on manufactured, and within manufacturing products tends to be concentrated in a few sectors. In contrast, developing countries protect their manufacturing activities much more than the agricultural and their barriers are both more widespread and more variable (Balassa, 1989). Most countries, regardless of their level of development, protect and subsidise their agriculture. This behaviour is caused by opposite reasons. While in more advanced countries the problem of food is one of plenty, in the developing world there is not enough for everybody.

From a general point of view, protectionism in world agricultural production can be understood as the combined result of three main factors: a) advanced countries' domestic policies, b) developing countries' domestic policies, and c) all existing world-trade regulations acting against the free bilateral and multilateral process of supply and demand. However, even though the first two sets of policies might be taken as one combined factor,

the strong differences between the interest of both groups make it difficult to understand and justify them with the same economic, social and political arguments.

Thus, while advanced countries set up domestic policies to defend highly efficient producers in one of the economy's smallest sectors (in terms of production and occupied labour) most developing countries' policies are directed to stimulate production in a crucial group of activities taking into account sensitive aspects like food security, labour opportunities and primary export revenues. Moreover, in order to be consistent with the growing political expectations of a more open world-trade system, most of the protective policies of developing countries are oriented to help their export sectors overcome the serious handicaps that they have in competing in the world against the large firms of the more developed export economies. Thus, in the area of natural resources the major industrialised countries are strongly pressing for liberalisation in developing countries and for the elimination of export control. Agricultural support policies in the United States, the European Union, and Japan, for example, protect the income of domestic farmers by using different instruments such as price support and direct payments (Williams, 1994).

Furthermore, free trade theory states that protectionist measures -such as domestic policies, tariffs, quotas, exclusionary specifications, embargoes or any other sort of regulation- reduce of the international division of labour and tend to decrease global wealth. They are blamed as perpetuating production in uneconomic areas and as preventing maximum economies of scale and efficiency. It is claimed that this results in a lower standard of living for the people of the protected country, since protectionist measures mean more expensive goods or services. Thus, inefficient, uncompetitive domestic economic activities are allowed to survive. But surprisingly, even the main world political advocate of such principles are completely unable to behave in accordance with theory. This is indicated by the following quotation from the World Bank:

"In the United States, the government pays farmers not to grow grain; in the European community, farmers are paid high prices even if they produce excessive amounts. In Japan rice farmers receive three times the world price for their crop; they grow so much that some of it has to be sold as animal feed at half of the world price. In 1985, farmers in the E.C. received 18 US cents a pound for sugar that was then sold on the world market for 5 cents a pound; at the same time, the E.C. imported sugar at 18 cents a pound. Milk prices are kept high in nearly every industrial country, and surpluses are the result; Canadian will pay up to eight times the price of a cow for the right to sell that cow's milk at the government support price. The United States subsidises irrigation and land clearing projects and then pays farmers not to use the land for growing crops"(World Bank Report, 1986 pag 110).

5.3.1. Protectionist policies in the agricultural sector of some advanced countries

Undoubtedly, the previous contradiction between theoretical, political and empirical facts are relevant features to be taken into consideration as long as they provide useful arguments for developing countries to negotiate upon more realistic terms in future international discussions on agricultural trade. Moreover, it also seems important to go beyond these descriptive facts in an attempt to explaining the reasons and the mechanisms currently used by the most relevant actors in agricultural world production and trade; that is to say, the United States of America, the European Union and Japan. At least, the U.S. and the E.U. have traditionally been the two most important destinations for exports from developing countries. This pattern fully corresponds to the destiny of Chilean agricultural exports.

Surprisingly, the main explanatory arguments given by the World Bank to understand the agricultural supportive policies for industrial countries also correspond to the main concerns which developing nations have regarding their rural areas; "to stabilize and increase farmers' income and slow the migration of people out of the sector"(World Bank, 1986).

In any case, the main reason to understand why protectionism occurs is because even though population and consumption have increased, agricultural production has grown faster. Much of the global agricultural overproduction and depressed markets have resulted from government subsidies, especially in industrial countries. In 1986 nearly 48 per cent of

developing countries' agricultural exports to industrial nations were affected by non-tariff barriers (Tucker, 1993-8).

5.3.1a Some U.S protective agricultural domestic policies

The highly protective domestic policy of the U.S. is not only explained by the fall of agricultural world market prices (as a result of large surpluses) but also as a way to combat the heavily-subsidised E.U. exports. Moreover, U.S. domestic consumption is growing roughly by about 1 per cent a year, while cereal consumption (as an example) is growing by about 3.5 per cent a year in developing countries. Thus, according to some estimates, developing countries could become the most important source of future demand for U.S. food exports. So, the U.S. current expenditure in farm subsidies and the concomitant surplus production may find ready markets in the future. This optimistic forecast, however, presents a deep contrast with the latest problems that the U.S. agricultural sector has been facing since the beginning of the 1980s. The value of U.S. agricultural exports fell 40 per cent between its peak in 1981 (US\$43 billion) and its trough in 1986 (US\$26 billion). As a result, 200,000 American farms went out of business during this period. In 1986, the farm credit system was strained by debt and the federal government farm-programmes spent US\$31 billion, more than US\$13,000 for each American farmer. Even though there were some improvements in exports at the end of the 1980s, they were still were 15 per cent below the level achieved in 1981. In that decade, the real net farm-income was lower than in any of the previous four. (Tucker, 1994a).

Most of the U.S. agricultural policies have been established as temporary ones. Nowadays about 80 per cent of American farmers take part in a voluntary price support scheme for products such as wheat, cotton and rice. The main aim of U.S. programmes is to protect farm income and support prices by using a wide range of policy tools directed to: raise domestic prices, facilitate production, enhance export and divert acreage away from excess

production of commodities. As world prices have fallen, budgetary expenditure has increased sharply (Tucker, 1994a).

In addition to these policies, the U.S. government has set up an active programme oriented to encourage and boost agricultural exports through the provision of assistance to the exporter. In this task, through the Eximbank, the government has attempted to provide a mechanism to compensate exporters for some of the failings of private markets. As a negotiating tool, a mixed credit war chest was established in the late 1980s to assist with capital goods sales. This small fund is used to match what are perceived as unfair credit offers by competing export credit agencies of industrial countries. Thus, the emphasis of the Eximbank has shifted away from providing substantial credits for export sales for those developing countries which desire to buy U.S. goods, and focuses instead on subsidised credits to neutralise the selected sales of other industrial countries.

The other important mechanism oriented to assist agricultural exports was the creation of the Export Enhancement Programme (EEP) at the end of the 1980s. One of its main aims was to fight heavily subsidised EC agricultural exports. However, the EEP has been extending its role and now gives the federal government greater control over the market for and supply of agricultural commodities. Through the EEP system the U.S. Department of Agriculture compensates exporters of agricultural commodities by giving them government-owned products to meet the difference between world prices and the generally higher U.S. prices. EEP sales had reached US\$8.9 billion at the end of 1989, and the market value of EEP bonus awards was US\$2.6 billion, of which US\$1.8 billion went for wheat sales; 77 per cent went to the former USSR, China, Algeria, Egypt and Morocco. Moreover, the government paid an export subsidy to shippers as a way of encouraging them to sell some agricultural products to selected markets. A sum of US\$1,300 million a year has been directed to this subsidy on the basis of around US\$20 per tonne. The farmers were also offered to be paid by the government to keep additional acreage out of production; by the mid-1980s, more

than 27.5 per cent of farmers had already agreed. Table 5.12 illustrates total value of US agricultural production in 1986. Thus, with the combined effect of all these policies and subsidies the U.S. could also build a strong platform to improve its negotiating leverage for the Uruguay round, much to the detriment of the poorest agro-exporting countries (Tucker, 1994b; Tucker, 1994a; Moyes, 1987).

Table 5.12 US Agricultural Production Subsidy Equivalents, 1986.

	Value of production (\$ billions)	Value of US policy to producer (\$ billions)	Production subsidy equivalent (% of production)
Wheat	9.2	5.8	63
Corn	20.4	10.1	50
Rice	1.5	1.1	72
Sorghum	2.2	1.1	49
Barley	1.4	1.0	76
Oats	0.5	0.1	16
Soya bean	9.4	1.2	13
Dairy	17.6	10.4	59
Sugar	1.7	1.4	83
Beef and Veal	20.9	2.4	12
Pork	9.5	0.7	8
Poultry	8.9	1.5	17
Total	103.0	36.9	36

Note: State subsidies included.

Source: USDA, Estimates of Producer and Consumer Subsidy Equivalents: Government Intervention in Agriculture, 1982-86, quoted in Tucker, 1994a, p.115.

5.3.1b Some protectionist policies of the European Union (EU) in agricultural markets

There is no agreement yet on whether the establishment of the single market and full economic integration between E.U. members in 1992 should be seen as an effective contribution to the opening of the world economy. The concept of a single market is founded

on the belief that the E.U. needs to make a quantum leap in productivity and competitiveness if it is to compete effectively with other trading countries and blocs. In fact, the E.U. is not self-contained since it is the largest importer of agricultural products in the world, and 60 per cent of these imports come from developing countries. But, in the meantime, the E.U. is the second largest exporter of agricultural products many of which -as the cases of with sugar, cereals, dairy products and meat- are also grown and consumed in developing countries. Thus, the E.U. is not only an effective instrument of 12 countries to combat the traditional competitiveness of U.S. and Japanese products but also those of a number of developing countries.

Current E.U. trade in agricultural products is principally determined by classical trade policy instruments such as tariffs and quotas, and by a number of internal instruments which influence consumption, production and storage. Perhaps the main instrument is the Common Agricultural Policy (CAP) which regulates the vast majority of products grown within the E.C.. The CAP includes different market intervention systems depending on the product. In addition, there are a number of exceptions to trade regulations, either for particular products and/or for countries. The CAP had a stormy origin in trying to compromise between different interests due to the fact that the agricultural policies of member countries differed markedly. As a result of that, the same food had different prices in the region, and since the price of food affects wages, it also affected industrial competitiveness between countries. According to Moyes (1987), the main aims to set up the CAP as a regulatory instrument were:

- a) To improve food security as a form of insurance against war, weather or pest. This aim led to the objective of greater self-sufficiency, achieved through higher agricultural productivity.
- b) To maintain jobs on the land, preferably on family farms.

- c) To ensure a "fair standard of living for the agricultural community".
- d) To stabilise markets
- e) To keep consumer foods prices stable and reasonable.

As the basic aims of all countries taking part in CAP policies are oriented to market unity, community preferences and common financial responsibility, it could be said that the basic role of the CAP is one of protection. With the exceptions of alcohol and potatoes, the markets from all commodities produced within the E.U. are in one way or another regulated by Common Market organisations, in which the yearly decision on prices taken by the Council of Ministers is of major relevance. According to Schrader (1994), the highly differentiated and complex market instrument for agricultural products can be separated into four broad categories:

- a) Internal price support combined with external protection by levies and/or customs duties for: most cereals; sugar; milk; beef and veal; pork; some fruits and vegetables; table wines and seafoods. They cover more than 70 per cent of total agricultural production. Increasing levels of self-sufficiency, as a logical consequence of the support system, have shifted the E.U. from a net importer to a net exporter of most basic food commodities.
- b) Internal price support for producers and liberal trade, that is deficiency payment systems, which make up the difference between producers' and consumers' price, with low prices for consumers or for the processing industry of olive oil, some oilseeds, tobacco, mutton and raisins. They cover about 3 per cent of agricultural production.
- c) External protection alone for flowers, wine (other than table wine), other fruits and vegetables, eggs and poultry. It covers about 25 per cent of agricultural production. This

category -external protection as the only protective instrument- is relevant in the case of certain fruits and vegetables for which no internal intervention system exists. The customs duties on these products varies (between 4 per cent and 21 per cent), depending on the season and on the processing stage of the commodity in question.

- d) Flat-rate aid based on acreage or output for durum wheat, cottonseed, flaxseed and hempseed, hops, silk worms, seeds and dehydrated fodder. It covers about 1 per cent of production. It has virtually the same effects on trade as deficiency payment system and is mainly oriented towards import substitution. The number of commodities covered by this policy has expanded since the founding of the E.E.C., mostly as a consequence of the entry of Mediterranean countries which grew products that are of minor importance to the old member countries.

At present, the E.U. is a customs union with a common external tariff, a Common Agricultural Policy (CAP), and some jointly administered non-tariff trade barriers. Most of the protectionist measures applied by the E.U. against exports from developing countries have shifted from tariff to non-tariff barriers. The non-tariff barriers is a rather complicated system of special measures which sometimes, just by its own complexity, tends to discourage agricultural exports from some developing countries as it is almost impossible for producers in those countries to fulfil all the requirements. Most of the more important non-tariff barriers consist in voluntary export restraints, licensing and quotas, E.U. surveillance, antidumping procedures, technical regulations and standards, public procurement or minimum prices. Other more specific non-tariff trade barriers still remain the responsibility of member governments, but these are (according to the rules) only implemented with the consent of the Brussels administration (Hiemenz, 1994).

As a result of all these interrelated protective mechanisms, non-E.U. members (especially developing countries) have been expressing much concern about the future of agricultural

production and world trade for agricultural commodities. Thus, various studies stressing the positive effects of E.U. integration on economic growth, structural change and import demand could not dissipate the fear that the E.C. would be tempted to shift parts of the adjustment burden to developing countries by building a "fortress Europe" (Langhammer, 1994).

5.3.1c Agricultural Protectionist Policies from Japan

In spite of the fact that Japan has been continuously liberalising its imports policies since the late 1960s, this does not mean that import to this country are completely free from protectionist barriers. Even though overt and formal quantitative restrictions are few, some particular sectors remain heavily protected; agriculture is the most important case. At the end of the 1980s, the estimated ad valorem equivalent of quantitative restrictions for agriculture was as high as 48.5 per cent, much higher than in the other major industrial countries (except for petroleum and related products in France). Government regulations have a visible effect on some agricultural products like rice (largely the most protected crop), wheat, beef, sugar and dairy products.

The main domestic policies protecting agricultural production are directed to rice crops. After the severe food shortages suffered after the Second World War, price supports have been the main means for achieving self-sufficiency in rice, which was reached around 1960. Although land under rice has progressively fallen, rice still accounted for one-third of total agricultural income in 1985 and was grown on 2.3 million hectares or 40 per cent of total farmland. The Food Agency, which administers production and domestic and international trade in rice, consistently allowed price increase for rice higher than the national average (in the last decade Japanese nominal rice protection was estimated at 235 per cent). As a result of that the price of rice in Japan became four to twelve times higher than the international price. Wheat and barley are substitutes for rice and they are also under the control of the

Food Agency receiving government fixed prices much higher than international ones.

Other types of direct and indirect subsidies such as direct payment, input cost reduction and general services are also important. As an example, in 1988 the budget of the Ministry of Agriculture, Forestry and Fishery was 9.8 per cent of total Japanese central government expenditure. Of this, roughly 80 per cent was spent on the agricultural sector to improve productivity and expand production, to achieve price stability and income support, to improve farmers' welfare and to rationalise distribution channels. There are three main reasons given to explain the purposes of agricultural protectionism: a) food security, b) fairer rural-urban income distribution and c) to help the sectoral adjustment process. Thus, the core of Japanese protectionism lies in agriculture, and the imposition of these measures and barriers is probably the largest single practice to adversely affect the market opportunity of developing countries. Although this country does not subsidise major agricultural commodities for export, extensive domestic protectionism seriously reduces or denies their import, thereby contributing to the decline in international food prices (Hirata, et. al, 1994; Yamazawa, et. al 1994).

5.3.2 Agricultural protectionism: concluding remarks

The protective measures affecting agricultural world production have different causes and most of the countries involved in agricultural trade have imposed strong policies to protect their interests in the first instance. The E.U. and the U.S. have traditionally been the two most important destinations for food products from developing countries, and access to these markets has provided an avenue for encouraging them to apply a number of domestic policies oriented to achieve a better integration into the international division of labour. Moreover, it is possible to say that agricultural protection and export subsidies in the developed countries adversely affect the agricultural exports of the developing countries, even though they could lower the cost of food imports for several of these nations.

Even though substantial explicit progress has been made in the search for a free agricultural trade system in all the different international forums (notably in the Cairns Group of the GATT), there is still little hope for agro-exporting developing countries to effectively participate in a more egalitarian trading system. According to figures of the last FAO Conference held in Rome in 1993, the OECD estimated that consumers and tax-payers of the industrialised countries transferred to the agricultural sector US\$354 billion in 1992. This sum, higher than in 1991, was two and a half times the total amount of developing countries' incomes coming from their agricultural, fishing and forestry exports. Moreover, net transfers to agricultural producers in the OECD also increased, accounting, for US\$179 billion in 1992.

However, the existing protectionist trade policies towards developing countries have become very complex. In the meantime all countries are evolving in such a different way, that it does not seem possible to analyze the agricultural world-trading system in the simple context of North-South economic relationships, as long as most of the external policies are affecting them in such a completely different way. As a result of this, a number of countries are directing their political and international relations to establish economic alliances between nations, regardless of their level of development and other functional links. This is leading towards a new sort of multinuclear world-trading system in which former "political enemies" have suddenly become new economic allies.

Thus, the emergence of complex economic and political linkages inside a growing number of traditional and new trading blocs, with protection at their borders, seems to be a strong argument acting against the effectiveness of most of the free-trade theoretical assumptions (see Table 5.13). According to the World Bank (1992), 41.4 per cent of world trade in 1988 occurred inside the existing powerful trade blocs. The E.U.'s link with Eastern Europe and U.S./Canada links with Mexico would take this up to nearly 50 per cent. Moreover, the IMF estimates that 71 per cent of the E.U.'s and EFTA's exports are within their borders, 31 per

cent of Japan's and East Asia's within theirs, and 42 per cent of NAFTA's within their members. Eighty per cent of Mexico's exports go to the U.S., whereas Africa sends 95 per cent of its exports beyond the continent (Lang and Hines, 1993). However, besides the three super-blocs there are other smaller and emerging trading blocs -as with APEC and MERCOSUR- which can become important actors in future trade concerning international agricultural markets (see Table 5.14).

Table 5.13 Share of Regional Trading Schemes in Intra-regional Exports and World Exports, 1990

Scheme	Share in intra-regional exports ^a	Share in total world exports ^b
Australia-New Zealand closer Economic Relations Trade Agreement	7.6	1.5
European Community	60.4	41.4
European Free Trade Area	28.2	6.8
Canada-US Free Trade Area	34.0	15.8
Association of South East Asian Nations	18.6	4.3
Andean Pact	4.6	0.9
Central American Common Market	14.8	0.1
Latin American Free Trade Area/Latin American Integration Association	10.6	3.4
Economic Community of West African States	6.0	0.6
Preferential Trade Area for Eastern and Southern Africa	8.5	0.2

^aIntra-regional exports as percentage of the region's total exports

^bRegion's exports as percentage of total world exports

Source: de Meio and Panagariya, 1992, quoted from Lang and Hines, 1993.

Table 5.14 Various Trading Blocs and Their Members (Up to 1992).

Trade Bloc	Members	When Founded
Andean Pact	Bolivia, Chile (now left), Columbia, Ecuador, Peru, Venezuela	1969
Asia-Pacific Economic Co-operation (APEC)	Australia, Canada, China, Hong Kong, New Zealand, Japan, Korea, Taiwan, USA + 6 ASEAN countries	first met 1989; secretariat 1992
Association of SE Asian Nations (ASEAN)	Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand	1991
Central American Common Market (CACM)	Costa Rica (1962-92), El Salvador, Honduras (1961-76), Guatemala, Nicaragua	first agreed 1961; new agreement 1992
East African Community (EAC)	Kenya, Tanzania, Uganda	1967-77
European Community (EC)	Belgium, Denmark, Eire, France, Germany, Greece, Italy, Luxembourg, Netherlands, Spain, UK	first signed 1957; new agreements 1987 and 1993
European Economic Area (EEA)	EC + EFTA	1992
European Free Trade Area (EFTA)	Austria, Finland, Leichtenstein, Norway, Sweden, Switzerland	1960
North American Free Trade Agreement (NAFTA)	Canada, Mexico, USA	1992 initial signing
Southern Cone Common Market Treaty (Mercosur)	Argentina, Brazil, Paraguay, Uruguay	1992

Source: Lang and Hines, 1993, p.43.

Finally, protectionist measures with respect to agricultural production cannot be judged equally without considering the very large differences between countries; as an example, the average subsidy per cow in the Dutch industry equal the Colombian per capita income. Moreover, most of the existing direct or indirect barriers affecting international trade of primary products are imposed by developed countries acting on their own (as with the cases of the U.S. and Japan) or by creating corporative constraints (as with the case of the E.U.'s Common Agricultural Policy). According to the World Bank (1990), nearly one third of the agricultural exports of developing countries are directly affected by non-tariff barriers relating to health, safety measures, custom valuations procedures, among others. These constraints affecting world trade represent one of the most serious challenges to be faced by developing countries in future agendas, in which the Uruguay Round of the Gatt has put some hope for the future.

Conversely, in a number of transitional developing economies in Latin America, subsidies have been used as a key tool towards a process of productive conversion from highly protected inward-oriented strategies to the search for a more open, diversified and competitive productive system within world markets. However, most of the current direct or indirect ways of protectionism in Latin American economies are almost insignificant if they are compared with both those that existed before the import-substituting phase of development and those currently applied by more advanced countries.

5.4. Summary

As a result of recent political and economic restructuring -(the collapse of the Soviet-style socialism and the subsequent spread of a world-wide capitalist economic systems) linkages among nations has increased significantly. However, the new international division of production is still being affected by an increasing number of interfering factors. Most multilateral declarations strongly advocate and encourage a free trade system within a more

open economic world. However, facts show that efforts, especially from advanced countries, are still inconsistent.

However, regardless of different kinds of constraints acting against the fluidity of world markets, primary resources (especially agricultural products) have become an additional source of problems for most developing economies. By falling from 31 per cent to 20 per cent in the share of global trade, less developed economies have little chance to influence the progressive and steadily fall of primary export prices and the related deterioration of terms of trade. Therefore, even if these countries could become part of new trade agreement and reach otherwise neglected markets, this effort would not necessarily imply significant changes in prices in primary export markets. This is partly because trade policies in the U.S., Europe and Japan continue preventing export growth from more competitive agricultural producers.

Other additional factors are also important for future trends in world-market prices. As a result of a growing number of developing countries undergoing structural adjustment (through which exports are fostered), primary exports are expected to rise in the future and, consequently, prices to fall. So, paradoxically, while economic organisations are pushing developing countries to increase exports, the most advanced nations push in the opposite way.

A great deal of attention is being focused by different countries in different regions on establishing selective trade agreements among them in order to secure markets for their products. However, most of the time these economic alliances not only define medium- and long-term trading and investment opportunities for the participant members, but also place barriers on participating nations from establishing trade and investment linkages with competitors and third parties. The North American Free Trade Agreement (NAFTA) is a clear example showing both the potentialities and restrictions for Mexican enterprises.

Surprisingly, many Latin American economies are pushing to join the U.S., Canada and Mexico in NAFTA, notably Chile, despite their explicit attitude for a less regulated world-trade system. In this regard, even though Chile could have better expectations for reaching wider markets, some adverse effects could also start to arise. The growing level of imports of cereals from the U.S. and Canada needs to be seriously considered with respect to some potential internal impacts resulting from a more open trade agreement with NAFTA members (for impacts on cereal farmers in the Maule region, see Chapter 4).

Furthermore, the growing number of economic trade agreements has also contributed to the emergence of contradictory political disputes among these nations in their competition for existing markets. Indeed, this is not an exclusive feature of developing countries as the continued negotiations between advanced nations show.

Thus, contradictions arise especially when countries advocate the fall of all existing regulatory mechanisms but, at the same time, participate in a rather complex net of exclusive economic links. Their excuse is that they are creating new groups to defend the freedom of world trade. Nevertheless, the flow of transnational capital has begun to become so relevant that very often it has passed in quantitative terms the existing trade between nations. Therefore, the growing linkages among different actors concerning present world economic trends has been generating a rather diffuse and complex system of alliances where particular nation-states are becoming less independent to deal with their international economic behaviour.

"The international system is not to any appreciable extent a society united by common rules, but simply an aggregate of separate societies each pursuing its own purposes, and linked with one another in ways that are essentially ad hoc, unstable and transitory" (Nardin, 1983 quoted by Williams, 1994 pag 216).

Accordingly, in addition to world prices it seems that geopolitics have largely become the main arena for the establishment of all future economic trends.



