Local Economic Development, Governance, and Learning in Rural Latin America

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Local Economic Development, Governance, and Learning in Rural Latin America

The Case of the Lurín River Basin in Peru

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Executive Summary

The past twenty years have brought dramatic economic transformations to the rural villages of the Lurín River Basin in the Peruvian Andes. These include increased agricultural productivity due to the development of drip irrigation and several artificial water reservoirs in the village of San Andrés de Tupicocha, as well as the emergence of tourism as a new economic activity in Antioquia after the implementation of a community-led program that painted many of the village buildings and leveraged more infrastructure investment. The region has also become a national model for territorial approaches to development. In recent years, local and regional actors have created several institutional arrangements that seek to coordinate environmental and economic development strategies at the regional level.

What explains these successes in the region? Based on over 30 interviews and observation of six community meetings, we show that the community has successfully executed development projects in cases where joint action has occurred through dimensions that are both horizontal, i.e., coordination across municipalities, peasant communities or even families, and vertical, engaging the multiple levels of government from community to municipality to district to region to the nation-state. The mechanism that activates both of these dimensions is learning, which in rural Lurín occurs in many different forms, from technical expertise to confidence building to coordination across levels of government. Thus, learning is not just across horizontal and vertical networks, but it is two-way, both top-down and bottom-up. For Lurín, it is greatly facilitated by proximity to Lima, home to many national and regional government agencies.

Despite these innovations, rural communities in Lurín remain in poverty and there is little local ambition to achieve greater economic development. The region’s governance and learning failures examined in this report will also reveal the fragility of these horizontal and vertical coordination mechanisms. For instance, an apple processing plant has failed to achieve its potential, in part because it was essentially imposed on the community from above, as a bricks-and-mortar political gesture, and also because of the failure to train locals in the basics of sales and marketing. Thus, how can the region build on its successes and learn from its governance and learning failures?

Our interviews suggest that water and retaining the youth currently migrating to Lima are two issues that bring locals together with a regional vision. The recent establishment of a regional governance structure, called the Mancomunidad, is a promising project in the region to promote a more sustainable and territorial vision of economic development beyond the traditional sectoral/agricultural approach that had prevailed so far. However,
two years after the establishment of this institution, it has not been able to shift its focus to economic development. Although it is early to assess the role the Mancomunidad could play in economic development, we argue that it could potentially help to upgrade agricultural production and reach a broader territorial focus in the region. However, the path it is currently following will likely lead to improving irrigation and water provision without necessarily shifting into economic development. It will be key to sustainable territorial economic development in Lurín that the communities develop a shared vision that learns from and builds on the region’s recent successes and failures.

**Background and Conceptual Framework**

This study focuses on the Lurín River Basin, which is the southernmost of three river basins in the metropolitan region of Lima. The region’s population of over 165,000 (which includes the coastal communities) relies principally on agriculture and cattle for their livelihoods. In recent years, tourism is emerging also as a viable economic sector. Although non-governmental organizations (NGOs) have worked for over two decades to improve conditions and build local capacity in the valley, poverty persists for as much as half of the local population. Agricultural land is being abandoned, and the youth are departing for Lima.

We develop our conceptual framework based first on Jessop’s (1998) ideas of metagovernance and governance failure, adding in the notion of collective learning. We see metagovernance as a deliberate effort to directly coordinate a broader set of self-coordinated activities across networks. The self-coordinating networks might exist in an economic sector, spatial territory, or other system, and will consist of both firms and related institutions. They are reflexively self-organized, meaning that they develop a common language and vision around an issue, but also that they learn from failure and continuously attempt to adapt their behavior accordingly. This may create collective learning either horizontally -- between stakeholders in equivalent positions (such as firms) – or vertically, in hierarchies (as between suppliers and producers). Where coordination and learning across these networks is occurring, there is metagovernance.

According to Jessop (1998), for effective governance, local and regional actors need to simplify governance models and practices, develop the capacity for dynamic interactive learning, establish a common worldview, and develop a system of metagovernance to coordinate actions across space, time, and domains. These are, for Jessop, the key mechanisms for governance. In this study we focus on one key governance mechanism: learning. Recognizing the role of “know-how” and “know-who” in addition to technical expertise
(“know-what” and “know-why”), we show how individuals transmitting knowledge via their networks leads to effective governance in Lurín. We find three different modes of knowledge transmission and learning working in the basin: 1) local leaders who gain technical expertise elsewhere in the country and bring it back to the region to inform development processes; 2) farmers and associations who travel on learning missions (“pasantías”) to learn first-hand about innovations, i.e., a form of story-telling; and 3) NGOs building local capacity and acting as intermediaries between local communities and higher levels of government. This last mode in particular facilitates two-way learning: not only do locals learn about new ways of doing things, but also government officials become familiar with their practices, giving them legitimacy and access to resources. In some cases, governance failure, or the inability to learn and adapt from failure, may be exacerbated by spatial factors, either simple lack of proximity or functional divisions (as between units of government). Fragmentation and unequal cluster participation may prevent subregions from reaching their endogenous potential, whether from natural endowments or social capital (Davoudi et al. 2008). Thus, effective metagovernance will horizontally coordinate subregions within a state as well as vertically from municipalities to the national level.

The debate about the role of spatial proximity in the transmission of knowledge, i.e., learning regions versus organizational communities of practice, presents an interesting framework in which to view the Lurín case. Much closer to Lima than other Andean communities, the region has benefited from this proximity, which fosters vertical connections and two-way communication, while also permitting many locals to live dual lives, as comuneros and Lima residents. At the same time, many of the region’s successes come also from knowledge transmitted through rural communities of practice, i.e., learning about innovations in other regions in Peru through different kinds of relationships.

The literature on rural economic development also suggests some directions for the Lurín case. Previous efforts have shown the importance of moving beyond an approach centered on the agricultural sector to a broader vision of rural development that takes into account a variety of rural livelihoods. Economic development efforts that cut across sectors – e.g., economic activities that link agriculture and tourism – can successfully position a territorial view of the Lurín River Basin economy. The shift in focus from sector-based to territorial-based development may help foster local buy-in to economic development programs.

There are, as yet, no silver bullets for rural economic development, and given the uncertainty about what works, it is important to start with the existing networks and visions of the local community as well as the initiatives
they have already undertaken. These might be based on a common economic activity, sector or a particular theme of interest as it is easier to build trust and networks of collaboration among rural residents around a clear topic or goal. For instance, the building of water reservoirs to improve agriculture is the result of a very successful collaborative effort by farmers in Lurín villages that came up after they developed a shared vision about how to improve irrigation. The Lurín case is also an example of an effective way to improve a common-pool resource, such as irrigation, through self-governance and bottom-up collaboration as opposed to the more traditional ways of dealing with “the tragedy of the commons” based on either the market or strict top-down regulation (Ostrom 2002).

**Institutional and policy innovations in the cuenca, 1980-2008**

Due to its geographical proximity to Lima, the extensive involvement of national government agencies and influential NGOs in recent decades, and the decentralization of government functions, the Lurín River Basin has experienced policy and institutional experimentation. For instance, Lurín has been the site of innovative government programs such as “Pro-Cuenca” (2004) which sought to shift the focus of traditional river basin management programs towards more multidimensional territorial strategies. The mayors of the basin have also been among the first in Peru in creating regional associations under the institutional framework of the Mancomunidad de Municipios, allowing the promotion of projects with a regional vision.

The results of these policy and institutional experiments, however, have been mixed. Interestingly, the most innovative local economic development initiatives in recent years (e.g., the building of water reservoirs in Tupicocha or the emergence of tourism in Antioquia) have come not from policy or formal institutional innovations but rather from complex collaborations between local residents, the state and NGOs.

Governing economic development in the basin are a number of public sector, civil society, and private sector actors at different levels. Multiple different politico-administrative divisions in Perú, all elected bodies, have jurisdiction over the basin: the regional and provincial governments of the Metropolitan Municipality of Lima (MML), the provincial municipality of Huarocharí, and its seven district municipalities – each also made up of multiple divisions called comunidades campesinas (peasant communities, 20 in total in the basin). Although the municipality has responsibility for most service delivery (both basic services and education), comunidades campesinas play an important role in terms of governing communal property and water usage, as well as fostering civic participation. In Lurín, the Mancomunidad is comprised of the seven district municipalities, as well as the provincial municipality of
Hurarochirí. In addition to the comunidades campesinas, NGOs play a powerful role in local governance. In contrast, the private sector, consisting mostly of associations of local producers, is minimally represented.

In 2009, CGDD (Global Center for Development and Democracy) and CIED (Research, Education and Development Center) started a territorial development project in Lurín with the technical and financial support of IDB/MIF. The goal of this 3-year long project is to improve the competitiveness of the Lurín River Basin through the joint action of the region’s public and private entities (IDB Memorandum, Boletín E-governa No 19). To achieve this, four lines of action were proposed by IDB/MIF and CGDD: “(i) strengthening of public-private avenues for action on economic and environmental development; (ii) promotion of supply chains with territorial identity; (iii) support for the development of public-private initiatives capable of fueling investment; and (iv) monitoring, evaluation and dissemination of lessons learned” (IDB memorandum). In order to improve the competitiveness and articulation with the market of the supply chains of the region’s main products and services (including fruits, legumes, cattle and tourism), CGDD is promoting the creation of producer associations (Governa 2012).

**Economic Development in the Basin**

As many point out, it remains a challenge for locals to develop a long-term outlook for the basin, or to become conversant in economic development tools. In the planning workshops sponsored by the CGDD project, the meetings for participatory budgeting, and the interviews conducted for this research, locals from across the basin express two overriding goals for their municipality: improving access to water and stemming the outmigration of youths. In contrast, the many actors working in Lurín, particularly the CGDD and CIED, continually articulate their visions for the area, both via ongoing meetings of the Mancomunidad and through the planning workshops. The NGO vision reflects and incorporates the local vision, but explicitly emphasizes the need for territorial economic development to generate wealth and stem outmigration, i.e., to eradicate local poverty.

Residents of the Lurín River Basin have long relied on agriculture as their main economic activity. Therefore, sudden changes in the supply or demand of agricultural products or technological innovations in irrigation or seed quality have had deep impacts on the welfare of Lurín’s population. Given its proximity to Lima, changes in Limeños’ demand for agricultural products have also deeply affected Lurín farmers. Its proximity to the large market of the Peruvian capital is not however a guarantee that Lurín products are sold there, as many factors such as quality standards, demand changes, and access to
supermarket chains can act as barriers of entrance for Lurín agricultural products.

**Water Reservoirs and Tourism**

After the first artificial reservoirs were built in 1991, through the collaboration of the Cullpe community led by Teodoro Rojas, and the irrigation and agricultural productivity improvements became obvious, a positive attitude towards change and innovation emerged in the Basin. According to Mayor Rojas, about 60 people from different communities have visited Tupicocha’s reservoirs to learn from the experience. NGOs and different government agencies became very interested in promoting these irrigation innovations and have funded numerous “pasantías” to try to replicate them in other rural communities in Peru and beyond.

The public-private collaboration around the building of water reservoirs represents one of the most interesting and effective cases of governance initiatives in the Lurín River Basin. Under Tupicocha Mayor (and Mancomunidad President) Teodoro Rojas’s leadership, the national government awarded the Mancomunidad funding for two technical studies for reservoirs that will provide 15 million cubic meters of water for the region. Compared to the one million cubic meters of water of the 8 reservoirs built in the region in the last decades, this will represent a significant improvement for peasants in the region. The interesting part of these improvements, from a governance perspective, is that they build from the initial bottom-up collaborative efforts undertaken in the Cullpe community in the 1980s, and result directly from the various types of governance mechanisms and learning, which built local confidence and vision. First, Mayor Rojas leveraged his technical knowledge about reservoirs to have his family build a reservoir, which builds the trust necessary to establish new associations of farmers. Second, higher levels of government in partnership with NGOs have successfully institutionalized these bottom-up initiatives via pasantías and political leadership from the bottom up. This has not always happened with other economic activities. For instance, the successful governance structure that facilitated the emergence of tourism in Antioquia in 2005 has not been institutionalized in the same successful way.

Although a successful governance structure had emerged by 2005 around tourist initiatives, subsequently local actors have not succeeded in facilitating successful joint action either vertically, across multiple layers of NGOs and government, or horizontally, between associations or sectors. Another symptom of fragmentation is the lack of agreement around the next steps to expand tourism in the region. There has been duplication of efforts to elaborate a strategic plan for tourism in the area resulting in the fragmentation
and the creation of governance tensions and learning blockages among the many actors that take part in Antioquia’s emerging yet potentially productive tourism network.

**Towards territorial governance for economic development in Lurín**

The last twenty years have seen catalytic changes in the middle and upper Lurín River Basin. Among the most innovative and transformative have been the reservoir projects in Tupicocha and the painting in Antioquia; the apple vinegar plant and the ongoing efforts to develop tourism have been less successful. Accompanying these developments is the emergence of new governance mechanisms, including the Mancomunidad, the Council of Water Resources, and a network of NGOs. With a supportive national government as well, these new forms of governance offer hope to leverage even more change.

The examples of the reservoir and painting projects illustrate how effective territorial governance for economic development works through different types of learning, the development and mobilization of a shared vision, and efforts that are linked both vertically and horizontally. Both cases drew on three types of learning: technical expertise (Mayor Rojas’ engineering background and Enrique Bustamante’s artistic skills); storytelling (Rojas’ visit to Gallito Ciego dam, the inspiration to do tourism from the Cieneguilla example, and the subsequent pasantías to see other touristic places); and capacity-building (deep technical assistance and leadership development from CIED and now CGDD). The three types of learning work together: the pasantías and storytelling legitimate the technical expertise. As Juan Sánchez explains, “that one farmer sees that which the other is doing is better than having an engineer teach it to him.” All types of learning are facilitated in part through the efforts of the NGOs.

Both cases utilized both horizontal and vertical networks for “know-how” and “know-who,” creating a space for two-way learning and the creation of a community of practice around a common vision. In the reservoir case, local families organized (horizontal) joint action, articulated a clear vision for the future, and gained the attention of higher levels of government. In the tourism case, network contacts from outside (i.e., vertical) initiated the project, but then locals developed ownership, confidence and a shared vision for the paintings, then organizing joint action. In both cases, proximity to Lima has facilitated the transfer of knowledge. And as one mayor pointed out, because the visions and benefits are shared, these strategies are inclusive as well. Thus, the Lurín case is best understood by analyzing the socio-spatial context of the various governance mechanisms organized by social relations and sector as well as the
metagovernance that support them, rather than conceptualizing it as a “learning region.”

The Lurín case has some important lessons for other rural regions with economic development needs. It suggests that while governance mechanisms around a problem or need might emerge relatively easily, the consolidation and institutionalization of that effort is a far more difficult process. The development of a shared vision is key in order to scale up public-private projects to the regional level. However, the Lurín case shows that an effective shared vision and institutionalization of economic development initiatives will come only when actors in territorial governance identify and build on already existing collaborative projects and governance mechanisms from the bottom up. Governance mechanisms and learning may be easier to develop within a sector or within a clearly bounded problem area, particularly in the initial stages. Then, it is by building and supporting the different types of learning that territorial projects can be eventually successfully developed and institutionalized sustainably.