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Chapter 6. Imperatives and Restrictions for a State-led Rural Development Strategy in Chile

Introduction

The regional development approach that the former military government advocated when the process of economic restructuring started can be summarised in the following official assumption, as included in its long-term regional and social policies:

"The exploitation of the country's main resources (export-led primary activities) should produce, by itself, an increase in regional population by depopulating the main centres of urban concentration. This will, in turn, increase regional economic specialisation and once a productive regional infrastructure has been developed, it will constitute the main factor to induce a more even resettlement of the country's population among the different regions" (ODEPLAN, 1976).

Thus, the government acted according to the belief that the regional development process (the neutralisation and reversion of a very concentrated pattern of national development) had to be the direct and spontaneous consequence of the free allocation of productive resources in both sectoral and spatial terms. This was because most of the activities in which the country was supposed to have comparative advantage were located far away from the main national centre of urban and economic agglomeration (the capital city of Santiago). Thus, the search for economic efficiency was encouraged through fostering a better use of all regional productive resources, especially the use of labour. Consequently and according to ODEPLAN, "the exploitation of new export-led primary activities would provide new working opportunities in the countryside, bringing to these people full access to a humanitarian development. Hence, extreme poverty, which is often prevalent in rural areas would be finally eradicated, as a result of the equalisation of these people's basic living conditions in reference to urban areas (ODEPLAN, 1976).

Accordingly, there were two main consequences derived from these arguments (characterised by a non-active and "neutral" role of the state), in all regards to sectoral and territorial policies. First, most of the former sectoral and regional approaches to development (created and followed by the two previous governments from the mid 1960s), and oriented to discriminate in favour of regions and against the country's growing centralism, came to an end in 1978 as a result of the implementation, by the Planning Office, of the initial assumption of regional development (Boisier, 1978). Secondly, no significant corrective social and economic measures, policies and programmes, which could jeopardize both the free allocation of productive resources and the quest for maximum economic efficiency, were to be expected from the government.

As a result of that, therefore, from the beginning of the period in the mid-1970s in which nontraditional exports started to transform a significant share of the Chilean rural environment, to the beginning of the 1990s in which Aylwin regime started to implement some corrective measures concerning social justice in the countryside, no significant policies were established in order to minimize the deep social consequences that the opening of the Chilean economy produces in the countryside. The high rate of sectoral and regional economic growth achieved during the period became an additional argument that the military government held for justifying no interfering measures which could have put at risk the expansion of the export-oriented agricultural process.

However, when Aylwin's democratic government came to power in 1990, economic growth, social equity and environmental sustainability were declared as the main general principles for the orientation of future policies.

The commitment that the government had to continue with the strengthening of primary exports, as a way of maintaining or even increasing the country's rate of economic growth, did not face major problems. Both domestic and foreign investment remained substantial in

traditional and non-traditional export activities (Gwynne 1994). The long-and medium-term agreements between the Pinochet regime and the international economic agencies (IMF, World Bank and Inter-American Development Bank) were also assumed by the new government. From the macroeconomic perspective, there were no significant shortages of financial resources for public expenditure, since multilateral loans not only continued flowing into the country but even increased in pace.

In parallel, the government also encouraged an early political compromise with private sector entrepreneurs in order to maintain the same general rules that operated before the political regime changed. As Silva (1993) pointed up, this commitment eliminated many fears among agrarian entrepreneurs. President Aylwin strongly stated in a speech to a conference on foreign investment:

"The democratic government does not want to go back to a state bases pattern of development. On the contrary, the government will stimulate private initiative, interfering as little as possible with market decisions... Fortunately, the ideologisation and polarisation existing in the past in Chile on this matter have been overcome" (El Mercurio, 23 May 1990).

However, in April 1990, the chairman of the "Sociedad Nacional de Agricultura" (National Association of Agriculture), Jorge Prado, had already made public his satisfaction (El Mercurio, 22 April 1990) with the continuation of free-market policies, stressing the "mutual understanding" existing in this respect between the landowner organisations and the government (Silva, 1993). As result of that, both private investment and production in mining, fishing, forestry and agricultural activities, continued flourishing without any sort of government restriction. Moreover, as an example of continuity the government -under an international loan- started an ambitious irrigation programme oriented to improve the security of water availability and to convert dry land to irrigation on a surface of roughly half-million hectares in the potentially most productive areas of the country.

The main aim of this chapter, therefore, is to present some insight into the main productive and social imperatives that the Aylwin's government had to face in order to develop its rural policies, and secondly, the main source of restrictions for rural policies are also presented, taking principally into account some of the most important institutional, social, financial and political constraints acting against of integrated rural development attempts. Nevertheless, these themes cannot be considered the only relevant factors influencing the government's view and actions concerning rural development policies. However, they strongly influenced the interministerial strategy for rural development discussed in Chapters 9 and 10.

6.1. The New Internal Context for Rural Development

However, in spite of the successful period of economic growth shown by the Chilean economy since, the whole economic strategy started to face some medium-term difficulties as a result of both external and internal factors. Whereas the national economy has been growing by 6.4 per cent a year throughout the 1990s (1990-93), one of its main export engines, the agricultural sector, has been growing rather less -4 per cent a year; forecasts from the Business Monitor International give sectoral growth rates in agriculture of 1.0 per cent and 1.6 per cent for 1994 and 1995 respectively (Table 6.1). The low elasticity of demand for agricultural and primary-based exports in international markets, new sources of protectionism imposed by the governments of advanced countries's markets, and the fall in world agricultural prices due to growing external competition can be mentioned among the external factors. The successful process of export promotion through the exploitation of the factor-driven comparative advantages strategy of production (Porter, 1990), seems to be reaching its final stages. Increasing costs of labour, irrigation and land, pressures on infrastructure facilities (roads and ports), and technical and entrepreneurial skill shortages in some regions of the country, have been progressively increasing the costs of export-led agriculture production in comparison to the boom years of the 1980s. Thus, the comparative fall in agribusiness profitability has been an important factor to understand the lower pace

Table 6.1 Sectoral Gross Domestic Product, 1989-1995.

	(bn pesos; 1986 constant prices)						
	1989	1990	1991	1992	1993(p)	1994(f)	1995(f)
Agriculture & forestry	321	348	356	370	374	378	384
% change	2.6	8.5	2.3	4.0	1.0	1.0	1.6
Fishing	51	48	53	58	59	65	65
% change	12.2	-5.1	9.5	10.5	1.5	10.2	0.0
Mining	404	396	417	424	426	428	434
% change	9.6	-1.9	5.3	1.5	0.6	0.5	1.4
Manufacturing	776	781	825	916	949	996	1046
% change	10.9	0.5	5.7	11.0	3.6	5.0	5.0
Electricity, gas & water	99	98	121	149	156	164	172
% change	-2.8	-1.7	24.1	22.6	5.2	5.0	4.9
Construction	227	237	246	278	317	332	355
% change	17.2	4.5	3.8	12.8	14.0	4.7	6.9
Commerce, tourism	635	667	708	807	878	917	990
% change	12.6	5.1	6.2	14.0	8.7	4.4	8.0
Transport	293	312	342	391	422	447	483
% change	13.5	6.4	9.6	14.2	7.9	6.0	8.0
Financial services	562	581	630	700	750	788	835
% change	13.9	3.4	8.4	11.1	7.1	5.0	6.0
Home ownership	203	208	213	216	221	225	230
% change	1.7	2.6	2.0	1.6	2.5	1.8	2.2
Personal services*	335	345	357	370	385	400	420
% change	3.5	3.0	3.5	3.7	4.0	4.0	5.0
Public administration	147	150	152	156	159	162	165
% change	-0.3	1.4	1.4	3.0	1.5	1.9	1.9
(other calculations)**	255	265	285	354	402	443	482
TOTAL GDP	4,308	4,436	4,705	5,189	5,498	5,745	6,061
% Change	10.2	3.0	6.1	10.3	6.0	4.5	5.5

*Includes Education and Health **Includes VAT, Import duties, less bank charges

Source: Chilean Central Bank, including provisional figures (p) and BMI forecasts (f); quoted from Gwynne, 1994.

of sectoral expansion in agriculture. This puts at risk the sustainability of the current socio-economic strategy of development for the medium and long term.

However, as regards social aims, the new government had less room for manoeuvre in its task for diminishing the high levels of poverty the country had when it came to power. According to official statistics, 40 per cent of the Chilean population was living in poverty in 1990, more than one half of which lived in rural areas (see Chapter 2). Undoubtedly, after a long period of socio-political repression, a new democratic government could not avoid but to face this fact as one of the most urgent socio-political problems of the short term. In fact, a more explicit and active attitude against poverty could be easily considered as one of the most important features of the new role of Chilean State.

6.2. Imperatives for Rural Policies

Without neglecting the close relationship between rural poverty and agricultural production, it is important to bear in mind that relevant features related to mining and fishing activities are also strongly contributing to lower Chile's rural standard of living. Small-scale agriculture, mining and fishing activities have been historically associated with poverty, not only because of comparative lower conditions of rural productivity levels, but also due to their marginal functional linkages - as regards the main domestic and export markets, geographical isolation, and last but not least, due to culturally-based behavioural differences towards risk, economic efficiency and capital accumulation in the small-scale sector (Schurman, 1992).

Agribusiness entrepreneurs have been largely arguing that infrastructure shortages -mainly feeder road, ports and irrigation schemes- have become a major factor preventing potentially higher levels of productive investment and sectoral growth. According to official figures, Chile has a total road network of almost 80,000 kilometres, of which 24,000 km constitute

the basic structural system as it concentrates more than 90 per cent of normal vehicle flow. However, only 12,000 km. of this system has been paved of which 28 per cent is in bad conditions (Ministry of Transport, 1994). As an example, these shortages have been adversely affecting the forestry sector in the mid-south regions of Chile. The Biobío Region, the most important forestry region of the country has a road network of 11,561 km, of which only 489 km are currently paved. Most of the remaining kilometres have been declared in bad condition. Regarding irrigation, agricultural production in areas of cyclical water shortage has become adversely affected by supply restrictions and conflicts over water rights.

From a geographical perspective, the dynamic of rural areas comprises several inter-related factors among which agricultural production is only one of the important ones. Thus, in addition to the whole package of sectoral actions to be implemented through the Ministry of Agriculture and its constituent parts, a close process of policy coordination with other public institutions, (as well as with relevant private-sector organisations) becomes unavoidable in an attempt to raise the level of development in the complex Chilean countryside.

6.2.1. Productive imperatives for rural policy actions

Since the Great Depression, Chile has not been an agricultural export country until the latest 1970s. Before the 1970s, most of the country's productive efforts were largely devoted to the strengthening of mining exports (especially after the nitrate crises during the first quarter of the century), and to the development of a process of import substitute industrialisation. Furthermore, some authors (Barracclough, 1972), (Bengoa, 1983), (Ortega, 1987), (Auty, 1993), have argued that until the 1960s, the agricultural sector in Chile was not only comparatively discriminated against but almost completely neglected. Public expenditure for economic development was principally directed to support the process of industrialisation. Thus, Chile became a food importing country, notably importing grain, dairy products and meat (The country exported between US\$30 and US\$40 million at the end of the 1930s in

agricultural products, while its imports did not surpass US\$25 million. However, in the mid-1960s Chile continued exporting the same US\$30-\$40 million but its agricultural imports reached up to US\$200 million, equivalent to almost one third of the country's total export revenues (Chonchol, 1970).

Historically, both export-oriented mining and ISI have largely organised their own geographical systems throughout the country according to their particular efficiency requirements (Massey, 1984; Apey, 1987). Unfortunately, neither of these systems functionally fit with that of export-led agriculture. The mining socio-geographical system has been mainly developed in desert areas, non-productive for agriculture. The traditional inward-oriented productive system has rather privileged an inter-urban connective organisation in which the country's largest city of Santiago has historically been acting as the main centripetal node (Gwynne, 1982). As a result of this, between San Antonio and Concepción/Talcahuano no important ports or associated transverse roads were available for agricultural export. This corresponds to 400 kilometres of the most productive Chilean land for agriculture. So, increased transport costs for the shipping of agricultural products to international markets, is not only preventing a faster development of agricultural and forestry exports, but is also becoming a source of political conflict between entrepreneurial sectors and the government.

Moreover, the productive shift from domestic to export-led agricultural production has substantially increased the potential yield per hectare in most regions of the country. Meanwhile, dry and marginal lands formerly with little possibility to produce for domestic markets, have become potentially profitable as they can be cultivated for export-oriented crops. As a result of this, in 1994 the Chilean government decided to allocate about US\$450 million to continue with a national irrigation plan which will raise to 18 per cent the proportion of the country's land that will be irrigated (MINAGRI, 1993).

Therefore, additional intersectoral measures have to be considered in order to maximise the socio-productive impacts expected from the implementation process of the different irrigation projects. Otherwise, increases in export production would probably worsen the current infrastructural bottlenecks. In this way, the government has the great chance for using the different irrigation projects as an engine for the implementation of integrated rural development programmes in different regions. If not, the irrigation programme could easily become a determinant factor in increasing the process of social exclusion in the countryside.

6.2.2. Social Imperatives for Rural Policy Actions

At the beginning of the 1990s, the real resources that the government had to act against the main causes of rural poverty in the Chilean countryside were scarce. Since rural poverty was considered the result of a complex combination of different institutional factors, the room for manoeuvre that the government had in order to increase the standard of living of the rural population through a rather diminished state was quite limited. In strong contrast to the growth oriented neo-liberal approach of development used by the former government, in which the free allocation of productive resources was considered the best means of improving the level of development in rural areas, poverty in the countryside was seen as a multifactorial socio-geographical problem, in which solutions lied far beyond single productive measures.

However, actions directed to minimise the level of rural poverty were unavoidable, especially since they were an important part of the strong political commitment the government had made in its electoral campaign. This was part of the strategy that the government presented in order to reduce the social costs that had resulted from the application of the former economic model of development. Thus, in addition to the traditional rural development problems most Latin American countries present, the government had to face a rather new source of problems. These were related to the direct and indirect social impacts that had

resulted from the economic stabilisation programme, the structural adjustment process recommended by the IMF, and from the country's experience of restructuring that had started in the mid-1970s.

Therefore, the main problems that the new policies had to face were:

- a) in a large portion of the Chilean countryside it was still possible to find the classical problems related to low density populated areas. The geographical dispersion of small rural communities was imposing severe problems in terms of the accessibility to education, health and to social services, electricity and sewerage facilities of many rural dwellers. The lack of main and secondary roads and the resulting transport and communication deficiencies constituted not only a problem in itself but also made the provision of improved social services more difficult. As a matter of fact, the network of the country's secondary roads comprises a total of 56,000 kilometres, of which only 2 per cent is presently paved and 64 per cent is in very bad condition (Ministry of Transport, 1994). These marginalised geographical regions not only showed a lower standard of living but also presented significant disadvantages for being effectively incorporated into the active regional process of capital accumulation. 2
- b) Whilst the primary sector was positively shifting their activities towards export-led production, changes in the mode of production and an active land market process (motivated by the expansion of capital intensive export crops), induced a fast proletarianisation of an important sector of the rural labour force (Table 6.2). According to official figures, more than a half of the small and medium size peasants ("parceleros") lost or left their plots of land during the crises of the 1970 and 1980s (Berdegúé, 1993). Thus, a large group of landless peasants started to increase the pressure on the labour market, the provision of housing and social services throughout the agricultural zone of production. So, low wages (as late as 1986, real agricultural wages still had not surpassed

their 1965 levels (Baharan, 1992), rural out-migration, high rates of rural, unemployment, and the strong seasonal shape in the labour demand curve (Apey, 1988 and 1990), became relevant factors for the emergence of a new pattern of rural poverty in the Chilean countryside that the government could not avoid to confront.

Table 6.2 Size of Chilean Agricultural Wage-Labour Force during Three Decades

Agricultural Wage-Labour Force	1964-65	1975-76	1986-87
Permanent	208,000	161,000	120,000
Temporary	147,000	198,000	300,000

Source: Gomez and Echenique (1988, 64); original data, *Censos Agropecuarios INE*, 1986-87; quoted from Barhan, 1992.

- c) The active participation of the state in order to lead a facilitate a productive conversion process in some non competitive rural areas resulted unavoidable. At the same time as rural areas with significant comparative advantages benefited from their integration to world markets, there were others that, conversely, experienced a steady process of productive and social crises since they were unable to either export or compete with cheaper food imports coming from other countries. The deep crises affecting an extensive rice and oil-oriented productive area in the Maule region have become a clear example of lower competitiveness in the context of increasing exports of Argentinean rice and U.S. cereal.
- d) Even if the strong contrast in productivity levels between domestic and export agriculture are considered, the main problems to be overcome in order to raise the standard of living of the most disadvantaged producers are not necessarily related to the rise in land productivity. The high number of peasants with no legal title to land, the extreme fragmentation of land in the minifundia system (which comprise roughly 175.000 rural families), the close association in the country between rural poverty and bad land quality, difficulties in the process of commercialisation and distortions in prices due to the

seasonal concentration of production, need to be considered in any attempt to improve the income levels of rural population. If not, some small producer have the paradoxical risk of obtaining decreasing marginal yields while they increase the level of production (see Chapter 4). As the smallest grain producers know well, the more wheat they sell in the summer, the lower the price they obtain because a rather monopsonistic wheat market. Lack of storage facilities and urgent cash needs for servicing different loans constitute the main reasons they have to sell production during the period of maximum production and lowest prices. The process of land deterioration in the minifundia system is a clear result of over-utilisation and could be mentioned as another example of progressive environmental damage resulting from increasing production.

Even though several other problems could be added to this rather short diagnosis, two main conclusions clearly arise from it. Firstly, most of these problems and constraints affecting both productive and social conditions in the poorest rural areas could not be solved simply by the strengthening of sectoral economic growth. Secondly, it seems clear that in order to ensure a certain level of success in the task of improving development levels in rural areas, an intersectoral an integrated strategy promoted by the State could not be avoided.

6.3. Main Restrictions for Rural Development Policies

In spite of the fact that both politicians and technocrats who joined the new democratic government had in advance a well defined set of aims and objectives for action in the rural sector, the whole strategy defined to combat the social and productive problems of the rural sector was affected from the very beginning by a wide range of political, institutional, social and financial constraints.

6.3.1. Political constraints

The lack of feasibility for the implementation of legal reforms to allow the modernisation of the State has undoubtedly been the main reason in preventing institutional changes in favour of the application of rural programmes. Due to the fact that the Aylwin coalition government did not get enough political support from the Chilean Parliament, it became extremely difficult for them to implement institutional changes and to reform the legal restrictions inherited from the previous government. According to the Constitution of the military government of 1980, a full Senate consisted of 38 elected senators and 9 designated senators in 1990. The method of election was, and still is, "binominal"; that is to say, each political coalition or independent party has to put up two candidates for each of the 13 regions, half region or electoral district. The two most popular candidates should win. However, if they both come from the same electoral list, that particular coalition or party must have two thirds of the vote, double that of the next coalition or party, for them both to be elected. Otherwise, the second place will go to the second most popular political grouping or party. This makes it extremely difficult for a party to sweep the board in any constituency.

With respect to the 9 designated senators, they were chosen by Pinochet from some of his closest collaborators, and were considered as being highly sympathetic to the spirit of the 1980 constitution. In order to pass any constitutional reform in the senate, the Aylwin government required a two-thirds majority. So, the constitution of the Senate, which included 9 designated senators and 16 senators from the centre-right coalition (against constitutional reforms), made it extremely difficult to achieve constitutional change proposed by the Aylwin government (see Table 6.3).

The few legal changes achieved by the Aylwin government concerning rural institutionality, came as a result of long and intense political negotiation with the right-wing opposition in Parliament. These included: the reform of INDAP's legal institutionality; the reconstruction of the Office for Agricultural Studies and Policies-ODEPA in 1993; and the final approval of a new Regional and Municipal Law. Thus, it was necessary to have long parliamentary

debates in order to achieve difficult political compromises and the implementation of institutional reforms. This proved to be one of the most difficult barriers to be overcome, not only for the agricultural institutions but also for all the other ministries.

Table 6.3 Composition of Chile's Congress in 1990.

Political Party & Grouping	Senate	Chamber of Deputies
PRO-AYLWIN	22	72
Partido Demócrata Cristiano (PDC)	13	38
Partido por la Democracia (PPD)	4	17
Partido Radical (PR)	2	5
Partido Socialista (Almeyda)	1	6
Other Parties	2	6
CENTRE-RIGHT OPPOSITION		
Renovación Nacional (RN)	6	29
Unión Demócrata Independiente (UDI)	2	11
Independents*	8	8
Non-elected	9	-
TOTAL	47	120

*Five of these Independents subsequently joined with RN

Source: Gwynne, 1994.

6.3.2. Institutional Constraints

Institutional barriers in the public sector played an even more restrictive role than the scarcity of financial resources in the process of policy implementation at both the intra-sectoral and inter-sectoral level. Moreover, legal constraints preventing the formation of social and productive rural organisations and the lack of democratic political representatives at the local level, were also major restrictions to the process of participation of rural people. Generally speaking, the main institutional barriers affecting the implementation of rural policies were:

a) legal institutional restrictions in implementing rural development programmes. In order to avoid the risk of the "politisation" of the main public body in charge of agricultural policies for small-and medium-size farmers, the constitution of INDAP (National Institute for Agricultural Development), was changed in the last month of the Pinochet regime. From then until mid-1993, the most powerful technical institution created to act against rural poverty was by law relegated to the marginal role of providing credits and technological transfer (through private agencies) to the country's peasants. Furthermore, even though there is not necessary a direct correlation between the number of officials and state efficiency, INDAP's staff diminished from 4,000 to 1,000 persons between 1973 and 1979 (Cruz, 1993). Thus, attempts to develop: special programmes oriented to the rebuilding of social organisations in the rural sector; to improve technical training; or in any way to recover the former and active role INDAP played since the 1960s in rural policies were completely neglected due to these constitutional changes.

b) the existing institutionality did not allow, (and still does not), the implementation of any rural-oriented social programme to peasants who do not own a plot of rural land. Although the number of landless peasants increased substantially since the late 1970s, they were unable to benefit from the new social programmes oriented towards peasants, even if landless rural families continued being related to the rural landscape through the provision of jobs, education, health, and other social services. Thus, near 280.000 landless workers living in poverty in rural areas at the beginning of the 1990s, could not gain access to the institutionalised rural poverty programmes.

c) legal restrictions on the rapid access to bi-and multi-organisational government programmes, due to inflexibilities in the public budgetary system. Institutional barriers imposed by the Comptroller General's Office ("Contraloría General de la República") to finance multi-institutional programmes, prevented the formalisation of a number of public programmes in the rural sector. The impossibility of channelling resources towards a rural

housing subsidy (from the Ministry of Housing) in combination with INDAP, was one of the clearest institutional restrictions on the feasibility of a new bi-organisational budget allocation (via the Ministry of Housing and Agriculture) oriented to rural development (INDAP is part of the Ministry of Agriculture).

- d) difficulties to channel bi-directional flows of information between government institutions and the rural people due to the lack of democratisation on the local level ("municipalidades"). The permanence of non-democratic authorities at the local level -"alcaldes" (mayors) appointed by the former government until 1992, acted as a real bottleneck in preventing the effective process of participation of rural people regarding the orientation of policies, programmes and budget allocation. It has to be said that the need for an effective process of democratic participation at the local administrative levels was one of the most important explicit aims throughout Aylwin's political campaign.
- e) incompatibility between the need for multifactorial integrated programmes and projects versus the sectoral allocation of the State budget. Even though some progress has been achieved in the formulation of some integrated development programmes at the regional level, most of them do not properly reach the implementation stage. The main reason is that although programmes could be identified in accordance with a combined multi-institutional criteria, the allocation of financial resources comes as a result of the success of each participating institution in the process of evaluation of their particular projects. The non approval of any of the presented projects largely prevents the synergetic effect of integrated development efforts.