The failures in governance – specifically, the challenges in economic development in agroindustry and tourism – seem to occur when these dynamics of learning and networks – and the leadership that grows out of these dynamics -- are absent. For instance, the apple vinegar plant is arguably a failed exercise in capacity-building, since training stopped short of capacity-building in marketing. The effort did not result in a shared vision, perhaps because it was too much of a top-down approach without local ownership. Similarly, in the case of tourism, there is a collective action failure along both vertical and horizontal dimensions. Despite the significant cultural and historic assets in the region, touristic efforts have not succeeded in gaining the national attention that the reservoirs have. Actors from outside the municipalities (particularly the NGOs) have not succeeded in making vertical connections, perhaps in part because they have not built on existing local associations. Instead of a shared vision, there is local fragmentation. Governance failure is due in part to the change in municipal administration, which has been less supportive of tourism. Still, if locals had succeeded in developing a collective vision for tourism, then they would have likely also elected a supportive mayor.

How might a collective vision and identity emerge for the basin? We have found that the idea of keeping the youth from emigrating to Lima, as well as the issue of water, came up as key worries among the residents in many of the village meetings about the economic development plan. Supporting governance mechanisms and association initiatives that help retain youth in the region may prove to be a successful way of building metagovernance for territorial economic development from the bottom up.

Thus, the successes in the basin are not yet about economic development, although the new 2021 Plan is a step in that direction. Despite considerable
success in water governance, locals experience difficulty in extending this system to the management of economic development; joint governance of common pool resources like irrigation provides clearer costs and benefits than does managing the development of private enterprise. The failed apple processing plant is illustrative: many members of the association withdrew after the governance process failed to meet key design principles.

This creates a challenge for funders like the IDB/MIF, which would like to strengthen local economic sectors, particularly via supply chain strategies. These types of specific interventions may need to wait until they become part of a vision shared by locals. Instead, outside funders might best focus on ways of fostering different types of learning, not just within the basin but also at higher levels of government. Obviously, pasantías can play a catalytic role, but ideally their participants will not just sight-see but also gain some technical expertise and capacity (for instance, in teaching themselves how to market their agricultural products). Given the proximity of Lurín to Lima, there is an opportunity to create a form of pasantías in reverse, bringing officials to the river basin to learn not just about the reservoirs but also the infrastructure needs and tourism potential in the “last green valley.” Within the basin, actors within agroindustry and tourism will need to educate their communities more about the potentially broad benefits of developing these sectors.

Stimulating learning and fostering a vision might first require strengthening associations organized by sector. Both the agriculture and tourism sectors would also benefit from stronger ties to higher levels of government (whether through pasantías or other forms of networks). Once these groups develop their own cohesive visions, then they might learn where there is common ground and begin coordinating. In the long run, by reconciling different visions, and sharing learning more broadly, the governance of the Lurín River Basin can position itself to make a difference.
**Introduction**

While the 21st century has brought new prosperity and global clout to Latin American cities, rural Andean regions continue to lag behind in terms of economic development. Although some rural regions in Peru have been able to create economic development via agriculture or tourism, most continue to have high levels of poverty relative to urban centers. Economic development models such as the focus on supply chains for agroindustry or the attraction of an international tourist market are not reliable formulas for all rural regions. Moreover, in much of Latin America, decentralization has resulted in an extensive reorganization of territorial governance, not always coupled with appropriate expertise and resources at the local and regional levels.

This study focuses on the Lurín River Valley, which is the southernmost of three river basins in the metropolitan region of Lima. The valley extends from the coast to the Andean mountains, elevation 4,200 meters, and includes seven districts of the province of Huarochirí (San Andrés de Tupicocha, Santiago de Tuna, San Damián, Lahuaytambo, Langa, Cuenca or San José de Chorrillos, and Antioquia), as well as the districts of Cieneguilla, Lurín, and Pachacámac (excluded from the study). The valley’s population of over 165,000 (which includes the coastal communities) rely principally on agriculture and cattle for their livelihoods. In recent years, tourism is emerging also as a viable economic sector. Although non-governmental organizations (NGOs) have worked for over two decades to improve conditions and build local capacity in the valley, poverty persists for as much as half of the local population.\(^1\) With recent improvements in irrigation and other infrastructure, local, regional, and national actors have turned their attention to economic development. The Global Center for Development and Democracy (CGDD), as well as the Research, Education and Development Center (CIED), are working with the Multilateral Investment Fund of the Inter-American Development Bank (IDB/MIF) on a project to boost competitiveness through building local governance capacity to manage and promote economic activity in the agricultural and tourist sectors.

Based on over 30 interviews and observation of six community meetings, we examine how governance initiatives that resulted in successful projects in the community have occurred. We look at dimensions that are both horizontal, i.e., coordination across municipalities, peasant communities or even families, and vertical, engaging the multiple levels of government from community to municipality to district to region to the nation-state. The mechanism that activates both of these governance dimensions is learning, which in rural Lurín occurs in many different forms, beyond the simple transmission of technical expertise to the building of confidence in community members and the
improvement of communication among levels of government. For Lurín, learning is also greatly facilitated by proximity to Lima. Yet, the region is struggling to develop effective territorial governance institutions for economic development and to attract private sector investment.

In this report, we argue that building on the vision of local communities, as well as understanding the goals, learning processes and governance dynamics that were at play in the design and implementation of Lurín’s successful water and tourism projects, can help the region’s actors come together to develop an economic development strategy. Three types of learning – technical expertise, story-telling, and capacity-building – interact to create the knowledge, networks, and leadership that are critical to economic development governance.

This report begins with a review of relevant literature on territorial economic development, governance, and learning. After presenting a framework to think about the Lurín case, we provide an overview of the case background (socio-economic conditions and history). The next section looks at how governance functions in the Lurín River Basin, particularly given the context of recent decentralization reforms undertaken in Peru and the rural characteristics of the area. We then look at economic development strategies in the agricultural and tourist sectors, looking at the role of human capital, networks, and horizontal and vertical cooperation. The conclusion looks at the sustainability of current efforts and discusses implications for policy and institution-building efforts based on the lessons provided by the successful governance initiatives that took place in the region.

**Territorial governance of economic development: A review of the literature**

In recent decades, cities and regions have assumed increasing importance in designing and implementing economic development strategies (Borja 2001, Scott 2001, Scott and Storper 2003). Such an understanding of local economic development has coincided with a widespread devolution, particularly in Latin America, of political, administrative, and financial powers from national to municipal and other subnational governments (Falleti 2010, Grindle 2007, Montero and Samuels 2004). Yet, the lack of institutional capacity, skills and resources of many local officials and agencies, as well as the lack of clarity about how local governance structures should be organized to promote economic development obstruct efforts to achieve clear and positive results in this area. This has been especially the case in Latin American rural areas where decentralization reforms have been met with high hopes from rural
communities and NGOs but also with remarkable institutional deficiencies (Bebbington 1997). Economic development in rural settings faces particular challenges such as persistently high poverty rates, the role of agriculture as dominant economic activity, the pull of nearby cities, the weakness of the private sector, or the lack of specialized human capital (De Janvry and Sadoulet 1993).

To develop a relevant theoretical framework that allows us to study local economic development processes in the Lurín River Basin in Peru, in the following sections we will review three strands of literature. The first is on the territorial basis of economic development, with an emphasis on rural areas in developing countries. The second is on the increasing role of governance or public-private modes of coordination in policy-making processes and economic development decisions, with an emphasis on decentralization reforms and current subnational politics in Latin America. The third literature is on the role of learning in local and regional economic development. Given the weakness of the private sector as well as inter-firm relations as sources of learning in rural Latin America, we will put the emphasis on individuals, NGOs and associations as learning agents.

The territorial basis of economic development

The field of rural development has moved towards a more territorial focus in tandem with the IDB/MIF’s own shift. While the field can be superficially characterized with “the 1960s as modernisation, the 1970s as state intervention, the 1980s as market liberalisation, and the 1990s as participation and empowerment,” the reality is that these paradigms have often overlapped in particular rural development initiatives (Ellis & Biggs 2001). At the core of rural development discussions is a key preoccupation with the dynamics of agriculture and its impact on peasants’ income and welfare.

De Janvry (2010) has argued that, in Latin America, the role of agriculture as an economic development instrument has changed from being central -as part of the high road to industrialization strategies that took place in the 1960s and 1970s- to having numerous implementation failures during the years of the import-substitution industrialization (ISI) model, to finally being forgotten during the Washington Consensus era. Effective rural strategies for economic development includemaking small-holder farming more productive and sustainable by improving price incentives, making product markets work better, improving access to financial services, enhancing the performace of the producer organizations, promoting innovation through science and technology, and making agriculture a provider of environmental services (World Bank 2008, 8-18).
What most rural development scholars seem to agree on is the need for a renewed rural development paradigm in which agriculture is one among many options to improve the lives of the rural poor (De Janvry et al. 1989, De Janvry and Sadoulet 1993, Ellis and Biggs 2001, World Bank 2008). While agriculture continues to be an important source of employment in rural areas, particularly in Latin America (De Janvry and Sadoulet 1993), a new paradigm of sustainable rural livelihoods is emerging, i.e., broadening income sources beyond subsistence farming to a variety of rural and non-rural activities, such as crafts production, housing investment, and remittances (Bebbington 1999, Ellis and Biggs 2001).

This has also been the case for international development institutions. For instance, IDB’s current rural territorial development policy seeks both “an increase in the economic profitability of campesino units through increases in agricultural productivity” and “the development of new non-agricultural rural activities… which because of their scale may best be assisted through associative structures” (IDB website, accessed Aug 24, 2012). Moving towards a broader vision of rural development seems to be the key challenge in designing effective economic development initiatives in rural areas, and a more territorial vision of development, such as that advocated by the IDB/MIF, may prove a useful way to move forward beyond the sectoral focus that has prevailed in many rural development strategies in the past (De Janvry et al. 1989).

**Territorial governance**

Territorial governance refers to a new way of governing space in which NGOs, the private sector, and other non-state actors are given a more significant and active role in public decisions, policy-making, and planning. Governance makes use of networks, public-private partnerships and instruments such as strategic and participatory planning as opposed to top-down comprehensive planning and bureaucratic state institutions. As defined by Jessop (1998:29), governance is the “self-organized steering of multiple agencies, institutions, and systems which are operationally autonomous from one another yet structurally coupled due to their mutual interdependence.”

In the case of rural areas, self-governance of “common pool resources,” or finite natural or man-made resources (such as an irrigation system) can be highly effective (Ostrom 1990, 2002). When a common pool resource can attract free riders and create negative externalities, commons governance can provide monitoring and sanctions and maintain social norms. Ostrom discusses the case of Nepalese irrigation systems, constructed and maintained by farmers with some funding from international NGOs. By adhering to some key design principles – excluding those unentitled, providing benefits equitably, and
developing communication mechanisms -- self-governance is associated with improved performance. Other key design principles include broad participation in the design of regulations, effective monitoring, graduated sanctions, and recognition of the legitimacy of governance by higher authorities. For larger resources (such as a river basin), it will be important to develop a system of nested governance, with small self-governing groups connected into higher-level groups. As Ostrom (2002: 16) concludes, to increase benefits to users, as well as decreasing monitoring and sanctioning costs, “…it is essential to draw on cultural endowments and their knowledge of local resources to find innovative institutions that fit local conditions.”

The concept of governance has proven as a valuable analytical tool to move beyond binary categories such as public/private or state/society that have long dominated the study of the government decisions. It is particularly useful in the Latin American context, where decentralization, liberalization and democratization reforms in the last three decades have blurred the lines between the public, private and civil society sectors (De Janvry and Sadoulet 1993, Bebbington 1997).

Decentralization and governance in Latin America

The rising interest in urban and regional governance in Latin America can be explained, at least partially, by two key factors (Chapple, Montero and Sosa 2012). First was the new state configuration brought by decentralization processes that during the 1980s and 1990s empowered and opened up subnational governments throughout the continent (Borja 2001, Montero and Samuels 2004, Falleti 2010) and second was the emphasis on governance in the last two decades promoted by many of the international development institutions present in the subcontinent, particularly the World Bank (World Bank 1992, World Bank 1994) and the Inter-American Development Bank (IDB 2002).

Over the last three decades, Latin American countries have witnessed an unprecedented rise of the role of subnational scales of governance in the formulation and implementation of public policies and in the administration of public resources (Falleti 2010, Montero and Samuels 2004, Campbell 2003). The novelty resided in the structural transformation of subnational governments from a mere administrative subdivision of the nation-state, run by appointed mayors and governors, to new and more sophisticated entities run by elected officials. Local governments, often in association with other stakeholders of the local and regional economy, are now at the frontline of designing and implementing economic development initiatives. In this new context, NGOs have increased their presence and visibility in policy and economic
development strategies. This is particularly true in rural areas, where the presence of the private sector is weak. For instance, Bebbington has shown how Latin American NGOs working on rural development are now often asked to “assume some of the roles previously played by the state, and also roles typically performed by commercial organizations” (Bebbington 1997, 1755).

The “good governance” approach also links governance and economic development. Recognizing the failure of the Washington Consensus’ emphasis on market mechanisms for the delivery of public goods and services, the new “good governance” consensus suggested that development depended not just on markets but also on the healthy functioning of the state and state institutions and the participation of civil society (World Bank 1994, IDB 2002, McCarney 2003). This new development paradigm increasingly relies on specific policy instruments, development mechanisms and governance structures that are mobilized by a multiplicity of development actors including local and regional governments, NGOs, consultancy firms, transnational activists, etc. (Cahn 1993).

Accompanying this new paradigm there has also been a shift towards territorial governance in economic development strategies. In a climate of opposition to industrial policy, the IDB/MIF began to explore alternative approaches to local economic development. Since 2007, its new policy, “Promoting local competitiveness,” has functioned as its central tool for fostering growth of micro, small, and medium sized enterprises. The MIF has partnered with local, regional and national entities in the majority of countries of the region, establishing LED strategies and programs in over 32 subnational regions. The current MIF approach is to build collaborative mechanisms among the major economic actors of a locality. This territorial governance is to overcome the obstacles to local economic growth and business productivity that stem from weak institutions and ineffective regional collaborations.

**Governance mechanisms, governance failure, and metagovernance**

According to Jessop (1998), for effective governance, local and regional actors need to simplify governance models and practices, develop the capacity for dynamic interactive learning, establish a common worldview, and develop a system of metagovernance to coordinate actions across space, time, and domains. These are, for Jessop, the key mechanisms for governance. For example, a program such as agricultural producer cooperatives, which not only has a complex institutional structure but also a complicated history in the Peruvian context, will need to be translated into terms that farmers can readily understand in order to get their buy-in. The capacity for learning may come
not just from public sector or NGO investment in training, but from other sources as well, such as social network ties that help create shared experiences. The mechanism to build a shared vision across governance system participants might be establishing a participatory process to allow actors to come to agreement.

In contrast, Jessop (1998) developed the notion of *metagovernance* as a counter-process through which economic and political coordination is achieved against the possibilities of network failure. Governance and metagovernance can sometimes fail; for instance, when the political goals or the composition of the deciding actors are too far removed from the changing concerns of the population or in the presence of deadlock and irreconcilable conflict. Therefore Jessop (2005, 4) suggests three inter-related strategies to avoid metagovernance failure:

1) Deliberate cultivation of a flexible repertoire of responses.
2) Self-conscious monitoring and reflexivity about governance, its objects, and its outcomes
3) Self-reflexive 'irony', whereby participants in governance recognize the risks of failure but proceed as if success were possible.

According to Sorensen and Torfing (2009), metagovernors should combine hands-on and hands-off methods, stepping back from network design but offering a more hands-on approach in terms of network management and participation. Storytelling is an important governance tool to define the joint mission of the network: storytelling through the dissemination of ‘best practices’ can also be an effective tool to align the goals of network actors and convince them of the urgent need for coordination and joint action (Sorensen and Torfing 2009). However, as yet this framework has not moved beyond the descriptive realm, and it remains to be seen whether its observations can be molded into prescription for action on the ground.