6.3.3. Social organisation constraints

The low level of social and productive organisations in the rural population was and still is a major restriction for the implementation of new social policies in the countryside, and also

for the improvement of productive and marketing practices. Three major reasons could be used to explain this fact:

- a) the high level of geographical dispersion in the poorest rural areas (Coquimbo, Araucania and Maule Regions), has strongly affected the development of collective activities oriented to increase the level of people's participation in the whole process of rural development. Since the government decided to sustain their rural programmes on a collective rather than a personal basis, this aspect became a significant constraint for the application of new social policies, such as the FOSIS's programmes (Social Investment and Solidarity Fund).
- b) the lack of peasant productive and social organisations has detrimentally affected the possibility of collective action to increase their bargaining power or for obtaining eventual economies of scale from better productive and marketing practices. The destruction of peasant organisations was systematically carried out by the military regime in the countryside since 1973. Numbering 280.000 members in 1973, the agricultural trade unions's members diminished to 28.162 by 1984 (Ortega, 1987), while the total number of peasants cooperatives fell from 300 hundred to 70 between the same year and 1982 (Cruz, 1993).
- c) the undemocratic way in which local government was organised (the municipal or communal government), seriously prevented a close participative relationship between the people and local administrators. Thus, in parallel to the lack of effective municipal participation, a number of social programmes oriented by the government to the rural people, did not receive the required support from the municipality due to political antagonism.

6.3.4. Financial Constraints

As a common feature of most developing countries, the lack of financial resources in regard to all development imperatives is one of the most difficult constraints to deal with during the periodic process of budget allocation. Paradoxically, most of the Chilean budgetary constraints did not strictly apply to the lack of financial resources -as the achievement of a government surplus through the 1990s shows. One of the main reasons has been the need to maintain a strict macroeconomic equilibrium, a requirement largely imposed by the IMF, and World Bank in order to proceed with the periodic reimbursement of their long-term loans.

As an example of budgetary discipline throughout the latest years, the Ministry of Finance has even refused the allocation of resources to social programmes coming from external donations, in order to prevent a rise on the inflation rate derived from public over-expenditure. As result of that, rural programmes and projects which did not present a relatively high degree of economic benefit were unlikely to succeed in both: the annual process of ministerial budget allocation; and in the centralised periodic process of sectoral project evaluation. Not surprisingly, the Minister of Finance soon was seen as one of the most difficult obstacles to be overcome for obtaining financial support for social development purposes in the countryside.

6.4. Summary

Therefore, the new democratic government aimed to implement a more socially-oriented rural development strategy. The complexity of socio-productive needs and demands, on the one hand, and the heterogeneous and inflexible constraints the government had to face, on the other, very much affected the possibilities for implementing effective and innovative policy instruments. Regarding the most urgent social requirements, the government faced strong impediments to allocate resources in rural projects and programmes which presented low rates

of economic benefits. This was a result of macroeconomic adjustment requirements agreed with the International Monetary Fund (throughout the 1980s), and of conditions imposed by the World Bank and the Inter-American Development Bank for having access to their long-term loans (see Chapter 5).

Moreover, political and institutional barriers became active constraints for allowing the implementation of new integrated social programmes in the countryside, as a way of overcoming shortages of particular sectoral budgets. This aspect became significant, especially since the size of the Chilean State was largely diminished throughout the military regime, implying that a higher level of public efficiency had to be pursued by all means. Actions in favour of the growing number of landless rural families were also made difficult by unremoved legal barriers, and last but not least, by the lack of productive and organisational channels, particularly at the local government level.

However, in parallel to the intense processes of political negotiation, the government was progressively removing some of these barriers after some positive legal reforms. Regarding the government's aims for both increasing the opportunity of the people's participation in the development process, and promoting functional deconcentration of government (in order to improve its public efficiency) two constitutional reforms were passed. This is going to be discussed in the following chapter.

- a) the new municipal code (Ley Orgánica Constitucional de Municipalidades No 19.130) approved in March 1992, and;
 - b) the new regional code (Ley Orgánica de Gobierno Interior) approved in October 1992.
- These two laws become one of the most useful instruments, for both the more socially-oriented policies of the Chilean government, and for increasing the power of the people -at the local and regional level- in determining their priorities for development.

Chapter 7. Some Features of the New Regional Institutional Framework

Introduction

The new regional and municipal code approved by the Aylwin government in 1992 became a significant instrument for improving both the operation of the State and the people's possibilities of participation within a more democratic style of development. First, the new regional administrative system permitted the substantial improvement in the efficiency of the public sector as a result of the State's higher degree of territorial and functional deconcentration (the relationship of the State towards the regions). Second, the new municipal code devolved to the people their rights (deprived by the military government) to elect local authorities. In parallel, it has improved both the system of social and political participation at the local level, and the municipal representation inside the regional government -since municipal councillors choose the regional council in their respective region. (Thus, the people in the region have potentially a closer relationship with the State).

These innovations in the administrative-institutional framework have become also a new source of hope for promoting both deconcentration and decentralisation in the country's historical battle against the highly centralised demographic, economic and political pattern of development. This has been explicitly assumed by the last four different governments.

The main aim of this chapter, therefore, is to present some of the main characteristics of the reformed regional administration as a potential instrument for a more decentralised strategy of rural development both at the regional and local levels. In order to achieve this, some general features concerning the country's uneven pattern of development are given. These features are an important argument for a better understanding of the traditional centralised and "urban-biased" process of public expenditure which Chile has presented throughout, at

least, the last 50 years. Some insights as regards regional government are also given, putting most of the attention on the main changes that local government (municipalities) has experienced since its new regulatory law, particularly regarding personnel, finance, and channels of community participation. This is an important background for a better understanding of the regionally-based experience of development implemented by the regional government of Maule; that exercise is presented in Chapter 10.

7.1. Geographical Background: The Uneven Spatial Pattern of Development in Chile

One of the main problems that the State has for administering the nation results from the particular geographical shape which characterises the Chilean territory. A continental length of nearly 4,280 kilometres long, with an average width of only 180 kilometres including severe morphological and climatic barriers, have historically made it extremely difficult for the internal process of social, economic and political integration. Moreover, the geographical distribution of output that has resulted from import substitution has exacerbated the rather unbalanced distribution of Chilean population, largely represented by the urban primacy pattern of the urban hierarchy (Hernandez, 1983), (Ortiz, 1983), (Gwynne, 1980).

Thus, with a population of 4.23 million people, Santiago's capital city accounts for 34 per cent of the Chilean total which in the last population census reached 13.2 millions. The city of Santiago, together with the other two larger conurbations of the country -Concepción/Talcahuano and Valparaíso/Viña del Mar- grouped the 54 per cent of the Chilean total. The early and intense process of rural to urban migration throughout the last 50 years has implied that Chile has become one of the most highly urbanised countries in Latin America. The 81.7 per cent of the country's inhabitants were classified as urban in the latest population census of 1992.

As regards economic features, the country continues showing a highly concentrated pattern

of development. In effect, two independent studies show the Santiago Metropolitan Region generating more than 40 per cent of GNP in 1992. According to the Central Bank/Ministry of Planning estimation, 40.1 per cent of GNP originated from this region in 1992, while CIEPLAN estimated this share at 46.7 per cent for the same year. The following two most important regions (Biobío and Valparaíso) contributed 8.8 per cent and 8,1 per cent of GNP respectively.

As a result of this unbalanced socio-geographical pattern of development, the government budget has had paradoxical pressures placed upon it. There have been urgent investment demands for improving the low level of socio-productive integration of some under-populated and marginal regions. Secondly, there have been the demands of growing agglomeration diseconomies (as regards socio-productive and environmental problems) resulting from the high level of spatial disfunctionalities affecting the over-populated city of Santiago. As an example, a number of rural municipalities surrounding the biggest urban agglomeration of Chile have been increasingly spending significant shares of their investment budget in solving direct and indirect environmental problems, notably concerning water pollution, because of the impressively fast expansion of the capital city. Furthermore, most of Santiago's neighbouring rural areas have been deprived by law of the possibility of growing horticultural products, due to the high level of pollution that their irrigation waters present.

Chile has always been a unitary country characterised by a strong centralist tradition. Since its first constitution in 1833, power has been firmly held by the national executive, while local government has largely acted as an agent of the central level. This particular bureaucratic structure of the country has been principally inherited from colonial times. Throughout this period, a high level of centralisation was the most convenient functional organisation regarding the dominating interest of the Spanish Crown. However, after independence, most former Spanish colonies still maintained the same government structure, since they -as new emerging states- needed to consolidate the territorial unity of the country.

For this purpose, a centralised State was an useful instrument (Irrarrazaval, 1990).

Moreover, Chile can be considered a rather homogeneous cultural territory, especially if it is compared with its northern Peruvian and Bolivian neighbours. Excepting Germans colonists in the rural areas of the southern Los Lagos region, most immigrants that have come to stay in Chile are living in urban areas showing a non-defined pattern of spatial segregation. As a result of this, no important regionalism can be identified throughout the regions of the country, excepting some territorial vindication reclaimed by the ethnic minorities of the Mapuches in the Araucanía region. Therefore, all processes of administrative division have been the result of rather technocratic and voluntary exercises with little influence coming from cultural or ethnic pressures. (BOISIER, 1992). Paradoxically, in a period in which the world geo-political dynamic has been characterised by deep processes of atomization, resulting from strong regionalistic vindications, recent Chilean governments have been expending significant efforts to achieve higher levels of deconcentration throughout the country. Increasing the level of people's identification with their own particular region has not been an easy task, and most people still recognise the different country's administrative regions by single numbers (Galilea, 1994).

The high level of urbanisation that the country presents, the extreme concentration of most of its population in some few rather dysfunctional cities, accompanied by a highly centralised government, have been directly and indirectly acting against the interest of the rural areas, especially as far as the allocation of social investment is concerned. As an example, during the 1980s, 46 per cent of national investment in public infrastructure, housing and urbanism was allocated to the Metropolitan Region of Santiago. Meanwhile the five less favoured regions, with regard to the same indicator, received altogether only 26 per cent of total investment. These regions (VI, VII, VIII, IX and X), the more highly ruralised of Chile, grouped 77 per cent of the country's rural population (Daher, 1991), and 99 of the 113 rural communes (87 per cent) classified as poor (MINAGRI, 1992).

However, in spite of these adverse socio-geographical features for regional and rural development, the new regional and municipal laws have become a new source of hope in the search for a less bureaucratic and more participative pattern of regional development.

7.2. New Regional Institutional Framework for Intra-regional Development

In the last process of regionalisation (institutionalised in the Constitution of 1980) the country was divided into thirteen administrative regions which constitute the basic territorial units for the administration of the state. Each region is headed by a centrally-appointed official called the "Intendente", who has the responsibility for heading the regional government. He/she is not only the President's regional representative, but also has the duty of formulating, coordinating and carrying out policies, programmes and projects for the development of the region. The regions are themselves divided into 51 provinces (Provincial Government), each of them headed by a centrally-appointed official the "gobernador" (governor). Finally, at the sub-provincial level, the whole country is covered by a total of 335 communes ("comunas"), being the only administrative unit whose head "alcalde" (mayor) is appointed by elections.

7.2.1. The Municipal Government: general background

Under Pinochet's military regime (1973-1990), local government was radically reformed. The democratic system of local government was completely abolished, and elected mayors were replaced by government-appointed executive heads, and elected councils were replaced by corporativist bodies, known as "Consejos de Desarrollo Comunal" (CODECOs), which comprised approved business and professional interests. The entire public administration was integrated even more closely into a vertical command structure and central government control over municipal affairs was intensified through a 1975 municipal code.

However, throughout the Pinochet government, a significant reorganisation and

deconcentration of service delivery responsibilities took place which would have far-reaching and lasting consequences for local government. Administrative innovations (principally concerning the creation of new communes and provinces within the pre-existing hierarchy of Regions, Provinces and Communes) were introduced in the 1980 constitution. The executive heads of each tier was appointed by central government, and their functional responsibilities were more clearly defined.

Under this new arrangement, local government became primarily responsible for social expenditure as regards primary health, basic education and social welfare. Formerly, primary health and primary education were centrally driven by the respective ministries. As a way to finance these new responsibilities, municipalities were assigned new sources of local revenue and a mechanism for redistributing financial resources from richer to poorer municipalities ("Fondo Común Municipal") was introduced. However, these processes of administrative change also had a component of social control. In an attempt to consolidate the rather segregated spatial pattern of social groups in the capital city of Santiago, a combined process of increasing the numbers of municipalities in its urban area (from 16 to 32) together with a forced resettlement of squatter groups brought more socially homogeneous intra-urban municipalities. As a result of this, the social polarization was highlighted by the growing disparities in the per capita expenditure of different municipalities within the Santiago Metropolitan Area (Nickson, 1994).

7.2.2. The Democratisation of local government

These regional administrative bodies, the municipalities, have recently become very important tools for the implementation of more decentralised and democratic development programmes. Considering the municipal level, a constitutional reform passed in November 1991 granted legal autonomy to local government for the first time in Chilean history. This reform was incorporated in a new municipal code (Ley Orgánica Constitucional de

Municipalidades) No 19,130 of March 1992, following which the first democratic elections of municipal officers for 20 years were held in June 1992. In this way, the democratisation of the local government increased the interactive relationships between the demand of the people and the democratically appointed communal authorities.

7.2.3. Reforms at the regional level

As regards the regional level, in October 1992 a reinforced organisation of regional government was approved by Parliament, with powers to coordinate the regional operations of line ministries ("Secretarios Regionales Ministeriales"-SEREMIs), and to manage the regional development investment fund (FNDR). Each regional government comprises the presidentially-appointed "intendente" and a regional council ("consejo regional"), whose members are elected by municipal council members. SEREMIs are required to allocate part of their ministerial budget in regional projects and to qualify projects for the FNDR. They also have the supervisory and guiding role over other ministerial public services and over municipalities in all matters related to their sector. They are coordinated by the "intendente" in the form of a regional cabinet. The regional "intendente" is advised, concerning planning and the distribution of regional investment funds, by the regional secretary of planning and coordination (SERPLAC), which retain a relationship of accountability to the central planning ministry (where the most significant sectoral projects are evaluated), acting also for municipalities as the gatekeeper for the funding of local investment projects. This charge is occupied by the correspondent regional SEREMI of the Ministry of Planning and Cooperation (MIDEPLAN).

Despite the fact that the allocation of the national budget still remains highly centralised, as a result of these recent institutional changes, both regional and municipal governments have got higher degrees of freedom for identifying and financing projects, according to their own development strategies. From the political point of view, the new regional authorities have

undoubtedly become a more democratic and representative political element, after more than one and a half decades in which the most important regional authorities belonged to the highest ranks of the armed forces.

7.2.4. Municipal institutional and participatory channels

Without doubt, one of the most ambitious institutional reforms pursued by the Aylwin government since it came to power was the municipal reform oriented to give local people the chance to democratically elect the political authorities at the municipal level. This obeyed the desire of permitting higher levels of popular participation in the new democratic period, and ended the power of politically-appointed local authorities that prevented the country's process of democratic reconstruction, for more than one half of the period of Aylwin's government. However, even though the interest of the Aylwin administration to reinforce local government has been significant, there are important differences between municipalities which prevent development with the same effectiveness, in the different regions of the country.

7.2.4a Size of population

Municipalities are very heterogeneous in size and number of inhabitants. In 1991, 197 of the 335 municipalities (59 per cent of the total) had less than 20,000 inhabitants. Of these, 89 municipalities had populations between 20,000 - 10,000, 55 had between 10,000 - 5,000, and a further 53 municipalities had populations of less than 5,000 inhabitants. A group of 159 municipalities were classified as eminently rural (more than 50 per cent of their population living in rural areas), 60 municipalities were characterised as mixed, and the remaining municipalities were considered as urban. It has to be mentioned that the capital city of Santiago is the only one urban centre which has more than one municipality; currently, Santiago has been divided into 32 intra-urban municipalities.

As it is going to be discussed later on in this chapter, the population size of municipalities is also an important feature as far as the election of their council members is concerned.

7.2.4b Personnel

In 1992 there were 94,503 municipal employees in the country of which 22,000 corresponded to permanent staff. More than the half of total employees (58 per cent), were education staff, 23 per cent corresponded to the permanent administrative staff, 9 per cent were enrolled in health duties, 7 per cent were doing miscellaneous duties and 3 per cent was temporary administrative staff. A large proportion of municipal employees were recruited during the military regime and protected by the 1989 Administrative Statute (it guarantees them almost total job security for the future to avoid a political backlash). This administrative protection has provided job security to often under-qualified staff recruited throughout the military regime.

These aspects have become a serious impediment to improve efficiency at the local level, since municipalities are tightly regulated regarding staff levels and staff structure. The municipal code in combination with the Administrative Statute limits overall numbers in three ways and these limits are severely controlled by the Comptroller General's Office, to which any new appointment must be reported. Firstly, no municipality may spend more than 35 per cent of its own income on payments to staff (teachers and health workers are excluded since they are regulated by their own specific statutes). Secondly, each municipality has a fixed permitted limit on its permanent staff level (1 permanent staff for each 500 inhabitants of the respective commune). This restriction meant that 53 municipalities with less than 5,000 inhabitants are allowed to have a maximum 10 permanent staff. Conversely, the Municipality of Santiago has more than 1,000. Thirdly, only three administrative posts can be appointed directly by the mayor. Undoubtedly, this restriction very much prevents mayor's possibilities of recruiting a team.

The 1992 municipal code empowered municipalities to offer and pay for their own basic training or to organize it by agreement with outside bodies. For most municipalities, especially for the smaller ones, there have been significant disincentives from making training provision. Budgetary shortages, small numbers of staff, low expectancies for hierarchical promotion, among other reasons, have very much prevented the technical improvement of a number of municipal staff throughout the country.

However, as a way to improve municipal management and to prevent the waste of the municipal's financial resources, the government has launched a \$20 million pesos pilot programme in 25 municipalities between 1994-96, in order to improve the level of municipal management in some selected communes (SUBDERE, 1993).

7.2.4c Financial sources

The municipal budget to be spent by local government has been increasing substantially as a result of the latest legal reforms, and also due to the central government's aim to improve decentralised social programmes. The share of municipal expenditure regarding total public expenditure rose from an average of 2.8 per cent during the period 1977-1979 to 7.3 per cent during 1987-1991. In 1991, this share was 8.0 per cent (11.3 per cent if education and health is included) (Nickson, 1994). In 1994, the municipal system is expected to administrate US\$634 billion (roughly US\$1,500 million), equivalent to 13 per cent of total public expenditure. This has implied a rise of 10 per cent in comparison to 1993 and of 38 per cent if it is compared to 1989.

The municipal budget comes from two sources. Most of the financial resources (89 per cent of the total according to a 1985-1991 average) is generated from within the municipal system. The main sources are:

- a) a residential property tax ("impuesto territorial"), payed by all properties located within communal boundaries. It is levied at 2 per cent of the fiscal value of property.
- b) different municipal licenses ("patentes municipales"), paid to have access to the right for exercising commercial, industrial, and professional activities, levied at 0.5 per cent of the declared value of the assets. Unfortunately, this system tends to act against some regional municipalities, since liability is based on the geographical location of the main office's permanent labour force. Thus, a large group of small-size municipalities with large-scale mining, forestry and fishing industries, or fruit-packing installations, which employ little permanent labour and/or large number of temporary workers are discriminated against by this system, since they are unable to benefit from these particular licences. Moreover, a number of these small-rural municipalities have to spend significant amounts of resources and time in maintaining and repairing communal infrastructure severely affected from intensive use. One example is municipalities with mines (Vicuña and San José de Maipo are two examples). These municipalities do not receive direct benefits (or very small) from the exploitation of mining ores located in their territories but they have to be constantly repairing the secondary road network that is adversely affected by the trans-communal transport of heavy lorries loaded with ore (an additional example related to forestry activities was already presented in Chapter 4). Conversely, this taxation system greatly favours the most wealthy municipalities (Santiago, Providencia and Las Condes), where the headquarters of the largest industrial, commercial, productive and retailing companies are spatially concentrated.
- c) vehicle road taxes ("permiso de circulación"), are entirely collected by municipalities, even though payment is not restricted to the municipality of residence of the vehicle owner.

As a result of the significant contrasts in municipality size, however, the major source of

local government income is the municipal equalisation fund -"Fondo Común Municipal" (FCM), centrally administered by the Ministry of the Interior. It derives its resources from different sources: 60 per cent of the proceeds from a); 50 per cent of the proceeds from b); and 65 per cent of the proceeds from b) collected by the wealthy Municipalities of Providencia and Las Condes, and 45 per cent of the proceeds collected by the Municipality of Santiago. The aggregate origin of this fund is shown in Table 7.1. At the end of the 1980s, 30 per cent of total municipal revenue was subject to redistribution through the "Fondo Común Municipal" (SUBDERE, 1992).

Table 7.1 Aggregate Origin of the Municipal Equalisation Fund. 1992 (%).

Categories	%
Residential Property Tax (IT)	70
Vehicle Road Tax (PC)	20
Municipal Licences (PM)	5
Central Government Grant	5

Source: Constructed by author from Nickson, 1994.

The redistribution of most of FCM resources (90 per cent) between all municipalities operates according to the following mechanism: 10 per cent is distributed in equal parts between all municipalities; 20 per cent in proportion to the amount of population of each commune; 30 per cent in proportion to the number of properties exempt from IT in each municipality; and 40 per cent in inverse proportion to the locally-generated per capita revenue of each municipality. The remaining 10 per cent is distributed on a discretionary basis to selected municipalities in order to solve common deficits. The FCM is the main source of resources for most municipalities, of which 70 per cent have become net beneficiaries from its operation. It has to be mentioned that, as a result of the implementation of this redistributive system, in 1985/86 it narrowed the ratio between per capita expenditure of the three richest municipalities in Santiago and that of the three poorest, from 10:1 to 5:1.

However, only some few large municipalities have enough resources for investment. Most others heavily rely on centrally controlled grants which are earmarked for specific investment purposes (throughout 1985-91, only 11 per cent of total municipal income came from the central government). Therefore, small municipalities experience enormous shortages in funds to implement development programmes, especially the rural. Rural municipalities have been currently suffering from an increasing process of intra-regional centralisation in the allocation of regional resources (regional capital-biased), and from budget shortages resulting from the lack of skilled personnel capable of successfully applying for the different central funds, through the existing processes of project formulation. Municipalities have limited financial autonomy and they are not allowed to create any new source of revenue without the approval of the central government.

The municipalities must keep separate budgets for education and health and these accounts have to be submitted to the Comptroller General's Office on a quarterly basis. In 1991, 85 per cent of municipal spending on education derived from a central government earmarked transfer ("unidad de subvención educacional"), while 12 per cent was paid for out of general municipal revenue. Primary and secondary education responsibilities were gradually transferred to local governments from 1979-86. Health primary care was also gradually transferred to local governments throughout 1979-86. In the same year of 1991, 25 per cent of the total spending was paid for out of general municipal revenues, while the remainder was assumed by the central government.

7.2.4.d. Channels for community participation

The participation of the people at the communal, municipal or local level can be considered at two different levels:

First, people can express their opinion, regarding the local process of management or local

government, through the political system. According to the last municipal reform, Chilean government comprises a mayor ("alcalde") and a deliberative political body or municipal council ("concejo municipal"). All these municipal members are elected for a four year term with the possibility of immediate re-election. However, the mayor is not directly elected but usually heads the list of the winning party for council seats. If the top candidate gains a minimum of 35 per cent of the vote, he/she becomes directly elected as mayor. However, if the top candidate gains less than 35 per cent of the vote, the mayor is elected indirectly by the council members from among themselves. The mayor convenes and presides over council meetings, while several key official posts (municipal secretary, secretary of planning and coordination and community development secretary) are legally required to service both the council and the mayor. Council members (concejales) are elected according to an open party list system, varying between a minimum of six members in the 300 municipalities with less than 70,000 electors, eight members in the 29 municipalities in between 70,000 and 150,000 electors, and finally 10 council members in the only five municipalities accounting more than 150,000 electors (Valparaíso, Viña del Mar, Santiago, La Florida and Concepción) (SUBDERE,1992).

Secondly, people can also get involved in local participation through the neighbourhood association system ("juntas de vecinos"), which in 1992 comprised 27,400 community organisations nation-wide, with a combined membership of over 2,7 million (SUBDERE, 1992). According to the 1968 law which officially recognized the existence of neighbourhood associations, these organisations were intensively developed throughout the country during the Allende government between 1970-73. Due to the weakness of the municipal system at that time, these organisations developed much closer direct political links with ministries and other state bodies responsible for the delivery of local services, rather than with the communal administrative system. Thus, the neighbourhood associations soon became highly politicised and political clientelism was one important feature within the communal process of social participation. However, after the military coup of 1973, community participation

was rapidly depoliticized through violent state repression. Instead of direct elections, in 1977 the military regime set up an electoral mechanism through which the leadership of all neighbourhood associations would be chosen by the provincial governor from a list of nine candidates proposed by the mayor.