**Territorial learning and innovation**

Alongside the rise of interest in governance, many theorists influenced by evolutionary economics (e.g., Nelson and Winter 1982, Dosi 1982) have also begun to examine the role of learning in local economic development. As opposed to understanding firm behavior in terms of transaction costs, evolutionary theorists interpreted firm behavior as derived from the routines that firms employ in their everyday operation. When the standard responses and routines that a firm possess are no longer enough to deal with a new problem, these routines need to change through learning, which evolutionary economics interprets as a cumulative and path-dependent process.
Much of the interest in learning grows out of Polanyi’s (1958) distinction between tacit and explicit or codified knowledge. Some knowledge cannot be conveyed using symbolic means of representation, either because it is unconscious (e.g., knowing how to ride a bicycle) or because available codes are inadequate. This tacit knowledge may best be acquired through demonstration, imitation, and practice, often in a master-apprentice relationship. Since it is built out of personal experience, is often context-specific, and is difficult to pass on to others, networks of associations are key to its transmission (Von Hippel 1994). A common social context, in the form of shared language, values, and culture, can facilitate the transfer of tacit knowledge (Lundvall & Johnson 1994).

Various types of knowledge shape the capacity for local economic development (Lundvall & Johnson 1994):

1. **Know-what**: broad knowledge about facts;
2. **Know-why**: an understanding of scientific principles;
3. **Know-how**: specific skills, including not just the knowledge of how to produce goods and services but also to bring them to market; and
4. **Know-who**: the density and strength of social networks.

In particular, the know-how and know-who tend to be transmitted tacitly and depend on local context. However, considerable uncertainty remains over the role of spatial proximity in providing this social context (Gertler 2003).

The process of sharing tacit knowledge, recombining it into new knowledge, and overcoming the organizational inertia that creates resistance to change, creates collective learning, essentially the territorial equivalent of the learning that happens within firms (Lawson & Lorenz 1999). Collective learning has political dimensions and actors must negotiate change; in order for leaders to decide to incorporate new knowledge, they must become conscious of the need for change, often via external threats like competition from other firms (ibid.). Helmsing (2001, 303) has argued that while the local economic development literature focused initially on the creation of positive market-based externalities for firms, more recently, the role of non-traded interdependencies that reside in a particular territory, such as common services, norms and standards or codes of conduct for public and private actors, have gained in significance. Collective learning is “the interaction between firms and territorial institutions that regulate and/or are responsible for support systems like training centers, universities, etc.” (Helmsing 2001, 303). Collective learning can therefore generate new forms of local economic governance and, more importantly, it can also lead “to the development of new tailor-made institutions which in turn enhance local capabilities” (Helmsing 2001, 304). At the local governance level, it can create new “regional competence” (Helmsing 2001, 302), specifically, the ability to spot change, create and communicate awareness, and spur the mobilizing of resources.
The learning region debate

The learning region framework aims at giving a spatial emphasis to the literature on learning and innovation that, at the time, seemed to favor a-spatial notions of networks and firms as key agents of learning (Cooke and Morgan 1998). However, Rutten and Boekema (2012, 981) argue that the local economic development literature would benefit from a more sophisticated approach to learning and space, moving “from the learning region to learning in a socio-spatial context.” This conceptualization resolves two key problems of the learning region literature: 1) its excessive focus on firms and inter-firms relations as opposed to a focus on the individuals that take part in learning processes; and 2) the a-priori assumption that learning networks take place within the region only, which ignores other spaces and networks through which learning can occur.

Another set of critiques come from the literature on communities of practice, or individuals who, connected to each other by shared experience, expertise, and focus, engage in collective learning (Lave & Wenger 1991, Brown & Duguid 1991). Learning regions are premised upon the localized nature of tacit knowledge, specifically, the difficulty of articulating such knowledge over long distance, the need for learning experientially, and the role of common social context in effective knowledge sharing (Polanyi 1958, Von Hippel 1988, Lundvall & Johnson 1994). Communities of practice scholars see knowledge as acquired not through the simple transfer from one person to another, but as socially constructed out of environmental context, social relations, and historic paths. Learning is two-way, changing both how a learner sees the world and how the world sees the learner (Brown & Duguid 2001). It often takes the form as a “living curriculum,” occurring in forms such as storytelling, conversation, coaching, and apprenticeship (Wenger 1998). Rather than acquiring expert knowledge, learners are discovering how to behave in a particular community (Brown & Duguid 1991). And because communities of practice are organized by social relations – whether organizations, networks, or occupational groups – tacit knowledge flows within them across geographic borders, regardless of spatial proximity, in an “extra-localization of cultural ‘closeness’” (Bunnell & Coe 2001:583, Amin 2000).

Learning in a rural context

The focus on individuals and networks within a socio-spatial context is particularly useful for our research aims, given the weaknesses of the private sector in remote rural areas in Latin America compared to their urban counterparts. For instance, while many authors have recognized that local associations are a key instrument to develop the conditions necessary for
collective learning (Keeble et al. 1999, Morgan 1997, Raco 1999), many of these authors refer mostly to local business associations and the dynamics of firm learning. Less is known about how non-business associations such as peasant communities (or similar civil society organizations in the urban context) can foster institutional learning or economic development innovations.

One longstanding debate in local economic development is the role of exogenous versus endogenous approaches, with exogenous development implying the provision of incentives for firms to relocate, and endogenous approaches focusing on building the capacity of local entrepreneurs. In practice, neither has been particularly successful; attracting firms from outside creates too much dependence on large firms, while local capacity-building can be co-opted by powerful locals or undermined by apathy (Murdoch 2000). A network perspective focuses instead on social and economic relations that are key for the prosperity of a territory. Murdoch distinguishes between two types of networks that are useful for studying the economy of rural areas: 1) vertical agro-food networks, in which farmers and rural areas are linked to broader supply and production chains, in part because of the market value of their proximity to nature; and 2) horizontal networks or what Murdoch calls “the new rural networks of innovation and learning” (Murdoch 2000, 412). If clusters of small firms that engage in dynamics of co-operation are key for the new economy, then he argues that the “old structures” of rural areas such as small farm systems or artisanal workshops, with their high levels of trust and socio-cultural cohesion, are actually well equipped to form the new horizontal networks of rural economic growth (Murdoch 2000, 414). However, the challenge for external actors, such as public agencies (or the IDB/MIF), is to intervene and build networks without just reproducing existing weaknesses (Murdoch 2000). Further, the traditional structures of rural areas, such as associations of families, may resist change, creating “lock-in” situations (Helmsing 2001).

Local economic development strategies in rural Peru

The Andean regions of Peru have been fertile ground for policy experimentation. Escobal and Valdivia (2004) have argued that many of these strategies have traditionally focused on agrarian development and since the areas in Peru with more agrarian potential are in the coast, many rural areas in the Andes were condemned to poverty assistance policies. Based on previous and extensive research in Peru, Escobal and Valdivia (2004) highlight four elements that should be central in any economic development strategy aimed at improving the lives of the rural poor in the Peruvian Andes. The strategy:
1) is attentive to available natural resources, the current productive structure and historical-cultural legacies;
2) assumes a broad vision of rural development beyond agrarian development;
3) considers sector-neutral policies and includes poverty reduction and human capital development mechanisms; and
4) identifies current market failures as a base to design interventions.

In recent decades, tourism has become a booming industry in Peru (Desforges 2000) and an increasingly attractive economic activity for many rural communities in the country (Fuller 2011). Tourism has been both praised as a sustainable economic activity that can benefit many actors all at once, but also as an activity that can be easily monopolized by a handful of private actors (such as big hotel chains) and be detrimental for the local environment and local culture. In general terms, however, many authors agree on the fragmented character of tourism as an economic activity. For instance, in their analysis of tourism in Cusco, Ladkin and Martinez Bertramini (2002) have shown how tourism involves many actors and stakeholders and cannot be promoted by one single entity. They also show the uneveness of tourism in Peru, with a high percentage of tourists concentrating in the Cusco-Machu Picchu area.