The new 1992 municipal code was rather oriented to democratize the corporatist and exclusionary tradition of community participation propagated by the military regime through the CODECOs. One of its aims was to promote the role of the neighbourhood association, while avoiding the politically divisive form that it had assumed during Allende's government. Neighbourhood associations have also become an important part of local government's administrative system. In addition to the elected council ("concejales"), each municipality has an economic and social community council ("Consejo Económico y Social Comunal"- CES). It is composed by representatives of neighbourhood associations (40 percent), leaders of different interest groups such as educational, professional, trade unions, cultural and sport groups (30 per cent). Varying between 10 to 30 members, depending on the number of inhabitants, these community councils are chaired by the mayor and fulfil an advisory role. They have the right to be consulted on municipal accounts and local development plans. Each municipal administration has also a community development division whose prime function is to promote centrally-financed community projects in liaison with the Economic and Social Community Council- CES and regional authorities. People can be consulted on specific matters through plebiscites. These may be held on specific investment projects either at the request of either 15 per cent of the electorate or the mayor. However, the result of the plebiscite is binding only if more than half of the municipal electorate vote (Nickson, 1994).

7.3. Concluding Remarks

Undoubtedly, from the very beginning of the Aylwin government, major institutional reforms at the regional level were seen as essential and urgent to improve the effectiveness of public

action and, thereby, to overcome both geographical socio-productive disparities and socio-political institutional constraints. Thus, the recent reforms in both the regional and municipal codes became a starting point for more active and participative programmes concerning both government bodies and community organisations. However, there are still some restrictions that have to be considered.

Firstly, the traditional pattern of Chile's high level of centralism can not be easily changed even with the intensive application of the institutional reforms. Even though Chilean regions now have higher degrees of freedom in formulating and financing their own development strategies, it is still extremely difficult to reverse the strong geographical concentration of public expenditure that Chile has had over the last decades. More than 80 per cent of public expenditure has been channelled into the Metropolitan Region of Santiago throughout the late 1970 and 1980 (Boisier, 1983).

Therefore, despite the fact that some efforts have been made in increasing regional budgets, there are still factors playing against higher levels of decentralisation in regard to the regional policy-making process. According to the national constitution, the "Intendente" is the central government's representative in his/her respective region, but is not necessarily the representative of that region in central government. This distinction becomes important especially during budgetary discussions in which central and regional interests might become opposed. Furthermore, this distinction is also important when the "intendente" -following instructions from the Ministry of the Interior- has to impose her/his authority over the demands of regionally-based organisations. In such cases, the "intendente" has to act in the name of the president and not on his own or on behalf of the region.

Furthermore, as far as decentralisation in public policy-making is concerned, the real opportunities that regional government has for formulating and implementing its own independent programmes are limited. Most political and budgetary decisions of the central

government are not possible to be effectively transferred to the regional level. The only set of policy-decisions which can be taken at the regional level are the social ones (principally concerning primary education and health). With respect to other sectors of government, the regional government can at maximum administer programmes of centralised ministries (as happens with regard to macro-economic, agriculture, justice, and public-work policies). The resulting restrictions still constitute a significant barrier to regionally-based development programmes throughout the country.

Secondly, most of the regional development constraints and barriers tend to worsen as soon as they are analysed at the local or municipal level. According to the previous municipal analysis, there exist significant institutionalised differences in both budget and staff availability between the "comunas" throughout the country. This aspect undoubtedly imposes tremendous difficulties for the smallest municipalities when they have to allocate resources in development programmes. Although the municipal process of resource distribution, (according to the existing proportionality between communal population and financial/human resources, could be considered rather equitable), it should be noted that most of the less populated communes are rural. As it was mentioned before most of the rural communes have been classified as poor by different social surveys (see Chapter 2). This implies, at least from the ethical point of view, that additional public efforts ought to be made in these areas as a consequence of their larger social requirements. Furthermore, if it is also considered that in Chile rural municipalities are in geographical terms larger than the rest, it is clear that physical accessibility becomes an additional barrier for both people's access to municipal services, and for municipal staff to get in contact with the communal reality. However, in the process of municipal-fund redistribution the communal size is not taken into consideration, only the population size.

Thus, even though the new municipal code has improved substantially the possibilities of more decentralised and democratic local governments, there are still significant problem for

poor municipalities especially for those in the poorest regions. Regional government also tends to discriminate against the poorest rural communes. In the last meeting of mayors that head the poorest rural municipalities in the Maule Region (Cauquenes, November 1993), it was declared that the intra-regional concentration of public expenditure in the regional capital was becoming worse than that at the national level. Thus, deep ruptures with central government do not appear convenient alternative for less developed communes, especially when they have to make comparatively higher levels of social investment. Thus, additional flows of investment from the central level need to be explored as a complementary and corrective measure.

However, decentralisation in the formulation of diagnosis and policy needs to be encouraged at the regional and local level, not only for raising the level of popular participation but also for avoiding adverse results from the application of nation-wide development policies. As an example the improvement of secondary roads in one of the poorest rural regions -the Araucanía, very much interfered with the use of animal-powered local transport, because animals could not walk (in the rubble) without hurting their feet. Excesses of technocracy in the planning process very much prevent the possibility of satisfying simple popular needs, as will also be seen in Chapter 10 in which an experience of popular participation implemented by CIDER is going to be presented.

Chapter 8. The Interministerial Commission for Rural Development: a Potential Instrument for Development

Introduction

From the theoretical point of view it seems to be clear that urban and rural processes cannot be easily isolated from each other without the risk of misunderstanding the holistic dynamic of space. However, from the policy-making perspective some distinctions cannot be avoided in order to facilitate the implementation of specific programmes, especially if one takes into consideration the structural public inflexibilities that the country's institutionality presents (see Chapter 6).

The following arguments and policy propositions in favour of rural areas come as a result of the Aylwin's government interest in using all existing institutional means to combat the level of poverty that the country presented when it assumed power. One of these institutional bodies was the Interministerial Commission for Rural Development - CIDER, created by the previous military government in 1986 together with other interministerial commissions -the National Commission for the Environment (CONAMA) and the National Commission for Irrigation (CNR). Whereas the last two commissions were relatively successful in their process of administrative evolution (at least both got financial independence from the public budgetary system and they became well-defined institutional bodies with their own staff), CIDER was always a nebulous embryonic body within the Ministry of Agriculture (MINAGRI), with neither staff nor a specific budget to identify, implement and control any particular developmental strategy for rural areas.

However, in spite of all the institutional disadvantages, the Aylwin government decided not to abolish the law through which CIDER was originally created. Conversely, ministers

realised that the legal articles of CIDER's code had nothing which could be considered as being against the interest of the new government. So, as a result of an agreement reached in the first CIDER meeting at the ministerial level in mid-1990, it was decided to continue working with CIDER, even though it was not clear how it should be re-organised (MINAGRI, 1990). One reason was the fact that this commission was not explicitly considered in Aylwin's political programme. But, due to the fact that all the country's laws came under parliamentary control, the Minister of Agriculture (CIDER's head) was soon asked to inform the Chamber of Deputies agricultural commission about the actions in favour of rural areas carried out through CIDER. This can be considered the turning point as regards as the evolution of the Commission for Rural Development. After that, the Minister of Agriculture decided to assume the role of head of the commission in a more active way and to reinforce its linkages with other ministries by forming an active interministerial advisory group. Its main task was to advise him and other ministers concerning the identification of coordinated actions in favour of rural areas.

Since then, CIDER has appeared as an interesting instrument for public policy, especially since it has not required an investment budget due to the fact that it was principally defined as a coordinating body for public policy. During most of the Aylwin period CIDER worked not only for facilitating greater coordination in rural areas, but also for improving its effectiveness as a public body. As a result of CIDER's successes and failures, the CIDER law was reformed in February 1994. The law incorporated some institutional changes and explained its duties within the new Frei government which started in March 1994 (see Chapter 10).

The main aim of this chapter is to present and describe some characteristics and the recent evolution of the Interministerial Commission for Rural Development -CIDER, especially in terms of its potentialities for becoming a valuable instrument for policy coordination towards rural areas, taking into consideration the new and diminished role of the Chilean State. In

order to do this, the chapter is divided in three parts. First, a brief background regarding its origin, institutional composition and general evaluatory remarks during the military regime is presented. Secondly, some arguments considered by Aylwin's government which finally contributed to maintain CIDER in exercise throughout its constitutional period are exposed. Finally, some references are given in order to understand the organisation, aims and contextualisation of CIDER's Coordination Programme for Rural Development -CPRD, presented in the next chapter. This analysis intends to introduce the following two chapters in which it is going to be introduced the policy proposition for rural areas developed by CIDER's members and some of the preliminary results obtained until the beginning of 1994.

8.1. The Interministerial Commission for Rural Development: a general institutional background under the military government

The Interministerial Commission for Rural Development, whose main objective was to assist the President of the Republic as regard rural development, was officially created through the Ministry of Agriculture's Decree No 55, the 13 of June 1986.

In creating this commission, the government firstly appealed to the very first article of the Chilean Constitution, which explicitly guarantees equal opportunities and possibilities for development for all Chileans living throughout the national territory. In order to achieve this aim, the government decided that, firstly, some specific policies in favour of rural areas should be identified. Secondly, it was deemed necessary to have a centralised body for gathering the public and private information concerning rural activities in the country. Given that there was not any public body responsible to deal exclusively with rural matters, the government considered the possibility of creating a commission in charge of the formulation, unification and implementation of all policies that the government considered necessary, in order to improve the quality of life for those people who lived and worked in rural areas. (MINAGRI, 1986).

8.1.1. Conformation of the commission

According to the original Decree No 55 of 1986, the Interministerial Commission for Rural Development had ministerial rank, and was able to act at the highest political level of decision-making. It comprised nine Ministers of State and two Vice-Ministers. It was decided to be permanently headed by the Minister of Agriculture.

Permanent members:

- Minister of Agriculture (President).
- Minister of Planning and Cooperation.
- Minister of Public Works.
- Minister of Education.
- Minister of Health.
- Minister of Housing.
- Minister of Transport and Communication.
- Minister of National Territory.
- Minister of Mining.
- Vice-Minister of Regional and Administrative Development.
- Vice-Minister of Fishing.

The commission's Decree established also the creation of one technical advisory committee ("Comité Técnico Asesor") comprised by one official representative of each respective minister and vice-minister appointed to the commission. The main role of this committee was to assist the ministers, by proposing measures, actions and policies which could be implemented for reaching the commission's objectives. The commission also has an executive secretary ("Secretario Ejecutivo") whose role was to act as a direct adviser to the Minister of Agriculture (in its role as head of the commission). The executive secretary was the head

of the "Comité Técnico Asesor", and was also in charge of the coordination between this committee and the ministerial commission. The Decree No 55 assigned the role of executive secretary to the head of INDAP (National Institute for Agricultural Development), the largest body in the Ministry of Agriculture.

8.1.2. Objectives of the commission

Strictly speaking, Decree No 55 did not establish specific or clearly-defined actions to be regularly developed by the commission, but instead it principally considered some general aims to be fulfilled. Thus, actions from the commission were expected to be directed to the following general aims:

- a) to improve the general environment of rural areas in order to raise the quality of life of the people living in the countryside, whatever their activity.
- b) to reinforce the social and productive values of rural areas in order to stop and reverse the rural de-population process.
- c) to improve the utilisation of the country's natural resources, by rationally raising the productive level of the agricultural, mining and fishing sectors.

8.1.3. General evaluatory remarks of the military regime period

It needs to be mentioned that the commission was not provided with any specific budget to develop its actions, so it did not have an executive role. As is especially remarked in its Decree, the implementation of any specific policy, measure or action identified by the commission had to be financed and executed by the corresponding ministry, public or private organisation. Therefore, it became extremely difficult to evaluate the outcome of a public

body which presented a rather wide and general set of aims but did not identify actors to deal with particular actions. As INDAP reported in 1990, the respective ministries continued allocating their budget according to their own sectoral criteria. No significant special programmes came about as a result of inter-institutional agreement inside the Commission for Rural Development. The explanations which INDAP pointed-out were (INDAP, 1990):

- a) it proved extremely difficult for the ministries to redirect financial resources in order to assume new inter-institutional agreement established, due to their long-term financial compromises established with international economic organisations.
- b) since a significant amount of ministerial decision-making for project-implementation was done as a result of regionally-based programmes (the case of primary education and health were a clear examples of that), it became extremely difficult for ministers to promise in advance both central and regional funds.
- c) it became extremely difficult to re-direct the strongly urban-biased process of intra-regional allocation of resources obtained from the FNDR (regional fund for regional development).

However, perhaps the clearest argument for explaining the limited role played by the commission during the latter stages of the military regime, was the contradiction between the commission's concerns and objectives, and the real possibilities the government had to deal with them.

In effect, the first contradiction arises as soon as it is considered that it was very difficult for the government to take effective measures in favour of the rural areas, considering the subsidiary role of the state that the government strongly and explicitly advocated. Most of the measures which could have been identified for fulfilling the commission's objectives, would

have demanded an active and participatory role of government by discriminating in favour of rural areas. This was always explicitly neglected.

Secondly, as has already been analysed in previous chapters, deep changes in a large portion of Chile's countryside was one of the important outcomes that resulted from the adoption of the liberal economic model implemented by the military regime. Many of the problems the government was trying to overcome were significantly worsened due to the implementation of their export-oriented economic strategy, especially as regard rural depopulation and urbanisation (Apey, 1987).

However, in spite of the fact that the government strongly believed that deep changes in the productive sectors were the best solutions for long-term spatial development (ODEPLAN, 1976), they were also aware that as a result of this process, the rural depopulation dynamic increased significantly in pace, especially in those agricultural areas that shifted earliest to export-led growth. Pressure through migration was put upon medium-scale towns (as regards demand for employment, housing and social services). However what worried the government most was the geo-political implications of a depopulated countryside, especially when the government was advocating a "national security doctrine", in which the occupancy of empty spaces became a paramount aim (ODEPLAN, 1976).

It is worth pointing out that a deep tension with the Argentinean military government over border issues before and during the Falklands/Malvinas war very much encouraged the military government to use geo-political arguments to contextualise internal affairs. The relationship between both empty spaces and the doctrine of national security sustained additional State policies: for example, the construction of the "Carretera Austral" through the Aisén Region (an expensive road in one of the less populated and more geographically-isolated southern areas of the country); a colonisation programme in the archipelago of the same region (but without a physical and functional connection to the

previous project); and the demographic policy followed by the military regime (encouragement of a higher birth rate and the suppression of the State's birth control programmes) (ODEPLAN, 1976).

8.2. Institutional and Political Context for CIDER's Programme for Rural Development

Once the Minister of Agriculture of the Aylwin government decided in 1991 to re-start CIDER, one of his first measures was to create a new technical advisory committee ("Comité Técnico Asesor"-CTA). In parallel, he appointed a deputy Executive Secretary instead of the head of INDAP, due to the fact that the latter was at the time heading an emergency commission for the coordination of public policies oriented to the alleviation of socio-productive problems coming as a result of a severe drought affecting the central and northern regions of the country for three years. After that, the CTA had to meet on a regular basis in order to advise the ministerial committee and to propose to them concrete measures which would favour rural areas.

8.2.1. Institutional context for coordination in rural policies

From the very beginning it was not easy to link desirability and feasibility as regards CTA propositions for rural areas. One important reason was the fact that, even though there was a consensus that the government had to perform an active and permanent role in the policy-making process concerning the rural environment, it was clear enough that there were concrete facts acting against the way in which the two previous democratic governments had approached rural problems. It is worth mentioning that a significant number of Aylwin's cabinet members played an active technical and political role in the governments of Frei and Allende between 1964 and 1973. During that period the State strongly intervened rural areas.

At the beginning of the Aylwin administration, however, the concrete possibilities that the

State had for intervening directly in rural areas had seriously diminished. Three reasons for this were:

- a) Most of those enterprises, infrastructure and land previously owned by the State had been transferred to the private sector.
- b) The State had been deprived of most of its potential instruments for benefiting particular rural groups. Thus, the use of discretionary policy instruments like support prices, differential dollar values for import and export goods, and differential tariffs and barriers for import would have been considered out of context.
- c) The Aylwin government did not re-start the land reform programme brought to a close by the previous military regime. So, the possibility of considering land redistribution to alleviate the problems of homeless peasants (through any sort of land expropriation) was completely avoided from the very beginning by the Aylwin government. No new edition, reformulation, or revival of the land reform was contemplated, as this was considered a closed chapter (Kay, 1993). Undoubtedly, any attempt from the State oriented to redistribute private land would jeopardize the credibility in the government as regards its intentions of maintaining the private sector as the main engine of the national economy (Scott, 1993). Furthermore, because the size of the State had been severely diminished, it is was no longer feasible to think of large development programmes all around the country as in the past. Restrictions of personnel and finance, as well as the new regional administrative system, did not permit such policy alternatives.

An additional significant point was that CIDER did not have the right to handle financial resources, nor could it directly implement projects. This strongly affected the potential for satisfying the demands for fast results and the implementation of specific programmes.

All these arguments, therefore, strongly limited CIDER scope of action. However, any policy proposition had to be considered not only these factors but also the constraints already described in a previous chapter. Therefore, it is clear that one of the only possibilities CIDER had to achieve some concrete result in rural development was through the search for a better level of public efficiency. Coordination was eventually the only available instrument.

8.2.2. The political argument

It needs to be mentioned, however, that in addition to economic, social, and ethical arguments used by CIDER in order to adopt a more active stance in favour of rural areas, there was also a strong political reason for establishing a closer policy relationship with the countryside. With the exception of northern mining regions, most of Aylwin's electoral opposition was principally based in rural areas. In fact in the first democratic parliamentary election to re-open the National Congress, most of the senators and deputies of the opposition were elected in rural electoral districts. Thus, excepting two, all 59 communes where the Democratic Coalition of the "Concertación" obtained under 40% of political support in the 1989 parliamentary election, were classified as rural. No doubt, all the unelected "alcaldes" played an important pre-electionary role in achieving these results, since they were the main articulative instrument between the community and the authoritarian State.

Therefore, from the very beginning of the Aylwin government it was important to neutralise or even to reverse electoral support for the opposition. The strength of social policy and the re-opening of different sources of popular participation was thought of as effective and democratic means to achieve this. This aspect was particularly important as regards the electoral future of the Democratic Coalition of the "Concertación" in rural areas, especially due to the upcoming following municipal, parliamentary and presidential elections. As regards municipal elections the relevance was even more significant. It needs to be remembered that (as was explained in Chapter 7), regardless of the lower population totals that the countryside

had, all rural communes were to elect 6 council members ("concejales"). Accordingly, rural populations were to be highly over-represented as regards the proportion of "concejales" they elected at both regional and national levels. Even though the percentage of registered electors coming from the 100 most rural communes reached only 9,5 per cent of the national total, they had the chance to elect 34 per cent the "concejales". Moreover, the "concejales" elected the regional council (MINAGRI, 1990). Hence, the rural electorate proved important for the political sustainability of the Coalition Government of the "Concertación".

8.2.3 The search by the Technical Advisory Committee (CTA) for policy coordination: short-term requirements

As a result of the first CTA meetings it was clear that coordination was a task to be targeted in formulating future policies. Furthermore, there was an urgent need for improving both the conceptual language used by the different ministerial bodies and the level of knowledge of their particular ministerial actions towards rural areas. This proved to be one of the earliest problems to be resolved for improving the public capability to operate in an integrated way. Some problems to be overcome were:

- a) Significant differences on the concept of rurality. Although the division between rural and urban population is officially determined by the National Institute of Statistics (INE), different ministries used their own criteria for the categorisation of rurality. As a matter of fact, the Ministry of Agriculture followed the INE criteria (any settlement with less than 60 houses and a population of below 301 inhabitants should be considered rural). However, in the meantime the Ministry of Housing had its own criteria of rurality (towns with less than 5.000 inhabitants), and the same happened with the Ministry of Health (settlements with less than 3.000 people are considered rural). Although to be concerned about these differences in population might be considered as excessively technical it became an important aspect to be considered in policy making, since these differences created significant gaps in the socio-geographical coverage of interministerial

programmes.

- b) There was a generalised disinformation as regards programmes, projects and actions that benefited rural areas being implemented by other ministries. Moreover, as a result of the new possibility of regionally-based development programmes, there were some interinstitutional initiatives developed at the regional level which were not always known by central government. As a result of this, there were some duplicated intra-ministerial initiatives and efforts by regional and central levels of government (as occurred in some regional social housing programmes). Conversely, some regional programmes could have achieved more resources if they had been known about at the central level.
- c) There was not enough intraministerial centralisation as regards information on rural initiatives and on specific agreements with other public bodies. Due to institutional complexity in some ministries (they comprise a range of semi-independent units), it was difficult to get information and to coordinate different initiatives related, in one way or another, to actions in rural areas developed by institutions such as INDAP, CONAF or SAG.

Two important decisions came as a result of these problems. In the first place it was decided that the members of the CTA should become the official ministerial representative of rural matters (with the logical exemption of the Ministry of Agriculture). Secondly, it was decided to centralise in the Ministry of Agriculture all information concerning interministerial initiatives (programmes, projects, agreement, etc.) related to rural areas and to keep them as up to date as possible; this initiative was later an important aspect within the proposition for CIDER institutional reorganisation.

However, the establishment of specific aims and objectives in an interinstitutional programme whose main policy instrument was coordination was not easy. Most of the experience related

to specific development programmes or projects usually operated within well-defined budgetary margins. In that way, therefore, the availability of funds was the main measure for contextualising the length and scope of any potential programme. In the case of CIDER, however, any proposition of action had to be related to the capacity of the ministries to act together, in accordance with some agreed objectives, but using only their own ministerial budgets.

In this context, it was difficult to identify specific tasks and to evaluate CIDER's results. This was especially important due to the fact that CIDER did not have an operational role, and nor did it have a mechanism to oblige the internal bodies of ministries to act in accordance with any of their initial agreements (that was important as regards the possibility of controlling the development of the different programmes). Therefore, from the very beginning all CIDER responsibilities had to be evaluated in accordance with whether or not the level and capacity of the different ministries to act together, in benefiting rural areas, was finally increased. But, the operational responsibility continued lying in each ministry.

8.3. Composition of CIDER's Short- and Medium-Term Coordination Programme for Rural Development (CPRD)

It is worth pointing out that the forthcoming proposition of public coordination for rural development was presented principally as a guideline for the allocation of public resources of an important sector of the government involved in rural policy rather than as a compulsory plan to be developed throughout a specific period of time.

8.3.1. Organisation of the CPRD

The CPRD, prepared by the CTA and unanimously approved by CIDER ministries on January 29th, 1992 is divided in four sections:

Section 1: Priorities for Public Programmes According to Communal Poverty Rankings.

This is oriented to the identification and hierarchisation of the main socio-geographical areas of rural poverty by using, in an aggregated way, the most recent available social surveys.

The main objective of this section was not only to identify and rank the poorest rural areas throughout the country, but also to adopt a common standard in the use of such information. This provided a referential framework for identifying common priorities to be taken into consideration in both the allocation of ministerial resources and in the identification of interministerial programmes. Moreover, because most of the social variables utilised by the surveys to rank rural poverty are known (see Chapter 2), the redirection and focalisation of ad-hoc programmes could largely contribute to diminish poverty in these areas.

Section 2: Compilation of Financial Instruments Specifically Available for Rural Areas.

Description of existing public financial instruments (programmes and subsidies) being carried out, specifically identified to directly benefit rural socio-productive activities. Among the arguments for gathering this information was the generalised ignorance of both potential beneficiaries and public bodies on available programmes for rural areas. Whilst some FOSIS social programmes were unable to fully allocate their annual budget in 1990-91 (confidential information to be discussed later) there were a number of poor rural communes which did not present any project at all.

Section 3: Institutional Organisation for the Interministerial Commission for Rural Development.

Identification of an institutional proposition oriented to make CIDER a more well-defined State instrument in charge of integrated rural policies at both central and regional levels. It

has to be mentioned that the proposition at the regional level was very much inspired by a pilot experience carried out in coordination with the regional government of the Maule Region. This regional commission was launched by the Ministry of Agriculture in mid 1990 before the CTA proposition of establishing regional CIDERS had been approved by ministers.

Section 4: Intersectoral Programmes for Rural Areas Identified and Implemented Through the CTA Between May and December 1991.

Identification and implementation of different bi and multi-ministerial short-and medium-term socio-productive programmes. The main objective of this proposition was to receive and increase the ministry's support (mainly by receiving financial funds) of several integrated programmes identified among the members of the CTA throughout the six months in which the proposition of the CPRD was prepared.

8.4. Aims and Contextualisation of the CPRD

There were two main goals in the application of the CPRD.

In the first place, one goal was to transform CIDER into a powerful public instrument for policy-making, taking into account the new characteristics (and restrictions) of a smaller State within a free-market economy. Through the systematic search for higher levels of horizontal coordination, the State can start to have a strong role, as regards actions oriented to face development problems, without resorting to inflexible and mostly unsuccessful means that were used in the past in orthodox centrally-planned economies.

Secondly, although it is generally agreed within public bodies that higher levels of institutional coordination should be permanently pursued, there are not always the specific means available to operationalise greater coordination. Moreover, as the early CIDER

experience showed, it became extremely difficult to achieve concrete policy coordination without defining in advance specific guidelines for the programme. Thus, the establishment of common priorities for integrated actions in accordance with those of were used as a minimum framework for identifying interinstitutional short-and medium-term projects at both the central and regional level.

In this way, in addition to CIDER's proposed priorities for coordination, it was suggested that most of the existing trans-regional special programmes (with their own budgets) directed to rural areas could be used also as a guideline for both the definition of the regional strategies of development and for the regional process of budget allocation. Some potential benefits as regards this possibility were:

First, it is expected to involve the participation of regional and local governments in the implementation of most of the externally-financed programmes within the region, thus avoiding as much as possible the implementation of isolated development projects, carried out principally by external expertise. A better level of involvement between externally-funded special projects and the regional process of policy-making would also permit to a certain extent the continuation of some of these projects after their original funds were finished. This is because additional funds oriented to the extension in scope and time of those projects could be also obtained from the traditional process of regional budget allocation. Thus, a dialectical process of mutual empowerment is expected to occur between both external programmes and regional development strategies, as a result of this financial interaction.

Second, taking into consideration the variety of landscapes that Chile presents due to its length, it has been very difficult to succeed in nation-wide development programmes. A classical example of that was the implementation in the 1960s of a national programme for school building by following the central-region construction standard. As a result of that, people in northern regions were constantly suffering due to warm weather while in southern

areas the problem was the opposite. However, using these trans-regional programmes as a general guideline, regional governments were more likely to succeed in the identification of policy, programmes and projects based on local characteristics. This aspect becomes particularly important in Chile since there is a strong association between different degraded regional landscapes and the poor people living on them (the Altiplano region, the semi-arid interfluvial systems and the central and southern coastal-range dry-lands are the main examples of highly differentiated geographical environments where poverty is a common social feature (see Chapter 2).

After the CPRD was approved, the National Forestry Plan and The National Plan Against Desertification, both partially financed by FAO funds, become two examples of multi-institutional programmes for rural areas sharing CIDER's criteria for being linked with regional and local governments.

Third, the proposition of specific intersectoral programmes oriented to neutralise as much as possible the State's institutional barriers (mentioned in an early chapter) was also one of the main aims in inspiring the CPRD. Although CIDER was not a well known public body within the Aylwin government, the closeness of CTA members to their respective ministers become an invaluable opportunity to propose to them some concrete intersectoral programmes to be implemented in the near future. Moreover, since ministers have a higher hierarchical position than regional "intendentes", CIDER ministers could have a direct way to gain access to regional authorities for discussing and linking central and regional initiatives.

Finally, the forthcoming proposition of a regionally-based CIDER organisation was one of the earliest government attempts in intensively using the new regional and municipal institutionality for inducing popular participation in the identification of ways to orientate rural development policies towards the countryside. Moreover, working together with regional governments permitted CIDER to shift from being a purely coordinating central level

body to implementing specific projects, as a result of applying to regionally-based (deconcentrated) budgets.

8.5. Summary

Despite the weakness of CIDER instruments for the implementation of rural policies, it proved possible to reduce this constraint through an initial agreement between its members oriented to find the way to mobilise the resources of each ministry. However, since better coordination was the only initial instrument available for operationalising CIDER, strong efforts were made to establish common guidelines of mutual interest for joint actions on rural areas. In this regard, the initial intention of incorporating regional government into CIDER's actions improved expectations concerning the implementation of programmes within a framework of higher levels of popular participation.

Chapter 9. CIDER's Programme of Coordination For Rural Development: an Inter-institutional Strategy to Orient Short- and Medium-term Public Policies

Introduction

One important consideration to bear in mind is that CIDER's Coordination Programme for Rural Development (CPRD) was conceived as a twofold instrument. In the first place, one objective was for it to become an up-date source of information on rural matters which could be used by public bodies involved in rural policy making. Thus, the identification of the main geographical areas of rural poverty and the compilation of current financial programmes and instruments specifically focused to benefit rural people could be mentioned as the main tasks in order to identify joint short-term initiatives. Secondly, an other objective was to identify and propose institutional frameworks to facilitate the implementation of common initiatives among the different public bodies.

Accordingly, CPRD's objectives were oriented to both short and medium-terms perspectives. However, some of these actions considered in the medium-term proposal were specifically directed to reinforce CIDER's institutionality. This last objective was considered one of the principal means for facilitating the achievement of long-term aims as regards inter-institutional policies for the rural sector.

This chapter is oriented to present and discuss the main proposals of the CPRD in order to increase the potential of government to improve the effectiveness of public actions in rural areas. Since the CIDER's main aim was to achieve continuity regarding public policies benefiting the countryside, short-term actions had to be taken as the very first efforts in identifying initial axes for ministerial coordination. As is going to be discussed later,

short-term actions are expected to be regularly identified on an annual basis, especially in the period before the government's budget is allocated (August-September) -see Institutional Organisation of CIDER. Undoubtedly, the identification of common axes regarding interministerial actions tended to facilitate the fulfilment of the rather general, and mostly vague, aim of public coordination.

9.1. Priorities for Public Programmes According to Communal Poverty Rankings

Taking into account that the government was very much committed to tackle poverty, one of the first of CIDER's public coordination axes proposed through the CPRD was precisely that of rural poverty. As has been discussed in earlier chapters, however, poverty in general and rural poverty in particular are largely spread throughout the country. Because of that, to tackle poverty as a general aim was extremely difficult considering that: CIDER had no budget for direct investment; and because of the difficulties involved in attracting and re-directing different sources of public funds to alleviate poverty. So, the identification of socio-geographical variables would facilitate the decision on where to concentrate additional government efforts.

Accordingly, the first aim of CIDER's CPRD was oriented to facilitate the decision-making process of all bodies involved in the allocation of resources in rural areas. In that way, rural poverty was proposed as one of the main axes of coordination for government. In order to do so, CIDER produced an aggregate diagnosis of rural poverty at the communal level whose main objectives were:

- a) to identify, classify and rank the poorest rural communes of the country by considering recent social indicators (for more details see chapter 2 on Poverty in Chile); and
- b) to set up an agreement among the different public bodies related to CIDER in order to use

such information as a minimum spatial reference to focus both ministerial and interministerial measures, programmes and policies to face extreme poverty.

However, in addition to the final outcome of the spatial distribution of 113 rural communes in poverty, a brief analysis of the allocation of budgets from CIDER's ministries concerning a random selection of 46 communes in poverty was also included. According to information from the Ministry of Planning -MIDEPLAN, 13 per cent of these administrative units (6) presented no projects at all, and 20 per cent (9) had only one project approved to be financed starting from 1991.

Thus, the combined information on the spatial distribution of rural poverty, the availability of different social indicators concerning poverty and clear evidence showing the lack of public investment in most of these areas, became the basis for arguments for additional efforts to be made in favour of the most disadvantaged rural areas of the country. However, as these efforts were deemed as high priority to gain funds from ministerial budgets for rural areas, no additional financial resources were necessarily needed.

9.2. Complementary Referential Axes for Public Coordination

As CIDER's technical advisory committee ("Comité Técnico Asesor" -CTA) was defining the basis of the CPRD, some members started to discuss some additional axes for coordination to be followed in the near future. In fact, the identification of rural areas in poverty as the most important axis of coordination for future combined actions, did not constrain the identification of additional areas in which different ministries could develop new programmes as a result of potential policy alliances.

As a result of that, three additional main thematic axes started to be identified from 1992 onwards. These axes were:

9.2.1. Socio-productive measures towards small-and medium-scale fishing and mining activities

In general terms, the main problems affecting small-and medium-scale activities could be divided in two groups:

- a) these directly linked with production in these sectors,
- b) these elements involved in the locality and environment in which these activities developed.

While the first group of problems was being faced through the use of particular sectoral resources, the remaining problems proved to be difficult to be solved from these same sources, especially since the Ministry of Mining nor the Sub-secretary of Fishing did not have the means to solve problems related to housing, or land titles. Fishermen located in the shoreline were unable to claim titles on that lands. The same constrain applied to the small-scale miners due to their high level of spatial mobility.

In order to overcome, or at least to minimize these constraints, an intersectoral group consisting of the Ministries of Mining, Housing, National Territory, Public Works and the Sub-secretary of Fishing started the identification of initial agreements directed to overcome legal constraints (regarding land titles) in order to permit the access of these social groups to the existing subsidies in rural housing offered by the Ministry of Housing. In addition, the Ministry of Public Work and the Sub-secretary of Fishing started combined actions in order to allocate resources in basic infrastructure in small-fishing villages located in the poorest rural communes identified by CIDER'S priority areas for public actions.

9.2.2. Expansion of the socio-productive geographical frontier in areas of high economic potential but low population density (The Guaitecas Archipelago in Aisén and the desertic area of The Pampa del Tamarugal)

In order to tackle the uneven pattern of distribution that the Chilean population presents and also to facilitate a progressive and steady process of economic growth, the government (through the Ministry of National Territory which is in charge of administrating the public territory) defined two main initiatives to increase and reorganize population in two areas presenting high productive potential in fishing (nearly 60 thousand hectares of Aisén's shoreline) and in early-growth agricultural products (Pampa del Tamarugal). Potentially successful results from both initiatives, however, were thought to be increased as a consequence of combined policy attempts. This was especially the case a legal framework which encouraged interministerial collaboration existed. This allowed special subsidies for public investment in infrastructure and in transport costs to be made. Investment in these areas were to be mainly focused on places where there was already an interest from the private sector to use land and water resources.

Accordingly, the Ministry of National Territory started to coordinate further actions for the identification of combined policies in areas in which the results of cost-benefit analysis for production were positive. After preliminary agreement at the central level between the Ministries of National Territory, Agriculture, Transport and Communication, Public Works and the Sub-secretary of Fishing, most of the work was developed by the respective regional governments (Aisén and Tarapacá), coordinating with central government through of CIDER's CTA correspondent members.

9.2.3. The National Plan for Irrigation 1991-onwards

Aylwin's government decided to increase substantially public investment in irrigation infrastructure through the Ministry of Public Works. Most attention was placed in facilitating the access of small- and medium-sized producers so that they could gain benefits from both new schemes of irrigation and improvements in the security of water availability on their plots. Although investment in irrigation schemes was to be made by the beneficiaries on a

long-term basis, the programme offered a subsidy to these small-farmers which could be benefited by the irrigation programme offered by INDAP-FOSIS in relation to Decree Law 18,450. That was because most beneficiaries taking advantage of Decree Law were principally the owners of the largest plots. Conversely, small-holders were unable to obtain benefits for it due to difficulties in succeeding with respect to the application procedure. Technical difficulties to elaborate cost-benefit evaluations very much prevented small-scale poor producers to gain access to the subsidy. Difficulties concerning land titles also became a major factor of failure. These constraints progressively proved to be a major factor in explaining an active but uneven land market, especially in those areas which experienced increasing land value after the shift from dry to newly-irrigated lands. In some areas of benefited by new irrigation in the Pencahue commune the value of land rose ten times.

Without the intention of marginalising producers of any size, the irrigation plan was explicitly designed to increase the chance of benefiting small- and medium-sized producers. Additional mechanisms coordinated through the National Commission for Irrigation -CNR were:

- a) those oriented to facilitate the access of these producers to the subsidy defined in Decree Law 18,450 -principally by extending the use of the subsidy to finance also the project formulation.
- b) those oriented to reduce the possibility of the beneficiaries selling their lands.
- c) training in irrigation and technical assistance for the incorporation of new crops recommended by different organisations within the Ministry of Agriculture (INIA and INDAP).

Between 1986 and 1989, the last period of the military regime, benefits from Decree Law 18,440 applied to 877 projects covering 302,697 hectares. Between 1990 and 1993, the number of projects rose to 33,481 on a surface of 215,383 hectares (ODEPA, 1994a). Thus, it can be seen that small-scale producers benefited much more during the democratic

government of Aylwin.

The global project valued at nearly US\$498.3 million, contemplated benefitting 482,900 hectares (190,726 hectares of new irrigated areas and 292,174 hectares of improved irrigation), and 41,407 rural properties located in ten of the thirteen regions of the country.

All along this territory there were still a number of constraints to be solved in order to facilitate the incorporation of a number of producers to the benefits associated with irrigation.

Accordingly, CIDER's CTA realised that this ambitious plan of small- medium- and large-scale irrigation schemes was an interesting opportunity to become a major axis for interministerial coordination at the national scale. In particular, it gave the chance for additional programmes to those driven by the Ministries of Public Works and Agriculture.

Accordingly, new demand for housing, education, services, and other social requirements could be tackled through a coordinative process of intersectoral local planning. This focused public investment and subsidies such as these oriented to rural housing) in areas which would benefit from investment in irrigation. Lack of infrastructure, especially in communications, would become an even more serious constraint in affecting the cost and mobility of both people and production. Thus, to anticipate actions on the newly-irrigated areas was considered a good chance for improving public coordination.

Therefore, after a proposal from the Ministry of Public Works the National Plan for Irrigation became one of the most ambitious axes for intersectoral coordination among CIDER's members. Concrete actions oriented to the implementation of programmes, however, were to be principally carried out by regional governments, according to the schedule the specific projects presented. Accordingly, the very first experience of cooperate actions were planned in combination with the Maule's regional government due to the fact

that the first irrigation project was to be completed in that region. The core 53 km long Pencahue's irrigation canal was expected to provide new irrigation for 430 plots covering a total surface of 11,200 hectares of previously dry land. In order to facilitate actions in the area, the Minister of Agriculture, and the regional "Intendente" agreed in sponsoring a pilot experience of a regional CIDER, as a means to formalize a new institutional body to coordinate actions in the rural areas of the region.

9.3. Diffusion of Information on Financial Instruments Available for Rural Development

The need to improve the efficiency of the state as regards combined programmes towards poor rural areas was not only seen as a matter of providing additional financial resources but also as a better use of existing ones. Thus, the coordination of sectoral resources was seen as increasing the effectiveness of public actions in poor rural areas. In addition, the diffusion of the different financial instruments and subsidies could be used by the beneficiaries was vital due to the way in which most of the programmes directed to the people were organized (through application of beneficiaries rather than through direct subsidies).

However, the lack of knowledge of most CIDER members regarding current programmes directed to the rural sector by other ministries soon became a significant barrier for the materialization of new joint interministerial attempts. Surprisingly, some ministries were not even aware that some of their policies were principally defined for rural people (small-scale mining and fishing programmes). This was illustrated by the fact that other ministries believed that rural policies were only part of the Ministry of Agriculture's duties. In addition, CIDER'S members claimed that, although recognising the urgent need for rural people to improve their social conditions, some programmes were unable to fully allocate their budgets. This was due to both lack of information of all the potential possibilities and to the difficulties that most poor people (often illiterate) had to negotiate the application process (e.g. subsidies for small irrigation projects, for rural housing, and for benefiting from FOSIS programmes,

were considered among the most significant examples). Needless to say, this ignorance was also shared by most of the smallest rural municipalities.

9.3.1. Proposition for sharing information

Thus, in a collective attempt to increase the level of information concerning the means available to facilitate both public and private efforts to combat rural poverty, CIDER's members agreed to start gathering, publishing and distributing information about the instruments for rural development of the different public bodies.

As a result of that agreement the second part of the CPRD was gathering the most relevant instruments specifically directed to rural people, available at that time. The main outcome was the collection and classification of most of the existing programmes, agreements, laws, credits, and subsidies which could be potentially used for rural development purposes by public bodies (at the central and regional levels) and by the beneficiaries.

Accordingly, the information published considered:

- Institution in charge of the operation of the instrument.
- The target group.
- Period of operation.
- Estimation of beneficiaries.
- Spatial coverage.
- Available resources.
- Characteristics of the instrument.

9.3.2. Main outcomes

As result of this search, a total number of 33 financial instruments specifically benefiting rural areas were found and published in the very first attempt. In general terms, the orientation was as follows:

10 to the agricultural sector including forestry activities.

9 to education and training activities.

5 to small- and medium-scale mining activities.

3 to small-scale fishing activities.

2 to the solution of land property problems.

1 to financing productive projects for indigenous groups.

1 to small-scale rural industries.

1 to rural housing.

1 to rural transport.

However, this directory was not thought to be a final outcome of all public instruments currently available to be used in rural areas. Furthermore, the number of instruments that benefitted rural areas could be significantly increased if other nationwide programmes were taken into consideration.

CIDER's policy proposition was a first step in gathering all available means of assistance for different sectors of government, municipalities, NGOs, universities, and other organisations in order to set up specific rural development programmes. It was also necessary to considered instruments made available by the private sector. CIDER'S secretariat decided to assume the responsibility involved in both publication and diffusion of information.

It was proposed that CIDER should become a permanent body of inter-institutional contact as regards rural matters in order to allow different ministries to have permanent contact for facilitating the identification of multisectoral programmes. The agreement among the

corresponding ministries to joint efforts and integrated programmes oriented to solve problems related to the ownership of land to allow small-scale farmers, miners and fishermen to gain access to rural housing subsidies, and the intensification of combined programmes, particularly in those poor rural communes with scarce ministerial attention.

9.4. Contextualisation for Rural Development

In order to complement this initiative, however, an additional effort was made to widen the scope to which policies could be focused to benefit rural population. In this way, it was thought that in order to increase rural development, complementary fields of attention to isolated productive measures were needed to be considered to carry out wider combined actions. Thus, CIDER proposed four main levels of concern to contextualise their programmes towards rural development:

- a) Productive level: this level considers actions in all fields directly or indirectly involved with improvements in rural production, storage, transport and commercialisation of small-, medium- and large scale production. Combined efforts with the private sector were to be highly encouraged.
- b) Socio-cultural level: this level of concern is oriented to facilitate rural population to maintain, to exercise and to develop their personal and cultural values. So, encouragement and the provision of means to improve the access of all rural inhabitants to cultural, recreational, educational, sporting, religious and tourist activities were considered important.
- c) Spatial level: this level focuses on the geographical characteristics of the country for the orientation of combined policies. Thus, the expansion of the agricultural frontier in areas of high potential in both the south and north was identified. It was hoped to facilitate the

allocation of private capital in mining and fishing activities in areas presenting problems of infrastructure and land titles. Combined programmes with the private sector were considered a good means to set up rational programmes in order to populate and utilize available natural resources in those areas. Thus, the relocation of rural villages in association with the requirements of new patterns of spatial organisation would improve chaotic settlement patterns in the Aisén region. These patterns have been responsible for irreversible environmental damages in this highly productive but rather fragile landscape. To reduce the high rate of depopulation associated with push factors from rural areas was also a matter of concern.

- d) Institutional and participatory level: this level of concern intends to orient public actions to rebuild, encourage and promote the development of different mechanisms of social organisation in the countryside that had been very much neglected during the military regime. As a result of that it was expected to increase the level of popular participation in the future. Moreover, this level also included proposals by the government in relation to the organisation of the state in matters concerning rural processes. Flexibility, feedback and control stages for applying and evaluating the different policy attempts were considered highly necessary.

This wider scope to face rural development implied the creation of additional new efforts for increasing the variety of instruments to be used in this field of concern. Finally, it was intended to make clear that to increase rural development was a combined responsibility. It was impossible to be only assumed by the Ministry of Agriculture.

9.5. New Institutional Organisation for the Interministerial Commission for Rural Development

The military regime did not only discontinue some earlier attempts at rural development (the

ending of the land reform process started by the Frei and Allende governments is one example) but also did not set up any significant organisation to tackle rural poverty. The Aylwin government did not have any significant public body upon which to base a strategy to confront the main factors affecting most of the rural inhabitants. There was a need to overcome institutional shortcomings in order to confront social, productive and infrastructural matters. It was necessary to develop new innovative policies for tackling the association of complex socio-productive and environmental problems. The challenge, however, was also related to the identification of new and wider perspectives to approach rural development as a way of overcoming the limited scope which the military regime had advocated. The military regime had regarded development as being an automatic consequence of higher levels of economic growth, through trickle-down effects (see Chapter 6).

Therefore, it was considered extremely important to generate some suggestions for improving the potential effectiveness of CIDER, regarding long-term perspectives. CIDER was the unique inter-institutional public instrument specifically focused on rural matters. It also presented a high level of potential effectiveness regarding the wide variety and political relevance of its members. Moreover, theoretical restrictions relating to its lack of a budget to invest in rural programmes could be overcome as a result of potential agreements between ministries and the concentration of resources in different regions of the country. These funds were greater than those that would have been expected from any feasible CIDER budget directly driven by an interministerial commission without technical means and little staff.

The following policy proposal intended to reinforce the commission pre-existing base and to permit a long-term process of institutional readaptation. This would improve the capacity of the state to act more efficiently as regards specific rural requirements in which coordination would present higher levels of effectiveness than isolated sectoral measures.

The suggested set of policies, however, should be understood as the very first steps toward

a progressive but flexible process of CIDER self-ratification. Thus, concrete results rather than rigid and theoretical plans were expected to become the main arguments to guide the future process of CIDER's institutional consolidation.

9.5.1. Institutional changes for joint actions towards rural areas: general aims

The aims of CIDER's proposals of institutional readaptation were mainly oriented to fulfil the two following general aims:

- a) To establish specific tasks and goals to be regularly done by CIDER as regards public coordination in rural matters. This secured a specific and well-defined role for CIDER within the state and facilitated its long-term institutional sustainability.
- b) To increase the effectiveness of CIDER, as a decision-making public body, by considering complementary options to widen the scope of its rather centralized role. Thus, decentralisation and popular participation were two major aims to be achieved. Recent institutional reorganisation in regional and local government gave favourable chances for establishing bi-directional flows of information between CIDER and regional and intra-regional agents directly and indirectly concerned with rural matters. Additionally, the existence of CIDER's decentralised regional bodies involved in decision-making would highly facilitate the implementation of CIDER's centralised agreements regarding general axes for coordination.

9.5.2. Timing to contextualize CIDER-CPRD's aims

CIDER's main hopes as regards the achievement of successful long-term results as an intersectoral body was through self ratification. Concrete results in the application of policies should become more relevant than unfeasible theoretical propositions. Therefore, CIDER's

principal long-term aim was to be achieved through the progressive fulfilment of its short-and medium-term aims.

To facilitate the process of policy evaluation, CIDER's CPRD considered the following framework for timing its policy propositions:

- a) Short-term policies: defined by any agreement, programme, measure or project which was proposed to start being implemented by the respective executive bodies before the following period of budget allocation (usually in August-September).
- b) Medium-term policies: they were principally referred to by institutional measures and reforms which do not necessarily need financial resources nor a compulsory timing for being implemented, but were expected to begin before the Aylwin's government came to an end (March, 1994).

9.5.3. Main actions to facilitate a long-term strategy for joint rural policies

As has been explained, one of the most important aims regarding CIDER as an interministerial body was to ensure the continuity of policy-making. Accordingly, it was considered very necessary to articulate different ministerial efforts in a joint instrument. This was to be the Coordination Programme for Rural Development (CPRD), which would develop and recommend coordinated policies within the framework of the government's overall programme.

9.5.3a Reforms at the central level

In this regard, the main proposals for the institutional innovation for the central level of CIDER were:

1. To create the CPRD: The periodic formulation of a referential and articulative programme for the State through the Coordination Programme for Rural Development. This would facilitate combined actions towards rural areas. This proposal was expected to fulfil the general aims stated in CIDER's Decree No 55, and its subsequent operation as an institutional body. The CPRD would be initially oriented to:

- a) The periodic formulation of combined axes for interministerial coordination in accordance with the government's general aims. A meeting of CIDER's ministries was proposed to occur every two months as a way to raise policy proposal. This did not restrict more regular contacts to discuss bilateral or multilateral programmes.
- b) The identification and implementation of multisectoral agreements and programmes, which in addition to the axes, were oriented to face problems whose solution proved to lie far beyond isolated sectoral measures.
- c) The identification of actions oriented to facilitate and achieve inter-institutional coordination and regular contacts among the different bodies involved in the implementation of the policy agreements, at both national and regional levels.
- d) The definition of different mechanisms and responsible bodies to carry out a periodic evaluation of the different programmes and agreements.