**From the literature to the conceptual framework**

We develop our conceptual framework based first on Jessop’s (1998) ideas of metagovernance and governance failure, adding in the notion of collective learning. We see metagovernance as a deliberate effort to directly coordinate a broader set of self-coordinated activities across networks (Figure 1). The self-coordinating networks might exist in an economic sector, spatial territory, or other system, and will consist of both firms and related institutions. They are reflexively self-organized, meaning that they develop a common language and vision around an issue, but also that they learn from failure and continuously attempt to adapt their behavior accordingly. This may create effective joint action either horizontally -- between stakeholders in equivalent positions (such as associations) -- or vertically, in hierarchies (as between levels of government). Where coordination and learning across these networks is occurring, there is metagovernance. However, there is always the possibility of deadlock, irreconcilable conflict or exclusion of actors in governance networks.

Figure 1. Metagovernance for regional economic development.
In this study we focus on one key governance mechanism: learning. Recognizing the role of “know-how” and “know-who” in addition to technical expertise (“know-what” and “know-why”), we show how individuals transmitting knowledge via their networks leads to effective governance in Lurín. We find three different modes of human capital transmission working in the basin: local leaders who gain technical expertise elsewhere in the country and bring it back to the region to inform development processes; farmers and associations who travel on learning missions (“pasantías”) to learn first-hand about innovations, i.e., a form of story-telling; and NGOs building local capacity and acting as intermediaries between local communities and higher levels of government. This last mode in particular facilitates two-way learning: not only do locals learn about new ways of doing things, but also government officials become familiar with their practices, giving them legitimacy and access to resources.

We argue that understanding the territorial dimensions of economic development, governance and learning is key if we want to develop successful, inclusive and sustainable strategies for local or regional economic development. In some cases, governance failure, or the inability to learn and adapt from failure, may be exacerbated by spatial factors, either simple lack of proximity or functional divisions (as between units of government). Spatial fragmentation exacerbates other differences between stakeholders and may render coordination practically impossible. Fragmentation and unequal cluster participation may prevent subregions from reaching their endogenous potential, whether from natural endowments or social capital (Davoudi et al. 2008). Thus, effective metagovernance will horizontally coordinate subregions
within a state as well as vertically from municipalities to the national level (Figure 2).

Figure 2 Horizontal and vertical metagovernance.

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The debate about the role of spatial proximity in the transmission of knowledge, i.e., learning regions versus organizational communities of practice, presents an interesting framework in which to view the Lurín case. Much closer to Lima than other Andean communities, the region has benefited from this proximity, which fosters vertical connections and two-way communication, while also permitting many locals to live dual lives, as comuneros and Lima residents. At the same time, many of the region’s successes come also from knowledge transmitted through rural communities of practice, i.e., learning about innovations in other regions in Peru through relationships.

Finally, the literature on rural economic development suggests some directions for the Lurín case. Previous efforts have shown the importance of moving beyond an approach centered on the agricultural sector to a broader vision of rural development that takes into account a variety of rural livelihoods. Economic development efforts that cut across sectors – e.g., economic activities that link agriculture and tourism – can successfully position a territorial view of the Lurín River Basin economy. The shift in focus from sector-based to territorial-based development may also help foster local buy-in
to economic development programs. The focus on livelihoods in the rural
development literature has important lessons for the field of economic
development more generally, which has increasingly focused on developing
human capital in certain sectors (e.g., the idea of “creative talent,” Florida 2002),
an approach that is best suited to large urban areas. In smaller areas, unable to
support workers in multiple sectors, an “income patching” approach –
supplementing wages with entrepreneurial activity or microenterprise -- may
be more appropriate (Edcomb & Armington 2003).

However, it is important also to recognize and build on certain alliances
and associations based on a common economic activity, sector or a particular
theme of interest as it may be easier to build trust and networks of collaboration
among rural residents around a clear topic or goal (for instance, the building of
a water reservoir to improve agriculture).

Regional socio-economic and institutional context

Overview of the Lurín River Basin

Although Lima accounts for almost one-third of Peru’s population,
Huarochirí district includes less than one percent of Lima’s metropolitan
population, and the districts under study in Lurín (San Andrés de Tupicocha,
Santiago de Tuna, San Damián, Lahuaytambo, Langa, Cuenca or San José de
Chorrillos, and Antioquía) had just 7,239 of the valley’s 165,000 residents in
2007 (the most recent year for which data are available), concentrated in the
upper part of the basin. With the exception of Tuna, all of the districts have lost
population in the last two decades. In the seven municipal districts, 47% of the
land area is urban, with the share decreasing slightly over time. In general,
Lurín has retained much more of its nonurban land than the river basins
serving Lima; however, locals are abandoning much agricultural land as they
seek livelihoods in the city. Approximately half of local land is in community
ownership and guided by community rules, and the other half is held by
individual landowners, who may lack property titles.
The basin contains three levels with distinct characteristics and needs: lower, middle, and upper. The lower level is well connected to Lima, (with Cieneguilla only 17 kilometers away), serving as a vacation spot for Limeños. It is almost entirely urbanized, with 158,000 residents. Because it has a well-developed tourist industry and relatively strong connections to Lima markets, and has benefited considerably from NGO support in decades past, it is not included in this study. The middle level includes Antioquia on the north side of the river (at about 1,500 meters altitude) and Lahuaytambo, Langa, and San José de Chorillos on the south side (at about 3,000 meters). In the upper basin are Tuna, Tupicocha (at 3,600 meters the highest district), and San Damián, all located to the north and at some distance from the Lurín River. Despite proximity to Lima, the poor road conditions make travel difficult to the districts of the upper basin.

The population of the middle and upper Lurín River Basin is generally poorer, older, and less educated than that in the rest of Peru. The poverty rate in the seven municipalities ranged from 50 to 75% in 2007 (compared to 31% in Peru as a whole in 2010). Educational attainment at the college level is low (ranging from 5 to 14%) compared to Peru, where 31% have some higher education.

The dominant economic sector in the seven municipalities (based on 2007 data) is agriculture, hunting, cattle and forestry, generally employing over 70%
of the workers. Tourism provides minimal employment except in Antioquía, where it accounts for about 3% of employment. There are a few family-based SMEs, accounting generally for 5-10% of overall employment in the municipalities. Particularly in the upper basin, it has only been a few years since locals have had access to electricity, sanitation, television, and the internet. Moreover, it is only since the development of reservoirs that agricultural production has been possible throughout the year (particularly in the upper basin), rather than just the three rainy months. These investments are likely altering the sectoral composition of the region.

**Institutional and policy innovations in the cuenca, 1980-2008**

Due to its geographical proximity to Lima, the extensive involvement of national government agencies and influential NGOs in recent decades, and decentralization of government functions (described in Appendix B), the Lurín River Basin has experienced policy and institutional experimentation. The mayors of the basin have also been among the first in Peru in creating regional associations under the institutional framework of the Mancomunidad de Municipios, allowing the promotion of projects with a regional vision.iii

NGOs have been involved in the Lurín River Basin for two decades, although their presence became more important and visible after decentralization reforms. CIED first became involved in Lurín in the mid 1990s, with Juan Sánchez as director, in a river basin management project that sought to experiment in different types of terrains. Lurín was chosen as an example of the “yunga” terrain. The approach emphasized ecological and agrarian issues, without any territorial or economic development vision. In addition to CIED, other NGOs such as the Institute of Development and Environment (IDMA) and Grupo Gea have been working in the Lurín River Basin: IDMA was working at the upper level of the basin, Grupo GEA at the low level and CIED in the middle level. (For a complete summary of the organizations, agencies, and programs mentioned in this report, see Appendix A.) The three NGOs formed the Plataforma de ONGs, which became an important precedent for later interventions with a territorial and economic development vision such as Pro-Cuenca in 2004 (Alfaro & Claverías 2010, 29). However, even if the different plans that were elaborated for the Basin had started to conceptualize the area as a region, they were, according to Juan Sánchez, “still more physical planning than economic development."

In 2003, thanks to the collaboration between the NGO Platform and 10 mayors in the Basin, an Association of Municipal Authorities (AAM) was established. The objective of the association was to “achieve the integral and sustainable development of the districts that take part of the Lurín River Basin.
through a Strategic Development Plan” (Alfaro & Claverías 2010, 28). From the beginning, the AAM was focused on water, according to Juan Sánchez: “water was the emphasis and center of inter-municipal collaboration.” The AAM identified two main problems that hindered economic development in the Basin: 1) the cyclical scarceness of water and 2) the disarticulation of the transportation infrastructure within the Basin, which seriously limited intra-Basin movements (Boletín e-governa No. 19, 7).

2004 was a milestone year for territorial governance and economic development in the area as the national program “Pro-Cuenca” was passed, choosing the Lurín River Basin as its first pilot program. Pro-Cuenca’s approach sought to promote the idea of territorial governance, that is the collaboration between the state, civil society and the private sector, as a new and sustainable strategy of economic development. The fact that Lurín was chosen as pilot project was not an accident, but grew out of the relationships between Juan Sánchez (former president of CIED) and the national president Alejandro Toledo as well as other national government politicians such as the Minister of Women, Ana María Romero. The territorial approach that the AAM was experimenting with also fit with the new decentralization reforms and agendas of the national government, moving away from Peru’s highly centralized and rigid system of economic and development planning centered on sectors rather than on territories. In 2004, president Alejandro Toledo inaugurated the project in Cieneguilla. According to Juan Sánchez, the Project also included a series of internships (pasantías) to spread the territorial vision of the project to other regions. The project however only lasted until 2006, ending after Toledo left the government.

Despite the end of the project, there has been continuity in developing a territorial vision for the Basin for two main reasons: 1) The collaboration precedents and institutional experiments developed in the region during the 1990s and early 2000s; and 2) the effort of the CGDD, the NGO founded by Toledo, to continue to work on this issue under the leadership of Ana María Romero and Juan Sánchez, an enthusiast of territorial approaches to development. The Pro-Cuenca project made the Lurín River Basin a model in Peru in territorial visions of economic development (Caballero et al. 2008). Lurín differs from traditional rural development models (e.g. Schejtman & Berdegué 2004) by incorporating territorial assets such as environment and culture to invigorate economic development, in this sense offering a new strategy for decentralization from below (Sánchez 2011).

In 2009, CGDD and CIED started a territorial development project in Lurín with the technical and financial support of IDB/MIF. The goal of this 3-year long project is to improve the competitiveness of the Lurín River Basin through the joint action of the region’s public and private entities (IDB Memorandum, Boletín E-governa No 19). To achieve this, four lines of action
were proposed by IDB/MIF and CGDD: “(i) strengthening of public-private avenues for action on economic and environmental development; (ii) promotion of supply chains with territorial identity; (iii) support for the development of public-private initiatives capable of fueling investment; and (iv) monitoring, evaluation and dissemination of lessons learned” (IDB memorandum). In order to improve the competitiveness and articulation with the market of the supply chains of the region’s main products and services (including fruits, legumes, cattle and tourism), CGDD is promoting the creation of producer associations (Governa 2012).

To strengthen the spaces of public-private collaboration and governance in the region, the project is also promoting the creation of new institutional structures at the regional level such as the Water Resources Council (Consejo de Recursos Hídricos) and the Economic Development Council (Consejo de Desarrollo Económico) as well as strengthening existing institutions such as the AAM (Governa 2012).

**The structure of governance in Lurín today**

As described in Appendix B, Peru’s decentralization process has created challenges for territorial development not just because of the transfer of responsibilities without associated funding, but also because of continuing uncertainty as each administration reorganizes governmental functions. Moreover, some of the funds that used to come automatically to local governments now are available only by applying for grants. This has put new pressure on local actors to prioritize needs and collaborate effectively.

Governing economic development in the basin are a number of public sector, civil society, and private sector actors at different levels. Multiple different politico-administrative divisions in Peru, all elected bodies, have jurisdiction over the basin: the regional and provincial governments of the Metropolitan Municipality of Lima (MML), the provincial municipality of Huarochirí, and its seven district municipalities – each also made up of multiple divisions called *comunidades campesinas* (peasant communities, 20 in total in the basin). Although the municipality has responsibility for most service delivery (both basic services and education), comunidades campesinas play an important role in terms of governing communal property and water usage, as well as fostering civic participation. Since 2007, two or more district municipalities are allowed to enter into a voluntary agreement to become a joint “Mancomunidad,” in order to provide services and promote local development jointly; in Lurín, the Mancomunidad is comprised of the seven district municipalities and the provincial municipality of Huarochirí. In addition to the comunidades campesinas, NGOs play a powerful role in local governance.
contrast, the private sector, consisting mostly of associations of local producers, is minimally represented. The following discusses each in turn.

**Governance from below: The role of local actors**

The focus of the municipal governments in Peru is primarily on providing basic services (water, sanitation, and roads) and social services (education and health). Although the municipal governments receive financial resources from the regional and national government to support service delivery, implementation is often up to the members of the comunidades campesinas. For instance, when a road needs repair, the municipality will receive funds for the work, and unskilled peasants will do the work, compensated only by meals.

The comunidades campesinas in each municipality often have an uneasy relationship with the local government. One issue is the lack of shared resources; as one local leader told us, “The communities are very abandoned by the State.” Another reason there may be distrust is that many of the comunidades leaders reside locally, while some of the mayors live in Lima and only come to the village a couple times each week. At the same time, according to Ricardo Claverías from CIED, decentralization has given more power to the presidents of the comunidades because they now interact with higher levels of government to participate in state projects almost as much as the mayors do.

Interestingly, the municipalities of Santiago de Tupicocha and Antioquía provide a stark contrast in terms of the relationship between the local government and the comunidades campesinas, even though both mayors live part-time in Lima. In Tupicocha, ties are strong and locals generally trust that Mayor Rojas is acting in their interests; they share a vision of development that begins with the water system. In Antioquía, the agenda of the mayor differs from that of the associations, given his focus on infrastructure and education rather than tourism; there has apparently been little success at aligning these visions for the municipality.

Comunidades campesinas provide an organizing structure to address issues where collective action is important. Initially, these were mostly civic problems, such as service delivery and cultural events, but responsibilities have grown to include economic development as well. Associations often grow out of family ties; as one NGO leader explained, “Andean development begins with the family and then gives work to others.” Families linked by concrete property interests begin to work collectively, forming building blocks for business networks that go beyond the traditional community interests in water and land management to conduct economic development. Building on families makes it
easier to establish trust, and, as an NGO leader pointed out, “if there is trust, there is solidarity.”

Espíritu Santo in Antioquia is an example of an active comunidad campesina. There is a formal structure with elected leadership and legal standing, which allows it to realize projects such as the allocation of water for irrigation. Much of the association’s activities center on the annual three-day festival for the patron saints, organized in rotation by four sub-groups associated with irrigation canals. Sub-groups fund the festivals themselves and compete with each other to organize the best event.

Although comunidades campesinas proliferate, they are not always cohesive. Several interviewees pointed out that comunidades are sometimes fragmentated or divided, and that certain members of the comunidad are reluctant to participate in associations at all. Hence, it is important to understand comunidades as complex and not necessarily homogeneous entities within which different associations for different purposes can take place.

**Building capacity from outside: The Role of NGOs**

The liberalization of the economy and reduced public services weakened the State during the Fujimori government. Therefore, NGOs played a greater role in promoting the development of the basin, including supporting tourist and producers’ associations.