2. Modification of Decree No 55: This was proposed in order to overcome certain ambiguities (see Chapter 8) and also to give some legal endorsement to the expected innovations as regards CIDER's new responsibilities. This point will be further developed in the next chapter.

9.5.3b Reforms at the regional level

As a result of recent changes in Chile's municipal and regional law, regional governments were identified as the most favourable decentralised level on which to base CIDER's programmes for widening its functional scope of actions.

A responsibility of regional government is to define regional development plans. These plans could be developed to create linkages with centrally-planned attempts to tackle rural problems. It was not intended for these potential linkages to interfere with the administrative independence of regional governments. However, these linkages between central and regional government facilitated the implementation of national policies directed to solve problems affecting the country as a whole. In this way, the regional government was thought of as the main agent in identifying, proposing and implementing particular programmes in accordance with the peculiar characteristics of rural problems in each particular region. This would be the regional dimension of the CPRD.

In parallel, the central government, through the ministries, was supposed to supplement and reinforce regional budgets through the allocation of centrally-driven resources in the region (as in the case of health, education, or public works) or through granting some privileges in the approval of intersectoral or sectoral regional projects by the Ministry of Planning at the central level. In addition, it was also proposed to grant to regional governments some resources made available for the state coming from international funds and to be allocated to special programmes. Thus, the combination of central and regional policies and programmes could greatly reinforce regional budgets and also extend the scale of benefits coming as a result of isolated development programmes driven by central government.

Accordingly, the main proposal for innovation at the regional level was:

1. To suggest to regional governments the constitution of a regional body for Rural Development. First, this would collaborate in the identification and execution of the CPRD

at the regional level. Secondly, it would be able to identify additional joint efforts for improving conditions in rural areas by intensifying the use of the financial and institutional means available.

The constitution of this body, however, would be the result of an internal regional initiative. Therefore no inflexible structure was suggested for it in terms of its members. Conversely it was highly convenient to challenge the participation of members from different sectors as in the case of NGOs, universities, social organisations and the private sector. However, it was considered necessary to include at least the SEREMIs representing CIDER's ministries.

Some of the actions to be developed by these bodies were:

- a) Constitution of a regional body and its secretariat to coordinate and implement special rural programmes in the region. The SEREMI of agriculture would be the executive secretary as a way of taking advantage of its direct link with the Minister of Agriculture -CIDER's president at the national level.
- b) Formulation of short- and medium-term development aims and programmes for rural areas and their link to the master regional plan of development. A permanent process of control and self-evaluation was to be considered and be transmitted to the central government.
- c) To ensure the diffusion of the different instruments available in the region to both the public and private sectors in order to facilitate joint programmes in rural areas.
- d) Utilise and reinforce the different institutional means available to increase bilateral and multilateral flows of information among the interest groups involved in rural matters. Direct popular participation at the local level was to be promoted.

- e) To continue the central support to the Maule's region CIDER which was working as a pilot experience since 1991.

The creation or reinforcement of regional bodies oriented to increase the focus on rural matters in their respective regions were expected to reverse recent development trends. Not much could be expected from direct government intervention in overcoming the main problems affecting development in rural areas. However, regional governments seemed to be better prepared to act against the peculiar factors present in their own regions. Furthermore, the existence of ad-hoc CIDER commissions to coordinate rural policies could become a good means to increase technical, financial and political agreements within regional bodies and support different initiatives oriented to overcome not only historical rural disadvantages but also a progressive process of intra-regional centralism, as far as the allocation of public investment was concerned.

9.6. Summary

It can be said that though the state has little room for manoeuvre in order to directly address complex problems with public policies, better coordination could be considered a useful instrument for improving the efficiency of the state. However, additional efforts need to be made in order to find out new innovative strategies for setting up programmes on the basis of mutual cooperation as was the case of the CPRD. A preliminary evaluation on the implementation of this proposal is going to be presented in the next chapter.

Chapter 10. Evaluation of CIDER's Coordination Programme for Rural Development

Introduction

Since January 29, 1992 when the Coordination Programme for Rural Development was unanimously approved by seven ministers, four vice-ministers and with the presence of other ministerial authorities, CIDER continued working on a relatively regular basis, at least until the end of Aylwin's constitutional period (March 1994). However, in spite of the fact that significant actions proposed in the CPRD started to be developed, perhaps the most significant of CIDER's achievement was its continuity through into Frei's government that started in March 1994. Thus, President Frei not only decided to continue working with CIDER but also urged his ministers to increase and reinforce all joint efforts towards rural areas, focusing special attention on the most backward sectors in the countryside (MINAGRI, 1994)

Conversely, however, some factors acted against the achievement of greater coordination among interministerial working groups. Although different explanations could be found for that, lack of staff to control central and regional initiatives, and failures in formulation and approval of some specific sectoral projects could be mentioned.

This chapter has, therefore, as a main aim to present an attempt at evaluation of the main outcomes resulting from the implementation of actions proposed through the CPRD (see Chapter 9). In order to fulfil this aim, the following analysis is directed to review actions implemented at the institutional level -in accordance with the different proposals suggested to reinforce CIDER's structure, and those actions that were directly related to the implementation of new joint programmes in rural areas. As regards this last point, special

attention will be given to the pilot experience carried out by the regional CIDER of the Maule region.

10.1. Actions Implemented at the Central Level of Government

The most important measures carried out at the central level of government were those that came as a result of the approval of the CPRD. Accordingly, it was explicitly agreed by all ministers to implement as soon as possible the proposals suggested through the coordination plan prepared by CIDER's advisory committee. Concerning that agreement, different decisions oriented to continue or start additional and complementary actions towards the rural sector began to be implemented by central government. However, as it was earlier mentioned it became rather difficult to evaluate the real impact that these actions had in the development of rural areas. This difficulty is mainly explained by the short period of time that has passed since both the CPRD was approved and the new set of actions directed to benefit rural areas started to be implemented.

Therefore, the main attention concerning the forthcoming analysis should mainly be directed to evaluate the political and technical capacity that CIDER's members presented to redirect the institutional condition of their respective bodies towards a more collective attempt to tackle the particular problems which have been identified regarding rural areas. In that way, coordination has become one important additional means oriented to multiply those benefits coming as the result of the implementation of rather isolated sectoral efforts, within the scope of a less-intensive participative role of the state.

10.1.1. Agreements and measures concerning the implementation of short-term axes for coordination

Actions and agreements which started to be carried out from 1992 onwards, within short-term perspectives, were to be implemented according to two perspectives: actions or programmes

implemented under joint participation and actions or measures carried out individually by each ministry. In this regard, the main agreements - stated in the minutes of the meeting of CIDER'S ministers (MINAGRI, 1992) - reached by CIDER's members concerning its immediate actions were:

1. CIDER's ministries should base their allocations from central budgets on the information of rural poverty areas provided by the overlapping of the three diagnoses. That did not mean that it was necessary to redirect ministerial programmes. But it gave privileges to those communes in poverty, while decisions on investment within different areas of the country were under discussion.

Two concrete examples are demonstrated by joint actions of the Minister of Public Works and the Sub-secretary of Fishing and a new programme started by INDAP. The first two bodies decided to work together and to allocate their budgets for providing infrastructure for small-scale fishermen (Public Works) and for social programmes for fisherman (Sub-secretary of Fishing). They selected communes that showed higher level of poverty according to one of CIDER's diagnoses. This involved some restructuring of the Public Works's budget to be allocated during 1993, benefiting seven poor rural communes that had previously not been considered for investment. In parallel, INDAP'S Department of Rural Development started a new field-project oriented to increase popular participation through the existing popular communal organisations in seven of the poorest communes identified by CIDER.

It is worth mentioning that the inter-institutional Forestry Action Plan, PAF-Chile, (jointly sponsored by three ministries, the main forestry institution of the private sector -CORMA, and the organisation of forestry workers), had as its main aims to both to tackle social problems related to forestry areas in poverty and to identify special forestry programmes which could become the engine of increased production. This Plan identified areas to benefit from investment according to CIDER's survey of rural communes in poverty (DAF-Chile,

1993)

2. Different ministries, notably Agriculture and Women's Affairs, offered their current editorial infrastructure in order to publish on a regular basis the existing programmes, laws and bilateral agreements among institutional bodies oriented to benefit rural areas.

3. Ministers supported the initial axes which were proposed by the CPRD to increase ministerial coordination as regards rural problems related to multisectoral constraints. Furthermore, an additional programme/axis was proposed to be started, as soon as possible, concerning measures oriented to tackle problems and restrictions affecting almost 1 million landless peasants. This was a major aim identified by government from the beginning since it was one of the main social effects resulting from the active land market that followed from the expansion of export-led agricultural production.

So, among the most relevant programmes started from these axes were:

a) National plan for irrigation: CIDER's executive secretary started to participate with members of the National Commission for Irrigation, at the national level, in order to coordinate the schedule of different actions concerning Penciahue's irrigation project. Permanent contacts were also established with other members of the CTA as far as specific sectoral measures were needed. This implied regular visits to the Maule region where the regional CIDER created an special programme to collaborate with the implementation of actions oriented to tackle social constraints. (This initiative will be more extensively presented in the analysis of CIDER's experience carried out by the Maule region's government). An interesting outcome of this new initiative was the solution of more than 50 problems of land title affecting small producers in the new irrigation area. Otherwise they would have been prevented for benefiting from the irrigation subsidy contemplated in Decree Law 18,450.

b) Programme directed to benefit landless peasants:

Initially proposed and coordinated by the Ministry of Housing, an integrated attempt oriented to setting up small rural villages for landless families started to be developed in 1992. The main aim of the programme was to direct part of the rural housing subsidies to areas in which small settlements could be developed. Thus, the provision of houses with a small plot of land, supposed to be mainly used for the production of horticultural crops for subsistence (between half and a quarter of a hectare), were to be considered in areas where public lands were still available. For that purpose the Ministry of Agriculture's body SAG (in charge of the reallocation of former communal lands devoted to the land reform process), offered the transference of those lands considered suitable for the implementation of the Ministry of Housing's projects. The transference of land titles was assumed by the Ministry of National Territory.

SAG distributed information about the availability of properties for this project to the Ministry of Housing. Four regional representatives of the Ministry of Housing at the regional level (SEREMIs of Regions IV, VI, VII and X) initially agreed in accepting SAG's offer. In parallel, both INDAP and INIA agreed to collaborate with this initiative through the provision of credits and technological transfer. They suggested appropriate crops to be cultivated on those lands. Finally, as a result of this integrated programme FOSIS gave to the Ministry of Housing 700 million pesos (nearly \$1.8 millions) to contribute to the general project. The first programme that was identified under this scheme was in the commune of Peumo (Region VI) where the beneficiaries established a cooperative so that they jointly could pay for the initial deposit in order to qualify for the credit for houses.

As regards the rest of the joint initiatives identified in the CPRD, most of the responsibilities were given to regional governments.

4. It was decided to reinforce actions to overcome some of the legal constraints, imposed by the National General Comptroller, in order to facilitate the implementation of new agreements between government bodies. As a result of an explicit proposition made by the Minister of Housing, ministers agreed to continue discussing this matter at the presidential cabinet level..

5. It was agreed to distribute the CPRD to different public bodies at the regional level. Accordingly, the text was sent to nearly 15 public institutions and to most regional "Intendentes".

Finally, permanent contacts among CIDER's members (but notably in the case of those of the CTA) proved to be an useful lobby for the discussion of different technical matters related to both bilateral and multilateral affairs concerning the exercise of government. Surprisingly, a number of them were not necessarily related at all to rural subjects.

10.1.2. Agreements and measures concerning the implementation of medium-term institutional innovations for CIDER

The approval of the CPRD gave explicit endorsement to actions oriented to identify and implement additional measures directed to reinforce the current institutionality regarding public coordination in rural areas. However, it was agreed that the implementation of the different propositions contained in the CPRD should not be imposed upon any of the several potentially affected bodies. In that way, even though decisions to innovate came as a result of a rather centralised policy, no compulsory actions were to be followed at any level except those contemplated in Decree No. 55.

Accordingly, the main institutional innovations approved by government and consequently to be developed after CPRD approval were:

1. Agreement in expanding and decentralising CIDER: CIDER's ministers unanimously

agreed in expanding further functional linkages with regional governments in order to increase the level of operations of this centralized coordinative body. It was decided, however, that this agreement should become by no means a compulsory imposition for regional government but only a suggestion to establish a bi-directional channel to facilitate special actions towards rural areas.

Furthermore, it was also suggested that the constitution of these ad-hoc regional bodies should be established in parallel with the identification of specific programmes to be developed in the respective regions according to the specific problems that rural areas presented. This was in order to prevent duplication of efforts (it needs to be mentioned that certain regions, as with the case of the Biobío, had already established their own regional commission for rural development). However, it was considered highly necessary that these regional bodies were headed by the respective regional "Intendente" as a way of: maximizing institutional coherence within regional public bodies; generating political support for the whole process of implementation of special regional programmes directed to rural areas; and ensuring wider linkages with other regional bodies that form part of regional cabinets. Special attention was also directed to continue supporting from the central level actions developed by the CIDER of the Maule region, especially in respect to the integrated programme oriented to facilitate the implementation of Penciahue's irrigation project in the commune of Penciahue (MINAGRI, 1992).

Since the CPRD was approved, 5 regional CIDERs were officially established by the respective "Intendentes" and different authorities from the central government (Regions I, V, VI, VII and IX).

2. Reforms in Decree No 55: Perhaps the most significant institutional innovation was the official approval of CIDER's modified Decree No 55 by President Aylwin on January 27th 1994.

As a result of the initial approval by CIDER's ministers in 1992 the search for concrete actions focused on giving this coordinative body better prospects for its long-term sustainability. The Ministry of Agriculture prepared the general basis for a modified Decree No 55 in order to be discussed and approved by CIDER's ministers. The result of this agreement reached in December 1993, was the introduction of changes in the decree with the intention of better defining its future role as regards horizontal coordination within the institutional framework of the Chilean State. The main changes were as follows:

- a) CIDER's executive secretary should be appointed by the President of the Republic, from a suggestion made by the Minister of Agriculture. This was instead of it being a position automatically assumed by the national head of INDAP. The main argument for this change was that it was considered that this had to become a high-ranking position and held on a full-time basis. Former experiences showed that the head of INDAP had little time to assume the demanding duties involved.
- b) It was established that CIDER should annually present to the President of the Republic, for his approval, a programme of public coordination for rural development -CPRD, in accordance with the core presidential programme. This inclusion intended to clarify the future role of CIDER as a permanent policy-making body within the state, possessing concrete aims and tasks.
- c) Although CPRD programmes would continue being developed and financed by their respective sectoral components, the general coordination, evaluation and control of the CPRD must be directly assumed by the Ministry of Agriculture at both central and regional levels. This last measure implied that the Ministry of Agriculture, represented at the regional level by its respective SEREMI, became the main coordinative actor as regards rural development programmes at the regional level representing and acting on behalf of the Minister of Agriculture as CIDER president. So, even if any particular

region had created a body for coordination in rural matters, the respective SEREMI of the Ministry of Agriculture became responsible for the coordination of any programme of national interest identified at the central level. In spite of the fact that, according to the regional law, any programme or policy decided to be carried out at the national scale by central government should be unconditionally assumed by regional governments, the new responsibility of coordination given to the Ministry of Agriculture's SEREMIs should not interfere with the direct attributions of the Ministry of the Interior in charge of the exercise of regional government. Conversely, this proposition intended to take advantage of the potentialities that the new regional law presented. Therefore, identifying a general coordinator at central and regional levels for both the implementation and control of different CIDER programmes and for the identification of regionally-based programmes for rural development was considered a highly necessary requirement in order to facilitate the achievement of CIDER's short-, medium-and long-term aims and consequently, better expectations for people in the countryside.

Therefore, CIDER's actions for horizontal coordination at the national level can be summarized in two main results: an initial attempt at identifying spatial and functional policy-levels (axes) of mutual concern for promoting joint public actions in rural areas; and a set of legal innovations oriented to support and multiply them according to long-term perspectives. In that way the CPRD could be understood as an explicit proposition from government in order to give more coherence to state intervention in an area in which additional efforts were severely needed.

10.2. Actions Implemented at the Regional Government Level: the CIDER's Experience at the Maule Region

At the final stage of the Aylwin's government there were five different CIDERs working in rural coordination at the regional level. The most significant attempt as regards joint programmes in the countryside was developed by the regional CIDER of the Maule Region.

While most regionally-based CIDERs were just starting to identify interministerial actions in their respective regions (notably using the Maule region's experience as a main point of reference), the Maule's CIDER (taking advantage of its pilot experience started in October 1991) not only was able to identify and apply two core programmes of rural policy but it also developed a self-evaluative mechanism with respect to its experience at the communal level.

Accordingly, this section has been oriented to present the way in which Maule's CIDER, with the political and technical support of part of the central government, responded to the challenge of setting up a decentralized programme to increase public coordination in rural policies, in accordance with the aims and propositions of the CPRD. In order to do this, the analysis is divided into three main parts. The first part presents the intra-regional organisation that this body adopted to fulfil its tasks. The second part gives some insights as regards the two core programmes developed in the region. The third part is devoted to present some results derived from the application of both programmes.

10.2.1. Organisation of Maule's CIDER

Since this regional commission was created, its internal constitution has shown a high level of both dynamism and functionalism. This dynamism was due to two main factors: the openness of its structure in order to link the participation of all different regional actors interested in collaborating with the process of improving general conditions in rural matters; the requirements that have progressively appeared as regards demands imposed by the development of its two core programmes of coordination (see the following point).

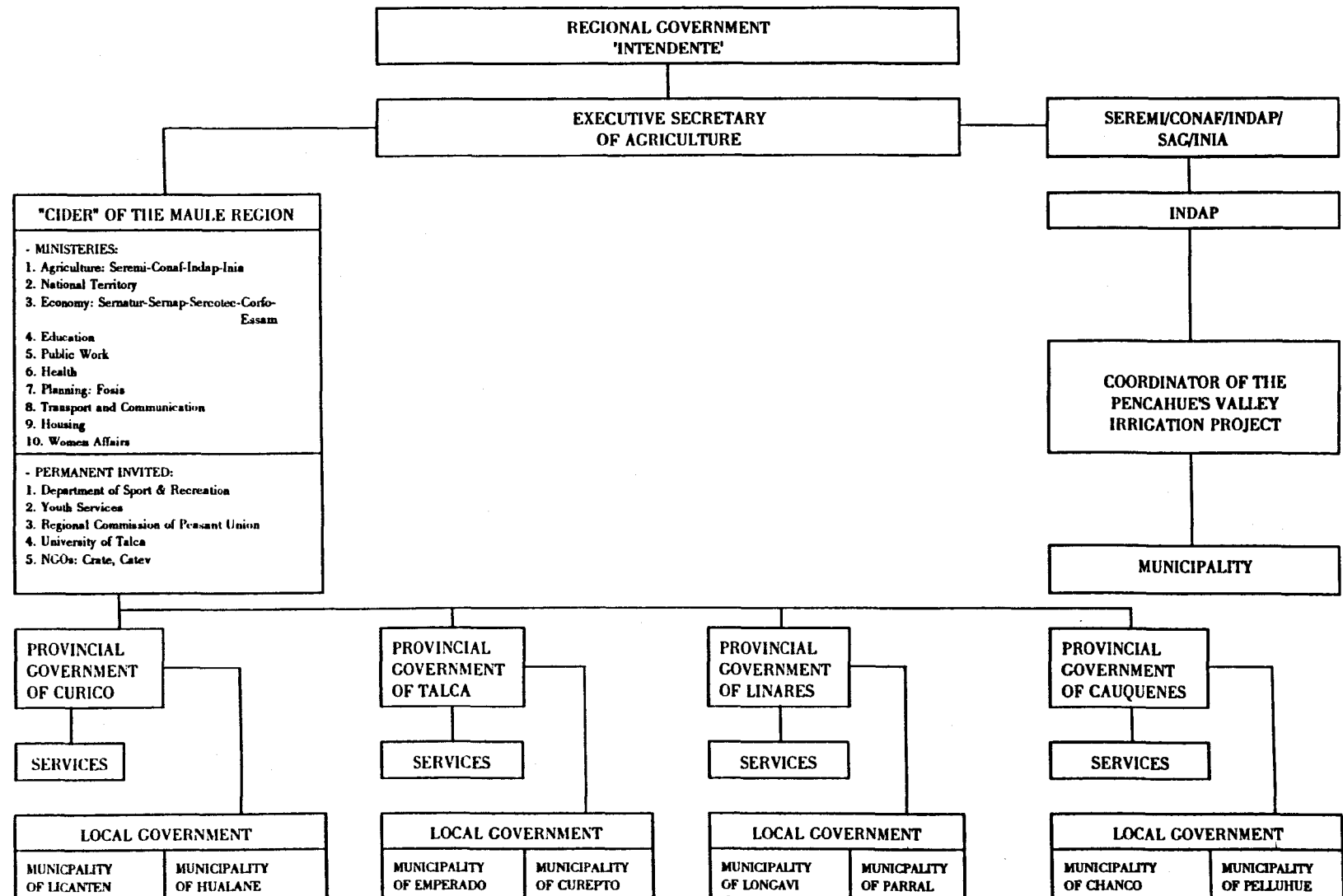
From its constitution this regional CIDER decided to work on a weekly basis at two levels: meetings among regular members and guests; taking advantage of the weekly regional-cabinet meetings with the "Intendente". Although at the beginning this body reproduced the same central organisation of CIDER, the final structure in 1994 was different (see Figure 10.1).

This body incorporated additional ministries (such as Economy and Women's Affairs) and other public and private regional representatives (University of Talca, the national peasant organisation, NGOs, among others), but also the four provincial governments of the region, and nine regional municipalities. At the top of the regional CIDER was the "Intendente". Acting as the executive secretary was the SEREMI of agriculture. The heads of the other services of the Ministry of Agriculture in the region (INDAP, CONAF, SAG and INIA) comprised CIDER's secretariat.

10.2.2. CIDER's Regional Axes for Coordination: the Pencahue Irrigation Project and the Regional Participative Programme Against Poverty

From the very beginning, Maule's CIDER started to focus its actions towards coordination in accordance with two of the axes contained in the CPRD: the national irrigation plan and strengthening the activities of rural communes in poverty. Consequently, after discussions within the regional government directed to identify a strategy to coordinate actions in both areas of concern, Maule's CIDER agreed to work in parallel on both axes at the communal level according to the following programmes:

Figure 10.1 ORGANISATION OF THE REGIONAL COMMISSION FOR RURAL DEVELOPMENT - 'CIDER' - THE MAULE REGION



10.2.2a A medium-term strategy of coordination in the Pencahue Valley: a supportive programme for the implementation of Pencahue irrigation canal

At the regional level, Maule's CIDER created a sub-commission headed by the head of INDAP. The main purpose was to identify and coordinate actions to be taken in the hinterland which would benefit from new irrigation. In addition, a general coordinator was appointed in the area. His main task was to link the project area with regional government. Moreover, because most of this area was comprised by the commune of Pencahue, its mayor was also included.

As a result of the main initial requirements identified by this sub-commission, Maule's CIDER identified 9 main fields of concern for policy formulation. The main fields for joint policy were: organisation of communal space; research on the potential use of land; transference of technology and training in irrigation; irrigation at the intra-plot level; agribusiness development and productive linkages; transportation and road improvement; environmental concerns; immigration and emigration; and peasant organisation. It is worth mentioning that in addition to the participation of the permanent CIDER members other external bodies also assumed specific tasks (NGOs, the State Bank, Talca's provincial government, and the National Commission for Irrigation).

As a result of a number of meetings carried out both in the commune of Pencahue and at the regional government level, these tasks were assumed by the different bodies involved in Pencahue's coordination programme.

10.2.2b The Pencahue's irrigation project: Preliminary results from CIDER's coordination programme

Due to the fact that this project was part of a nationwide programme for irrigation, the most important technical decisions concerning Pencahue's irrigation project were identified and implemented by central government (notably budgetary flows, technical engineering decisions,

spatial coverage of the core and secondary canals). Actions at the regional and local levels, concerned the whole implementation process. Moreover, most of these particular actions came as a result of the diagnosis and consequent programme envisaged and implemented by Maule's CIDER but using regional funds.

Although it became difficult to quantify in real terms all the benefits achieved through joint efforts as regards this particular axis of coordination, in a report published by Maule's CIDER (SEREMI Agricultura Region del Maule, 1992), the following were considered the main preliminary results:

- Allocation of 17 million pesos (nearly US\$40,000) for training programmes in irrigation procedures oriented to small-scale agricultural producers in the commune of Penciahue.
- Contribution to finance demonstration plots for agricultural production, and visits by small-scale agricultural producers. This joint initiative is currently sponsored and financed by the National Commission for Irrigation and by some regionally-based private agribusinesses -notably IANSA (National Industry of Sugar, also involved in tomatoes and fruit processing) and from the Chilean Tobacco Company. Both enterprises initially agreed in establishing medium-term productive links with small- and medium-scale producers.
- Clarification of all problems concerning land titles, including the granting of land titles to all agricultural producers able to benefit from the INDAP-FOSIS agreement concerning Law 18,450.
- Implementation, from the National Commission for Irrigation, of a special programme to finance irrigation projects (law 18,450) all along the hinterland of the Penciahue canal. Subsidies to small producers in the area were offered through a pre-existing agreement between INDAP and FOSIS.

- Implementation of a programme oriented to lower pollution levels in the Lircay river from which the waters of the Pencahue canal are extracted. This measure was taken to guarantee irrigation with waters of high quality.
- It was decided to redirect part of the Ministry of Public Works budget to replace the old and narrow bridge that linked the commune of Pencahue to the main regional road network. The existing bridge was unable to support higher and heavier traffic levels.
- Maule's CIDER gave significant support and assistance to the identification of Pencahue's communal development plan.

An interesting outcome of this experience was that most of the resources allocated by CIDER's bodies in this commune came as a result of the implementation of their own regionally-based strategy and through funds specifically obtained from regional budgets. However, perhaps the most important outcome that resulted from this experience was that this axis of coordination became part of Maule's regional development plan. Thus, this experience presented a significant contrast with previous ways in facing irrigation projects in the country. In these, most of measures were decided upon by a group of experts at the central level and implemented through external bodies created only for that specific purpose.

10.2.3. Maule's CIDER programme of participation against poverty

Since Maule's regional government was aware that the Maule region presented the highest level of rural poverty in the country in 1990, it showed no objection to establishing a regional programme against poverty under the terms suggested by the centrally-identified CPRD of CIDER. However, even though Maule's CIDER maintained permanent contacts with the central technical advisory committee (in order to orientate its strategy against rural poverty in the region), it is worth mentioning that most of the implementation of the programme and

budget allocation was assumed through the use of their own technical and financial resources. This initiative was restricted from the very beginning to some specific areas in the region, mainly due to regional shortages in the availability of financial resources, staff and time.

Maule's CIDER envisaged its strategy against poverty as having three main aims:

10.2.3a Aims and background of the Programme

1. To collaborate with the implementation of the CPRD through the enforcement of additional public actions in the most backward rural communes.
2. To utilise as much as possible the new institutional tools available after the approval of the new regional and municipal laws.
3. To encourage and increase previously neglected popular participation at the local level by intensifying flows of information between communal organisations, the new democratically-elected local governments ("municipalidades") and Maule's regional government.

In order to reconcile these aims, Maule's CIDER established a programme whose main purpose was to link the policy-making process of regional government regarding rural poverty with the specific demands that rural inhabitants presented. It was not intended to replace the main orientation of the regional development plan. The programme was seen as complementing the Plan by considering the requirements of people living in poverty. These could be used as a reference for the allocation of public resources.

As a result of initial discussions carried out at the regional level, it was decided to focus attention in eight communes (two in each of the four regional provinces, see Figure 10.1).

The communal criteria was based on CIDER's map of poverty; six of the eight communes were located in the dry-lands ("secano") of the Coastal Range. The remaining two units were selected from the region's Central Valley. In these two communes (Parral and Longaví) socio-productive problems resulted from monocultural-patterns of agricultural production in increasingly uncompetitive crops; notably rice (see Chapter 4).

The institutional organisation that Maule's CIDER adopted to develop the programme included the participation of the four provincial governments of the Maule region (Curicó, Talca, Linares and Cauquenes) and the local governments of all respective Municipalities (Licantén, Hualañé, Empedrado, Curepto, Longaví, Parral, Chanco and Pelluhue). For this specific axis of coordination, Maule's CIDER adopted a decentralised intra-regional organisation in order to cover not only the whole programme area but also all the existing functional-administrative channels between government and people.

People's participation in this programme was secured and channelled through two main mechanisms: the incorporation of respective communal mayors and councillors (which were democratically elected by the communal population), and by the participation of all popular organisations representing different interests of the communal population (neighbourhood associations, organisation of producers, and other grass-root organisation, etc.).

Regional NGOs were also included. Their main role was to act as coordinators between the people and the rest of the regional institutional bodies. Some of these NGOs, notably CATEV and CRATE, had been implementing interesting small development programmes in Maule's rural areas since the military regime.

10.2.3b Implementation of the programme

The method chosen to implement the overall programme was based on the initial schedule

of a number of meetings to be held with the different components of the programme in the respective communes. There were three stages contemplated in the programme:

1. The first step was the identification of a specific diagnosis at the communal level which included the main requirements that both the community and local government considered feasible to be solved by an with regional government. This procedure was coordinated by the different bodies of local government and with the close collaboration of the NGOs.

2. The second stage of the programme was to be implemented through direct contacts at the communal level between Maule's CIDER members involved in the programme (SEREMIS, provincial coordinators, NGOs and other guests), communal authorities and the representatives of communal popular organisations. The main outcome of this stage was the establishment of specific deals, tasks and agreements for joint collaboration to be assumed by the participating bodies, oriented to overcome the constraints identified in the communal diagnosis.

3. The third and final phase of the programme was identified in order to evaluate the level of implementation achieved regarding the specific deals and tasks assumed by the different bodies in the previous stage. It was decided that this evaluative procedure would be controlled through a new set of meetings at the local and regional levels. However, during these evaluative meetings the actions identified in the second phase of the programme continued.

10.2.3c The programme of popular participation against poverty: some results from CIDER's coordination programme

Two regional publications of evaluation were produced for this programme (MINAGRI, 1992, 1994; SEREMI Agricultura del Maule, 1992, 1994). The following analysis has been mainly based on quantitative results obtained between October 1991 and September 1992. Results concerning the following period between October 1992 and August 1993, have been

principally obtained from preliminary evaluations.

Between October 1991 and August 1993, 66 meetings took place in the different municipalities chosen by Maule's CIDER. As regards the main aims pursued by the programme of Maule CIDER, minutes of CIDER's secretariat (signed and approved by all participant members) show a total number of 380 implementation-deals agreed by different participants during 29 working meetings. One implementation deal, however, could include more than one action. As an example, one action directed to solve problems of land titles could finally imply solutions for more than one beneficiary.

The communal distribution of the 380 deals and the institutional bodies concerned can be seen in Table 10.1. As regards a classification, it can be clearly seen that 57.9 per cent of the deals were assumed by representatives at the regional level (notably by bodies of the Ministry of Agriculture and Ministry of Public Works). However, bodies at the local level also had an important role by assuming 28.9 per cent of the tasks. They used their own scarce resources and, according to mayors, mobilized a strong collaboration with communal people; existing programmes were not affected. NGOs (notably CRATE and CATEV) also proved to be efficient agents in working with other institutions. They not only participated in 77 per cent of all communal meetings but also took responsibility for 21 deals during the programme's first year of implementation (similar to the participation of provincial governments).

Undoubtedly, what was more important than the number of deals was the outcomes that resulted from the evaluation stage of this experience. As can be observed in Table 10.2, 105 deals (27 per cent) and associated tasks had been satisfactorily achieved during the first year. If actions in execution are included, this number increases to 274; that is to say 72 per cent of agreed actions were, at that time, either successfully implemented or on their way to being finished. Conversely, implementation of the remaining 27.9 per cent were postponed

(principally these applied for further FNDR funds) or had no chance of being solved through the different institutions involved in the programme (SEREMI Agricultura Region del Maule, 1992). According to the latest evaluation carried out in January 1994, a total number of 600 deals had been set up through the programme of which 60 per cent had been successfully implemented by August 1993 (SEREMI Agricultura Region del Maule, 1994).

Table 10.1 CIDER's Institutional Distribution of Implementation - Deals by Communes the maule region 1992

INSTITUTIONS	A B	CURICO		TALCA		LINARES		CAUQUENS		TOTAL ⁽¹⁾	
		LI C	HUA	CUR	EMP	LON	PA R	PEL	CH A	NO	%
1. Regional Government Ministries & Services 57.9%	Agricultural										
	a) Indap	4	5	10	2	5	6	6	4	42	11.1
	b) Seremi	2		12	8		4	2	1	29	7.6
	c) Conaf	1	4	3	6	3	2	2		21	5.5
	d) Sag			1	1					2	0.5
	e) Inia			1						1	0.3
	Sub-Total	7	9	27	17	8	12	10	5	95	25.0
	- Public Works	6	2	1		1	2	2	20	34	8.9
	- Education	6	2	4	1	3	1	3		20	5.3
	- Essam S A*	3	1	3	2			1	1	11	2.9
	- Sernam**		2		5	1	3			11	2.9
	- National Territory	2	1	1	1	1	1	2	1	10	2.6
	- Health		2	1	5			1		8	2.1
	- Planning	1	1	4	1		1			8	2.1
	- Housing	1	2	1	1				2	8	2.1
	- Economy	4			1		1			5	1.3
	- Youth Service				4					5	1.3
	- Transport			3						3	0.8
	- Digeder***			1		1				2	0.5
	Sub-Total	30	22	46	38	15	21	19	29	220	57.9
2. Local Government Municipalities 28.9%	- Chanco								37	37	9.7
	- Pelluhue							21		21	5.5
	- Curepto			17						17	4.5
	- Empedrado				9					9	2.4
	- Licanten	8								8	2.1
	- Longavi					7				7	1.8
	- Hualane		7							7	1.8
	- Parral						4			4	1.1
	Sub-Total	8	7	17	9	7	4	21	37	110	28.9
3. Provincial Governments 7.6%	- Curico	8	6							14	3.7
	- Cauquenes							5	1	6	1.6
	- Linares					3	2			5	1.3
	- Talca			2	2					4	1.1
	Sub-Total	8	6	2	2	3	2	5	1	29	7.6
4. NGO 5.5%	- Crate	6	1	2						9	2.4
	- Catev			1	3					4	1.1
	- Indeso		2							2	0.5
	- Ceforca					1		1		2	0.5
	- DAR				2					2	0.5
	- Improa								1	1	0.3
	- Fedecur		1							1	0.3
	Sub-Total	6	4	3	5	1	0	1	1	21	5.5
5. Others 0% - Utal										0	0.0
COMUNAL TOTAL		52	39	68	54	26	27	46	68	380	100.0

* Maule's drinking water company; ** Previous name of the Ministry of Women's Affairs; *** Department of Sport and Recreation

⁽¹⁾ Percentages have been rounded to one significant figure; A Provincial Government; B Commune

Table 10.2 The MAULE Region Preliminary Control in the Execution of 'CIDER's' Implementation Deals at the Communal Level to 30 September 1992.

PROVINCIAL GOVERNMENT	COMMUNE	EXECUTED	IN EXECUTION	PENDING	NO SOLUTION	TOTAL	% ⁽¹⁾
CURICO	Hualane	12	22	4	1	39	10.3
	Licanten	12	20	15	5	52	13.7
	SUBTOTAL	24	42	19	6	91	23.9
TALCA	Empedrado	20	24	9	1	54	14.2
	Curepto	27	27	13	1	68	17.9
	SUBTOTAL	47	51	22	2	122	32.1
LINARES	Longavi	8	9	6	3	26	6.8
	Parral	10	8	4	5	27	7.1
	SUBTOTAL	18	17	10	8	53	13.9
CAUQUENES	Chanco	10	35	21	2	68	17.9
	Pelluhue	6	24	9	7	46	12.1
	SUBTOTAL	16	59	30	9	114	30.0
IMPLEMENTATION DEALS TOTAL		105	169	81	25	380	100.0
IMPLEMENTATION DEALS %		27.6	44.5	21.3	6.6	100.0	

⁽¹⁾ Percentages have been rounded to one significant figure

Source: CIDER Secretariat of the Maule Region, 1992

10.2.3d Some achievements

According to the same source, some of the achievements of Maule's CIDER were the following:

Focusing projects financed on the FNDR funds for development in the problems communes of the programme:

- Training projects in most of these communes for the implementation of new multiple-use activities (in forestry and pasture) so that small-scale peasants could find alternative uses for their land, could generate additional income and grown crops less detrimental for this impoverished environment (15.6 million pesos, nearly US\$40,000 in real currency).
- Provision of low-interest loans and subsidies to dryland ("secano") small-scale peasants oriented to the use of new technology and planting of vine stock to improve wine production (10.0 million pesos, or US\$25,000 dollars allocated in Cauquenes and Pelluhue communes). This project benefited a large number of dryland peasants historically involved in production of uneconomic vintages, notably País. The main vine stock used to replace that of País was chardonnay and Reisling.
- Resources for 10.0 million pesos (US\$25,000) for a detailed diagnosis of the communes of Parral and Longaví specialising in rice production. Rice production in these communes suffered from low competitiveness as regards growing imports in rice. This survey was one of the basis for converting land under rice into other uses. It was implemented by the Ministry of Agriculture in association with the regional Governments of Maule and Biobío regional governments (see Muñoz, 1994).
- Finance has been allocated (7.0 million pesos, or US\$17,500) to diversify and produce

agroindustrial-horticultural crops in most of these communes.

- Allocation of 3 million pesos (US\$7,200) in the commune of Empedrado for the implementation of small-scale projects for edible fungus. Since these crops are able to be developed in combination with forestry activities, it has become a good productive chance to give some economic relief to Empedrado's peasants that have been very much affected by the expansion of forestry plantations in the commune (see Chapter 4).

Other result included:

- creation of departments of rural development in all of the participating municipalities and elaboration of rural development programmes.

- training by the Ministry of Planning at the regional level for municipal civil servants in both project formulation and evaluation.

- establishment of small-scale fishermen's associations in the communes of Chanco and Pelluhue.

- important collaboration with the Ministry of Publics work in improving maintenance of secondary roads in all communes.

- significant collaboration from ESSAM (regional company for drinking water) in the solution of problems relating to water quality.

- elaboration of a diagnosis for tourism in most of the communes oriented to provide information concerning local-scale tourist activities.

- collaboration with the Ministry of Education for adapting the educational curriculum towards more rural needs. This involved developing small horticultural plots at the school and the establishment of technical education in secondary schools focusing on agriculture. Additional collaboration with the Ministry of Education provided educational materials.
- significant collaboration with the Ministry of Health for improvements in the equipment of communal small-size services ("postas rurales").

10.2.3e Some comments

An interesting argument given by the executive secretary of Maule's CIDER, which intended to explain the level of success achieved, was that a significant number of requirements from the communal diagnosis was satisfied without large amounts of financial resources from regional government. But the main shortage was as regards skilled human resources and technical assistance for both the identification and implementation of specific actions needed within the programmes.

Lack of resources to education and health was not necessarily related to the allocation of expensive infrastructure but to lack of basic equipment. As an example, lack of a telephone in some small hamlets prevented the accessibility of people to basic health care. Although it was possible to give people relief from some minor illness in communal health centres, it was not possible to use the rural ambulance simply because no telephones were available to communicate the emergency to clinic some few kilometres away. One of the main ambitions of poor rural people in hamlets and "villorrios" is still to gain access to health care through better communication. Thus, the allocation of telephones in some hamlets was an important indirect measure to improve the spatial coverage of health services.

If actions regarding both main axes of coordination for regional government are taken into

account, policies towards rural areas have not only substantially increased but have also been more focused on aspects that local bodies have explicitly identified as their main needs. Furthermore, if one takes into account that the budget of these poor municipalities does not exceed US\$400,000 a year, the additional investment allocated through the different projects, along with technical assistance from both public and private sources constitute a significant contribution to these communes, compared with the historical context.

The challenge at the local level for overcoming the weakness of financial resources in a historically centralised state is more complex than political actions intended to change this uneven spatial pattern of budgetary allocation from government. Since the political importance of most rural municipalities is small and hence their likelihood of gaining more central funds is limited, some lessons could be taken from the experience of the programme in the region. For example, municipal links with the private sector in order to establish associations based on mutual cooperation and inter-municipal alliances in order to share staff and technical resources and tackle common problems are interesting initiatives for reducing the constraints imposed by shortages of municipal resources.

10.3. CIDER's Coordination Programme for Rural Development: Some Concluding Remarks

In spite of the fact that CIDER's programme of coordination for rural areas was not part of the initial agenda of the Aylwin government, it progressively gained ministerial support. Two main arguments can be used by way of explanation. First, the political level of government (represented by ministers) was always ready to consider new technical suggestions which could improve the administration of government and consequently expectations of higher levels of popular political support. Secondly, ministers welcomed the programme because no substantive additional financial resources were required in order to carry out most of the actions comprised in the general CPRD.

After the initial effort oriented to define the main guidelines for coordinated government intervention in rural matters, most the attention was directed to the implementation of the programme. The implementation process was carried out through three main sources of action. First, by implementing intra-ministerial measures, through which each sectoral body intended to act in accordance with CIDER agreements established in ministerial meetings. For this purpose each ministerial representative on the technical advisory committee usually became the intra-ministerial coordinator concerned with these policies. Secondly, another way of implementing CIDER actions was through the creation of functional interministerial working groups to deal with those joint intersectoral programmes at both central and regional level. Outcomes were expected to be not only sectoral allocation of resources but also the creation of regular bi- and multisectoral medium-term agreements and programmes between bodies oriented to face multifactorial problems. Finally, in parallel to the implementation of previous actions the Ministry of Agriculture made significant efforts in finding a final compromise oriented to reinforce the previous institutionality upon which it would be possible to expect more feasible outcomes as regards state intervention in the countryside from different administrative levels.

10.3.1. Some constraints facing CIDER

Although no guidelines were established to evaluate CIDER's outcome, especially since from the very beginning of its experience most of the efforts were directed to its own process of self-ratification, there are some aspects from the experience of the period 1991-1994 that should be considered for future references.

10.3.1a Programme coordination and control of programmes

Even though it was not particularly difficult to generate both technical and political agreements at the central level of government oriented to implement additional actions for

benefiting rural areas, most of the obstacles concerning the implementation procedure came as a result of insufficient control mechanisms as regards the operationalisation of each particular joint programme. Perhaps because the CPRD was never intended to become a compulsory plan with specific and quantitative aims to be achieved during a certain period of time, no means of control was established for the implementation process.

As a result, however, different factors affected the implementation of programmes. In spite of the high level of collaboration obtained from ministries to discuss CPRD proposals, not all of them contributed with the same enthusiasm as regards the role that their body was supposed to assume during the implementation of the different programmes. Because all CTA members were high-ranked ministry advisors, they were unable to become involved in the implementation and control of all multilateral programmes in which they were participating. Delegation of power to other ministerial members was not always an easy alternative especially since very often they were not entitled to take relevant decisions. Although this restriction could have been solved relatively easily through the permanent participation of a coordinator for each programme appointed by CIDER's secretariat, CIDER had not enough staff in order to be assigned for the fulfilment of such a task at the beginning of the experience. Therefore, CIDER's most successful results were mainly engineered by dedicated attempts rather than from clear institutional implementation guideline. A clear example of this was Maule's CIDER experience, in which the participative role of its executive secretary could mobilize a significant part of the region's institutional forces. Conversely, regional CIDERs like these the Aconcagua and Libertador Bernardo O'Higgins did little more than establish themselves (a lack of resources for the implementation of programmes was the main explanation given by these regions).

Thus, restrictions concerning evaluation and control of CIDER programmes became one of the main explanations to understand why the Ministry of Agriculture proposed to assume responsibilities regarding internal coordination and control of CIDER programmes in the

already modified Decree No 55.

10.3.1b Financing of CIDER programmes

It has to be remembered that the main aim of CIDER was to increase coordination rather than to become an executory body. However, the main objective of coordination was to strengthen the allocation of joint institutional resources in rural areas. In this way, even if better levels of coordination could have been achieved for different programmes, the implementation stage was still the most relevant objective to be pursued. Therefore, if any of the participating institutions in any specific joint programme failed to allocate their resources, the likelihood of success for the whole programme was extremely jeopardized.

Through the whole CIDER experience this risk was normally present, but principally at regional and local levels, due to the way in which resources were normally provided for project implementation. Since financial resources were principally available as a result of successful applications to FNDR funds, ministries and their institution did not always succeed in financing their particular component of the programme. Moreover, the relatively long period of time involved between the identification of projects and the potential availability of resources (sometimes up to one year) became a factor of discouragement for ministerial involvement in short- and medium-term programmes. As a result effectiveness of implementation tended to be less when there were more participants in the programme. This constraint, however, not only significantly affected CIDER's joint programmes but also the whole planning process that was carried out at the regional and local levels.

Thus, some institutions have shown scarce interest in participating in specific inter-institutional programmes due to the fact that no significant financial resources have been initially allocated for financing such programmes. Perhaps one of the clearest examples was the exit of the Talca University (UTAL) from both programmes of Maule's CIDER because

external funds were not directly available for financing its participation.

Last but not least, additional finances to cover day-to-day expenses of regional bodies in the areas in which programmes were being developed proved to be another significant constraint for: the implementation of Maule's programmes in the selected nine communes; and for the potential extension of these programmes to other poor communes. Although this might be considered a rather trivial source of constraints, shortages in petrol, as an example, very much prevented a more active participation of different institutions in fieldwork activities, notably NGOs and other small organisations. However, this factor has been also normally used for explaining the higher level of spatial centralisation of regional governments.

10.3.1c Staff shortages for facing complex medium-term programmes

Shortages of staff in most of the decentralised public institutions can be mentioned as a significant limitation for these institutions to assume new responsibilities, additional to those for which they were directly responsible for. Normally, SEREMIs had to participate in a number of regional activities in addition to their central roles as the representative of their minister in the region and member of the regional cabinet. As SEREMI offices seldom comprised more than three or four technical staff members, most work tended to prioritise day-to-day matters. As a result of this it became extremely difficult to schedule medium-term meetings among high-ranking civil servants especially when they were scheduled outside the regional capital city.

This problem also characterised central government. However, attempt at implementation at this level could be carried out by different intra-ministerial bodies, depending on the particular tasks that the ministry was commissioned to deal with (e.g Ministry of Agriculture -problems of forestry were dealt with by CONAF).

10.3.1d Fears of institutional competition and political interest groups

According to the tradition of Chilean public administration most duties regarding technical coordination of government bodies have normally been assigned to the Ministry of Planning at both central and regional levels. Although there was no significant friction as regards leadership in coordination of programmes at the central level of government, some problems started to arise between the SEREMIS of agriculture and planning at the regional level. This was because the SEREMI of agriculture was CIDER's executive secretary and the SEREMI of planning was the coordinator of regional cabinets (see Chapter 7). Frictions in the Maule CIDER were particularly difficult. This friction over institutional competence in Maule was minimized as soon as the Ministry of Planning explicitly renewed its support for the whole CIDER programme and when the regional "Intendente" stressed that CIDER programme was one of the Maule's main regional initiatives.

If one particular ministry dominated in the regional implementation process as regards financial resources, that ministry preferred usually sectoral recognition to collective acknowledgment. This collective acknowledgment would normally have benefited the executive secretary of CIDER. It is important to note that even though the government was conformed by a multi-party coalition, this did not mean that every participating political party and individual had abandoned the search for political support. Not surprisingly, a number of regional SEREMIs became elected deputies in Congress in the 1994's election.

10.4. Summary

The need for greater coordination between public bodies has been one of the most recurrent statements made by people who advocate better levels of state efficiency. Coordination, however, does not have a single purpose to be fulfilled in a larger number of meetings among people in charge of dealing with similar subjects or between top-rank civil servants or even

politicians enjoying the facility to take relevant decisions. Coordination should be used by the state as a medium- and long-term institutional instrument oriented to tackle complex problems whose solutions seem to transcend sectoral capabilities.

Development issues should not be the only reason for adopting joint actions by the state. Coordination is required to face other multisectoral challenges, such as facing severe environmental problems and securing improvements in competitive advantages. All these challenges undoubtedly imply the need for additional efforts from the state without neglecting the relevant role that all sectoral bodies must play.

CIDER intended to use its coordination programme to improve institutional efficiency in rural areas. The CPRD was oriented to show how some of the challenges affecting rural development could be better tackled as a result of a complementary strategy from the state. Furthermore, the long-term balance between CIDER's failures and successes seems to be highly dependent on its future technical and political support at both central and regional levels.

Chapter 11. Conclusions

11.1 An Attempt of Integration

Undoubtedly, the process of restructuring of the agricultural sector in Chile initiated in the mid-1970s has generated new challenges and demands on the role of the state. The dynamic that the countryside has been experiencing has led to the emergence of profound socio-geographical changes that have resulted from the adoption of outward-oriented strategies of development. Most of these changes have occurred as a result of the requirements imposed by the development of nontraditional primary activities within a highly competitive international and domestic context in which productive efficiency appears as a paramount prerequisite.

As regards the agro-forestry export sector, the successful immersion of Chilean exports in world markets has resulted from different intervening factors such as: unsatisfied markets, flows of transnational and domestic capital investment, state incentives, and favourable socio-geographical conditions. The latter have been very much related to the intensive and efficient exploitation of the country's comparative advantages in which climatic features, cheap labour and land markets appeared to be the most important. The relevance of these variables were clearly illustrated in the fast expansion of export-led vineyards and forestry plantations in the Norte Chico and in the "secano" respectively. Both cases largely contributed to the fact that the national aggregate of agricultural, agroindustrial, and forestry exports increased in value threefold between 1985 and 1991.

However, despite the significant macroeconomic success achieved by the Chilean economy, the process of the country's wider immersion into both the free-market economy and world markets has been largely selective in social and spatial terms. As this study has shown

through its different stages, neither all the social actors nor all regions have profited to the same extent from this economic shift. But, conversely, some social groups and regions have not only been unable to participate successfully within the new productive strategy of development but they have also been severely affected by the agricultural process of restructuring. In this regard, the results obtained from both case studies (the Norte Chico and the Maule Region) might be useful for envisaging an attempt at explanation concerning the previous contrasts as a substantive component of the new emerging socio-productive pattern.

From a macro analysis, the existence of climatic advantages for growing agricultural and forestry products proved to be perhaps the main short-term factor in explaining the allocation of capital investment within the most reactive areas. Moreover, the easy access to productive land (either from the state or from private sources) was also important during the first stages of this process of capital expansion. This was the case that affected plots derived from: the agrarian-reform programme; the agricultural communities; or from the "secano" region. In all these cases the low level of bargaining power of small- and medium-sized peasant farmers could not neutralise the fast expansion of large-scale export business over their lands. Conversely, as was mentioned by the larger export companies investing in the Norte Chico (see chapter 3), problems related to land titles very much restricted the expansion of export-led activities in other advantageous climatic areas, as occurred within the lagging Norte Chico's valleys (principally in the Choapa and Huasco) and also in the "secano". Otherwise, land markets could have also expanded in these areas especially if possibilities for the amalgamation of small- and medium-sized properties were present.

Finally, the availability of labour was not a restriction which could explain the differential expansion of export-oriented agro-forestry activities in Chile. Labour was always accessible, cheap and flexible enough as to satisfy the productive requirements throughout any potentially-productive area of the country. In this regard, it can be mentioned that much territorial expansion of export-led production was able to be supplied by the region's own

labour force as a result of a growing number of landless peasant farmers.

The country's process of immersion in outward-oriented development strategies has also implied a significant fall in protectionist measures favouring both import-substituting domestic production and against agricultural imports. As a result, the response of the country's traditional agricultural sectors has been clear: crises of competitiveness in most of the traditional agricultural crops, and growing volumes of imports of these same products, notably in grain and cereals. However, these lower levels of competitiveness of Chilean agricultural production could not only be blamed as the result of the interaction of domestic productive features. This argument can be supported by the fact that shows how some low protected domestic agricultural sub-sectors have started to compete with highly subsidised international production. In this last regard, the case of wheat is a clear illustration of this unequal process of competition as is illustrated by the analysis of U.S. agricultural protectionism; ironically this last country has become one of the most influential international advocates of the free-market economy. The adverse impact of this new economic trend at the geographical level has been shown by the recent evolution of a large portion of the Maule region.

From the social perspective, the resulting pattern concerning the differential access of rural people to the benefits derived from the country's process of agricultural restructuring seems to be more simple and clear. On the one hand, a reduced productive elite (principally large companies) has been assuming both the risks and benefits associated with the still-profitable export businesses. On the other hand, a large number of agricultural workers is ready for profiting from the benefits of growing, though rather seasonal, labour markets in which efficiency and commitment have come to be relatively well paid in comparison with historical trends. Upon all of them, however, large multinational corporations continue doing their usual business.

However, small- and medium-sized peasant farmers, many of them living in poverty, have become the most marginalised social group within the whole process of agricultural restructuring. Because of the many restrictions affecting their socio-economic conditions they have been not only unable to evolve and obtain benefits in parallel with the current process of agricultural modernisation, but in most cases they have also been pushed out of the sector (at least as producers). Often, this social outcome has been justified by the argument that this is a requirement for pursuing the higher levels of productive efficiency that the sector needs in order to successfully compete within the new economic context. However, even INDAP (the most powerful state instrument in helping small- and medium-sized farmers) spent significant efforts in trying to assist these groups of rural people. Evidence shows that its performance was insufficient; in fact, no more than 25 per cent of small-scale farmers were assisted by INDAP instruments until 1993.

As a result of this new socio-productive pattern, the Chilean countryside has been visibly evolving towards a complex mosaic between modernity and backwardness in which rural poverty is still a common and widespread condition.

From a statistical perspective poverty has been diminishing recently as result of increasing levels of income. However, there are parallel trends which are not considered in the aggregate but have proved to be particularly important concerning the quality of life of rural populations. One important trend is associated with the loss of farmer's lands. Even for the smaller-sized peasants farmers the availability of land gives to the peasant family the possibility of food. In this way, even if they are statistically poor according to income standards, their land provides them with the chance to produce at least some food. Otherwise, as the Norte Chico and Empedrado cases illustrated, most of the possibilities that landless peasants have in order to survive are linked to the highly competitive and seasonal labour market. Paradoxically, in parallel to all the disadvantages that this new process of further disempowerment (Friedmann, 1992) could imply for rural people in poverty, they are at the

risk of no longer being considered poor and, as a consequence, not qualify for ad hoc special subsidies. Therefore, further attempts for conceiving poverty from a wider perspective are urgently needed. Poverty is a multifactorial situation and does not imply merely a situation that can be simply determined by a certain level of income. In parallel, greatly improved statistical systems are required to assess people's quality of life and to contribute towards defining appropriate standards of living. No doubt, the poor must also take part in the provisioning of their own needs rather than to exclusively rely on the state to solve their problems.

For the policy-making framework, this new socio-productive pattern of rural evolution has generated additional challenges to the traditional ones but now within a new context of state intervention. In this regard, all these challenges within a democratic environment, must be confronted with largely diminished means. In addition, the possibilities for allocating financial expenditure in social investment within non-exporting sectors have also been severely restricted. Both restrictions have become imperatives imposed by the undergoing structural adjustment process in order to maintain so-called public discipline.

The state is currently confronting a contradiction between growing needs for actions but with lesser possibilities for intervention. This has stimulated the search for greater levels of public efficiency in order to tackle the complex factors affecting development in the country. One example of this was the attempt for greater coordination pursued by the Interministerial Commission for Rural Development.

Although there was a certain level of agreement within the Chilean government concerning variables, problems, and factors that needed to be confronted in order to increase rural development on a more equitable basis, the requirement of a strict balance between desirability and feasibility (concerning state intervention) became the most relevant barrier for both identification and implementation of public policies. Consequently, the

Interministerial Commission for Rural Development through an additional effort (without attempting to replace the competence of any existing institution) intended to link as much as possible in its general proposal for rural areas the following main aspects:

- a) the use of current information on socio-productive processes developing in the Chilean countryside;
- b) the consideration of challenges and constraints that could guide the identification of state-led measures, programmes and policies towards rural areas;
- c) the utilisation, on a joint basis, of the existing institutionality at the central, regional, and communal levels, but without interfering in their respective levels of autonomy; and
- d) the participation of people as one important guideline for the implementation of programmes and policies. Although it is clear that the search for development cannot be only led by shortages and/or demands, people's participation must be considered an important component of any participative strategy of development.

According to the information provided in chapter 10 it could be said that these objectives were to some extent fulfilled by 1993. Although the main long-term objective identified by the commission (its sustainability as an effective policy-making body) needs to be evaluated in the future, a significant number of programmes identified either by the CTA or by the regional government of the Maule region were at least starting to be implemented. Among all of them, however, perhaps the most valuable outcome was the extremely positive attitude to collaborate that was shown by both people and government at the local level with respect to the Maule region's poverty programme.

However, some interesting findings resulting from the implementation of this general strategy

of coordination can be noted in order to be considered for future actions concerning rural areas:

1. As the participative programme in 8 communes (most of them in poverty) illustrated, popular demands proved to be related to multidimensional issues of which only 25 per cent directly concerned the Ministry of Agriculture. So, efforts to improve social conditions upon a participative basis must be confronted collectively. Better levels of horizontal coordination appeared to be highly necessary especially if the rather vertical way in which the Chilean state is organised is taken into consideration. This requirement applies to the different territorial levels of government. In this regard, regional levels showed better levels of success for moving from policy-identification towards policy-implementation. However, the central level was significantly important concerning political support for deconcentrated programmes.
2. The identification of specific axes to guide multilateral programmes proved to be a favourable mechanism to improve horizontal coordination. This alternative not only made it easy to identify any sectoral component concerning these programmes but also facilitates a periodic process of evaluation regarding the central aim.
3. As the Penciahue canal programme of regional coordination showed, the establishment of linkages between nationwide and inter-regional programmes implemented by the state and regional governments have been positive. This alternative facilitates the supplementation of national and regional budgets and prolongs the implementation of programmes and measures with regard to the core articulative aim, through the utilisation of regionally-based budgets.
4. The relative spatial and functional isolation of some poor communes in addition to the scarcity of budgets that they present must not be misleading in any serious attempt oriented to confront rural development. This aspect is particularly important if the responsibility that local government has in financing both basic services (health and education) is considered;

education is the most determinant factor for helping new generations to escape from poverty. Both decentralisation and deconcentration are unable to achieve their inherent aims if they are not accompanied by significant additional flows of funding to regional and local governments.

5. Last, but not least, it can be argued that the need and possibilities for a direct and strong state intervention oriented both to minimize the symptoms and factors traditionally affecting developing countries and to minimize at least part of the externalities resulting from the adoption of outward-oriented strategies of development are not necessarily inconsistent with the requirement imposed by the advocates of the free-market economy. Conversely, one realistic challenge to overcome some of the existing constraints seems to be related to the necessity to develop better states in accordance with the challenges and restrictions imposed by the new international and national context.

There is no doubt that many additional considerations could be added. However, these have to be considered only as some preliminary conclusions resulting from a collective effort to improve rural conditions in rural areas, most of them developed in less than three years, and without budgets other than the sectoral ones. In this regard, further discussions and evaluations with respect to this attempt at public coordination are urgently needed from all the participating actors directly and indirectly involved in both the identification and implementation of the Coordination Programme for Rural Development. This evaluative feedback seems to be the most important prerequisite for determining the future role of the Interministerial Commission for Rural Development -CIDER.

11.2. Some Limitations of the Research

Many limitations can be mentioned with respect to the development and results obtained by this research. Some of them are:

1. Limitations in the identification of social groups and spatial areas concerning rural poverty.

Significant features related to rural poverty do also exist in urban communes (those with more than 50 per cent of their population living in urban areas). Furthermore, a large number of rural people live in small- and medium-sized urban centres (this was particularly the case of landless peasant farmers who migrated from the countryside as a result of the land market). Conversely, not all the rural population living in poor communes is directly affected by poverty. Consequently, any strategy to confront poverty under the current classification of rurality at the communal level (including the CIDER strategy of public coordination) would inevitably segregate out a large number of poor rural people. Unfortunately, no more disaggregated information on spatial areas in poverty but at the communal level was available in 1991. The same constraints apply with respect to the current definition of poverty. As was mentioned, there are a large number of variables and factors influencing poverty which are not considered by current statistical sources. This fact also induces some bias in the policy-making process.

2. Significant rural bias with respect to both diagnoses and policy-making propositions considered in this research:

The geographical division of urban and rural spaces is a rather fictitious and subjective process of socio-productive classification. All different geographical elements are continuously interacting through a mosaic of flows of goods, information, and energy which cannot be isolated from each other nor partially separated without putting at risk the holistic interpretation of social processes and patterns. Thus, the analysis and propositions of both rural processes and policies respectively concerning the Chilean case are inevitably affected by severe limitations, especially if the previous theoretical approach is taken into consideration. Several technical, institutional and political constraints very much restrict possibilities for using a wider approach. Unfortunately, as was mentioned before, to be aware

of the requirements of a proper balance between desirability and feasibility cannot be neglected as the very first step to be considered by a planner if he/she intends to have some level of access to both identification and implementation of policies. In any case, however, there is enough evidence of urban bias in theory and practice as to deny certain privileges to the rural population (Lipton, M.1977).

3. Constraints for evaluating CIDER's Programme for Rural Development in terms of its aims and the preliminary results:

Different limitations could be argued in this regard. In the first place, it is technically difficult to evaluate both failures and successes of a strategy whose main aim was to increase coordination; the accountability of coordination as a task is difficult to measure. This problem became the main reason for proposing control and evaluative stages for CIDER's future. Secondly, the short period that has occurred between the identification and implementation of different CIDER central and regional programmes make it difficult to evaluate CIDER's performance in terms of both: its position as a relatively new interinstitutional public body; and as an instrument oriented to increase the level of rural development. Concerning this last objective, there is no information on whether or not rural people increased their quality of life in those areas affected by CIDER programmes, and on the role played by all the other different bodies involved in rural policies within the national context. But without doubt, the main constraint for evaluating CIDER's performance is related to ethical principles, especially if the close link existing between the CIDER experience and the author of this thesis is taken into account. So, the level of objectivity of this inside analysis and evaluation is undoubtedly jeopardised by this condition. Therefore, further discussions concerning both the evaluation of this attempt for policies and on alternative means to increase public coordination for benefiting rural population are seriously required.

11.3. Further Possibilities for Research

In parallel to the requirements for additional research in concomitance with the previous limitations of the thesis, some additional fields of interest can be envisaged.

1. Analysis and forecasts concerning the future evolution of nontraditional exports in Chile:

The growing value of the Chilean currency resulting from both increasing exports and Chile's position as a new emerging financial market at the international level is making the reproduction of capital investment difficult in primary exports with low value added, as is the case with agricultural products. Recent problems resulting from the widening of the gap between the rising value of imported inputs for production and the lower exchange rate of the dollar in domestic financial markets is lessening the profitability of export-led production. Growing competition for Chilean table-grapes in Europe and North America from South African, Indian, and Brazilian production has become another factor of concern.

However, other products and regions have also started to be linked with world markets. As an example, fishery and seafood production has begun to contribute to the national economy and has transformed part of the Chilean coastal landscape. New extracting activities and small- and medium scale processing plants have become a relatively new source of income for a large group of people involved in this sub-sector, especially from Chiloe southwards. No significant information has yet been provided, however, on the regional impact of this activity. The recent trends of the Aisen and Magallanes regions concerning the establishment of spontaneous coastal hamlets, the marketing of local production with domestic and international traders (even during illegal extracting periods), and the severe environmental impact from these activities are still unknown.

Forestry activities are also supposed to increase in the near future. In addition to the spread

of exotic plantations, a new law concerning the exploitation of the native rain forest seems to be ready for its debut in the country. However, several environmental concerns have started to arise in the country mainly as a result of the significant geographical area covered by a rich native forest from the Maule region southwards and due to the explicit interest shown by large domestic and foreign companies in producing cellulose and chips. It is worth mentioning that some native varieties take more than a thousand years for reaching their maturity. The environmental problems currently affecting the southern extreme of the Magallanes region illustrate the problematic of resource-based industries in some regions.

Thus, in addition to the social impacts of the exploitation of the country's comparative advantages, environmental matters have recently become prominent. These social and environmental conditions will have to be more carefully balanced in the future against the country's long-term perspectives for both macroeconomic and regional success in supplying world markets. Environmental protectionist barriers, mainly in Europe, have become an important factor to be overcome for most primary-exporting countries (see Chapter 5).

2. Potential domestic impacts affecting the agricultural sector resulting from Chile's participation in new international trading-blocs (notably in NAFTA, APEC and MERCOSUR):

As the rural dynamic of the Maule region is starting to show the opening up of the economy is severely affecting the competitiveness of most of the traditional Chilean agricultural crops. Therefore, the balance between costs and benefits of such initiatives needs to be closely analyzed in order to deal with both domestic policies oriented to prepare the Chilean productive structure for international competition and for being well prepared for international negotiations concerning the future role of the country within all these trading blocs.

The complexity shown by most bi- and multilateral free trade agreements illustrate that

specific negotiations are required by item in order to establish a final general agreement. In this regard, it is important to mention that most of the current free-trade agreements determine not only possibilities for wider markets but also impose drastic regulations with respect to imports from non-participant members. Therefore, some potential benefits resulting from wider export possibilities concerning some particular countries could be neutralised by losses with respect to other nations or with respect to other trading blocs in which the country is starting to participate. In this regard, the potential impact in the country resulting from both economic and geopolitical complementarities and exclusions considering the future share of Chile in NAFTA, APEC and MERCOSUR need to be analyzed in depth.

Consequently, impacts at both intra-national and at the geo-political sphere need to be widely explored in advance of setting up final agreements with respect to the particular conditions through which the country is supposed to participate in any of the existing or emerging trading blocs. Lack of information concerning the potential final balance between imports and exports, with respect to the different advantages and disadvantages involved in sharing the existing free-trade agreement, would inevitably result in serious deterioration of the country's terms of trade, though some particular sub-sectoral benefits might arise.

3. Identification of new theoretical approaches concerning new regional dynamics that have evolved from the development of nontraditional exports:

In contrast to the fertile field for theories and policies that accompanied inward-oriented strategies of import-substituting-industrialisation in Latin America and Chile in which the growth pole doctrine was an illustrative example, very little has been said yet as regards the new socio-economic pattern of uneven development evolving in these countries. This aspect seems to be important in order to identify the new role of the state as a result of the democratic context regarding both social and territorial terms.

Undoubtedly, this field of concern needs to be approached from different perspectives. From the international perspective it seems useful to analyze some successful development experiences followed by those countries which have successfully evolved from the development of a socio-economic structure based upon the exploitation and processing of primary resources. Without doubt, some cases such as Canada, Australia and New Zealand could be more closely monitored in order to provide useful information concerning their specific development patterns. This aspects seems to be more closely linked to the socio-economic processes through which Chile has been historically evolving. However, significant literature has been more closely interested in trying to relate the Chilean case with the process of development followed by some Asian NICs (notably South Korea), regardless of the significant differences between these nations concerning both their productive structures and the role of the state.

From the national perspective, it seems important to develop new theories and developmental alternatives in closer relation to the new emerging regional patterns which have started to arise in Latin America. In any case, the impact of the development of nontraditional exports in Latin America is not a new process at all. Although there are some differences concerning the socio-political environment and the actors involved, the spread of multinational capital involved in primary exports in Central America and in some regions of northern Africa through the 1950s and 1960s has provided valuable information with respect to the main trends which affected rural population in these areas as a result of the spread of export-led crops and plantations.

In addition, more researches seem to be urgently needed with respect to the role that the state has to perform in developing countries affected by structural adjustment programmes. As this research intended to illustrate, a strong participation of the state in order to correct and revert painful social costs resulting from the spread of export-led productive capital seems not to be inconsistent with the requirement imposed by international funding agencies. Conversely,

it is clear that more state influence is required in order to confront uneven social development patterns. However, this does not necessarily mean the development of a bureaucratic public institutional framework but a more efficient and coordinated public system. In this regard, the experience which has started to result from the implementation of the country's new regional and municipal institutionality illustrates how the state can improve its performance in order to facilitate a more efficient and decentralised allocation of public resources. In this respect, more evaluative analysis is required especially with respect to the dynamic affecting both the socio-productive structure and the exercise of local government in the most functional and geographically-marginalised rural municipalities.

Last but not least, the dynamic affecting urban areas must also be monitored more closely. It is clear that most of the developmental factors powering the national economy come from the exploitation of rurally-based primary resources. In contrast with the urbanisation process resulting from the industrial substitutive model of development followed by the country since the late 1930s, the development of nontraditional exports seems not to be redirecting the population flows to the countryside but instead seems to be increasing rural depopulation. As a result, a growing number of urban people have been demanding better working opportunities in a geographical environment not closely related to the new socio-productive process of development. Therefore, further research in this geographical domain is also required in order to provide some information which could assist the public process of policy-making, especially with regard to the search for more even and long-term socio-geographical patterns of development. It has to be remembered that the process of administrative regionalisation of Chile was identified by using the nodal or polarised region as a main theoretical background. Very much related to the role of cities in industrialised economies, the main Chilean urban centres were thought to become the main generative centre for regional development during the late 1960s and early 1970s. Undoubtedly, this criteria was very much in tune with the process of substitutive industrialisation that the country was experiencing at that time. Since the 1980s, however, most of the productive economic flows

have started to be more closely related to primary activities; this also applies to the new industrial economic base in which the processing of primary resources has become an important part of the Chilean manufacturing sector. As a result, the traditional locational pattern of urban industrial concentration has started to be replaced by a more widely-spread location of Chilean industries throughout the country. No doubt, these new geographical processes provide valuable information with respect to the possibilities for further discussions concerning the analysis and identification of new typologies of systemic regional dynamics. This aspect seems to be particularly important when regions are identified in order to be utilised as an instrument for promoting regional development.

However, although there is no doubt that development is a challenge that needs to be pursued through long-term initiatives, it must be also remembered that there are urgent day-to-day needs affecting the poor, and that these can undermine the future of the whole society.

Appendix

Most of the information used in the analyses of the Norte Chico and Maule regions was directly collected in the field by the author either as a member of an academic research group or as an individual researcher.

- Information on the Norte Chico study area:

The five Norte Chico valleys have been extensively analyzed by the Department of Geography of the University of Chile since export-led table grapes started to be produced in the region in the early 1980s. Since then, the regional impacts of this productive activity have been monitored through: annual fieldwork with undergraduate and postgraduate students; through more than ten medium-term research projects (3 to 4 years) developed by academic staff of the Department of Geography and financed by the national scientific-research fund (FONDECYT); and through one international research project jointly developed by the Department of Geography of the University of Chile and Birmingham and the Environmental Change Unit of the University of Oxford. Thus, both preliminary and final information on processes affecting this study area have been presented in many national and international conferences by both students and staff of the Department of Geography. It is worth mentioning that most of the information available in Chile concerning the impact of nontraditional exports in the Norte Chico have been collectively produced and discussed through more than ten years by the same research team.

Therefore, concerning the information provided in Chapter 3, it has been collected from four main sources:

- a. Primary information collected by the author as regards: labour demand by producers

in both the Limari and Copiapo valleys (35 per cent of the land under table-grape plantations was surveyed); surface-area covered by vineyard plantations in the five Norte Chico valleys; origin of the labour force engaged in table grape activities (interviews with producers and questionnaires of labour working in the different productive stages in both the Limari and Copiapo). Due to the fact that most of this information has been presented in national and international conferences, the respective sources have been referred to in the bibliography in terms of the author's papers.

b. Direct periodic interviews (from 1984 to 1991) with key local people who have witnessed from within the process of restructuring in the Limari and Copiapo valleys: primary teachers, priests, directors of neighbourhood associations, and members of the police force.

c. Primary information collected collectively but processed and published by other members of the research group, together with the author or by students. This has been the case with information concerning land markets in both private and communal lands; on changes in land use; and in the social impact of vineyard expansion (these are quoted in the bibliography as papers).

d. Information jointly collected with both undergraduate and postgraduate students supervised by the author. The resulting dissertations and monographs are quoted under the student name.

- Information on the Maule region:

In addition to the published statistical information quoted in Chapter 4, most of the references were provided from direct interviews with mayors (in the cases of the Empedrado and Parral Municipalities), and with key informers who provided unpublished statistical information

which was used for illustrating the impacts of the opening up of the Chilean economy in the backward Maule region. As a result of this, valuable unpublished and preliminary information was collected from the Regional Government of Maule (SERPLAC), from the SEREMI of agriculture, and from INDAP. This information has been respectively quoted in the bibliography.

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