Given the longstanding relationships with CIED and IDMA in the middle and upper basin, and the continuity of staff (particularly Juan Sánchez and now Ricardo Claverías of CIED) the CGDD has been able to quickly develop a new role as an intermediary building local capacity for economic development. According to the mayors, the current collaboration with NGOs plays three important roles: it provides technical assistance, facilitates connections with other levels of government (and politicians), and helps raise awareness among local residents. Although some form of economic development planning would likely have occurred without the NGOs, the NGOs argue that their presence helps to ensure continuity as elected officials transition in and out of office.

Still, NGOs have experienced multiple challenges in the basin that have fueled local skepticism. The criticisms are familiar: because NGOs work project by project, they tend to send in their own experts rather than building the capacity of the locals to participate, ensuring the sustainability of projects. With many different NGOs working on different aspects of development in the basin, there is sometimes poor coordination, leading to inefficiencies. When NGOs intervene on behalf of the community, for instance with mining companies, locals may view their efforts with suspicion (as reported by a couple interview respondents).
From inside or outside? The private sector role

Private sector activity in the region consists only of a few small enterprises, the touristic and agricultural associations, and a few mining companies, which are not actively working in the area at present. One of the mayors noted that even though there are government incentives in the form of tax breaks for private companies and entrepreneurs to settle in Andean rural areas, private investors and companies have not come to Lurín: “Many of the businesses that arrived to establish businesses quit coming because of not finding basic services like communications infrastructure and sanitation, to start any kind of business.” With such weak institutionalization of the private sector, there is no capacity to generate chambers of commerce or other general business associations.

The majority of the population work in agriculture and animal-raising (81% in the upper basin, 58% in the middle basin), mostly by family enterprises. The next largest group is in commerce (6-7%). There are also some small construction firms (employing 3-4% of the population), artisans or small manufacturers (3-4%), and hotels and restaurants (1-3%). Although data is not available for all municipalities, there were 64 small and medium enterprises (MYPEs) in Antioquia in 2008, including six artisans, two restaurants, and eleven lodgings.

Rural areas in Peru typically experience difficulties in accessing credit. Despite the numerous Peruvian and international agencies whose mission is to provide credit to promote economic activity (such as Foncodes Foncomún), our field interviews confirm the difficulties experienced by Lurín residents in obtaining credit. Since banks still consider small farms too risky for credit, farmers often ask wholesale traders with whom they have long-term relationships for advances.

Associations have emerged in the region to address economic issues, primarily in agriculture. These range from the irrigation committees governing water usage that have existed for hundreds of years to the more recent local producers’ associations (now 16 in total) for specific products such as apple vinegar processing and guinea pig farming. Recently, associations have also been created to promote tourism in the region. Vertical ties have played a pivotal role in the rise of these associations as economic organizations. For instance, the rise of producers associations stems in part from the intervention of the Ministry of Agriculture, which requires producers to be associated in order to receive funding, in order to build local capacity. Thus, out of several family associations emerged SAECO, the producer’s association that runs the apple vinegar plant (discussed further below).
However, associations have also emerged as bottom-up efforts to improve economic development. There are also less organized forms of associations that form for specific purposes. These are sometimes at the level of a “comunidad campesina” or even just a family of that comunidad. Other associations emerged as a bottom-up initiative around a perceived need or shared economic activity, and then grew through the help of NGOs and subnational government agencies. These associations are flexible but also fragile. They flourish under certain conditions (local leadership and ownership, collective learning processes, outcomes that solve a commonly identified need, and financial support). However, it is not yet clear whether and how they can scale up to the regional level.

Finally, mining companies are an important private actor in Lurín as well as in many highlands in Peru. When mining companies have interacted with the communities, they are focusing on preserving their image (of social responsibility); they tend to interact with just a few stakeholders who represent the community from a localized area, rather than the region as a whole. Mining companies tend to import their own workforces rather than hire locally, so little economic development results. With this interaction framing the experience of locals with the private sector, there is generally a fear of outside investment and interest in local resources.

Towards regionalism: The Mancomunidad

Since 2011, the Mancomunidad Municipal de la Cuenca Valle de Lurín, which grew out of the AAM, has played an increasingly active role in regional governance. Comprised of the seven district municipalities (San Andrés de Tupicocha, Santiago de Tuna, San Damián, Lahuaytambo, Langa, Cuenca or San José de Chorrillos, and Antioquia) plus the provincial municipality (Huarochirí), the Mancomunidad focuses on infrastructure development, particularly water and sanitation. When the Mancomunidad was created the emphasis of the agenda was as follows (in order) (Governa 2012): 1) Water; 2) Transportation Infrastructure; 3) Tourism; and 4) Other Economic Activities. Interestingly, the Mancomunidad development goals reflect a shift away from the agriculture, water and transportation infrastructure (that dominated AAM) towards the recognition of other viable economic activities for the Basin such as tourism. Thus, it is leading the strategic planning process for economic development, assisted by the CGDD. Since higher levels of government have played more of a role in economic development governance in the past, the Mancomunidad gains legitimacy in this effort through the representation of the provincial municipality.
The meetings of the Mancomunidad take place in CGDD headquarters in Lima, suggesting its support (and influence). According to its enabling legislation, it receives funding via transfers from the municipal budgets, the regional government, and the provincial municipality. As a Mancomunidad, the municipalities are empowered legally to apply for money from different funds and entities, such as AGRORURAL’s Fondo de Inversión para el Desarrollo Agrícola (FIDA). As a regional body, the Mancomunidad can also apply for grant money on behalf of municipalities like Tuna that are too small to qualify on their own. By representing higher population numbers than the municipalities alone, the Mancomunidad will score a higher ranking in state budget allocations. The Mancomunidad has one staff member and tries to meet weekly at the CGDD offices in Lima.

Although there are other examples of Mancomunidades across Peru, many consider this Mancomunidad a model of combined environmental and economic governance, worthy of replication (Jurado 2012). It differs from other mancomunidades in that it grew out of the territorial governance effort of the AAM, dating back to 2003, due in large part to the leadership of Mayor Teodoro Rojas. Arguably, however, it did not emerge organically, from the bottom-up; it likely would not have come about were it not for the significant interventions of NGOs in the basin, particularly the support of CGDD and CIED. One of the main achievements of the Mancomunidad in Lurín has been the scaling up and institutionalization of the water projects initially developed in Cullpe as a family association initiative. Under the leadership of Mayor Teodoro Rojas, who was selected as Mancomunidad president based on his demonstrated capacities to improve irrigation in Cullpe, the Mancomunidad proposed two ambitious projects to the national government to improve irrigation in Lurín by building two high capacity reservoirs and canals (Chanape and Huilcapampa). Through its nationally competitive grant process, FONIPREL recently approved funding for technical studies. If built as proposed, this would create 10,000 hectares of new irrigated land in 6 districts in Lurín.

Peru’s politico-administrative divisions do not coincide with traditional Andean geographies. As one mayor explained, “The basin is much more than the water, but all the natural resources, the history, the social organization. Neither the conquistadors nor the succeeding Peruvian governments have understood how the public sector should manage this environment as a territory.” At the very least, the ability to interact with one organized regional body rather than many separate municipalities has given the municipalities negotiating power in addition to that wielded by the provincial municipality, and perhaps more importantly, facilitated personal relationships with higher levels of government.

Still, there are concerns about the viability and sustainability of the Mancomunidad. One potential weakness (written into the enabling legislation)
is the lack of representation from the comunidades, whose members are more likely to reside in the area than do the mayors: as one Mancomunidad member told us, “Mayors come and go, but the comunidad and its members remain.” Yet, other members see this as a strength and complain about interference from the comunidades. Many locals have not heard of the Mancomunidad, and since it has only existed for just over a year, there are no results on the ground to point to yet. One mayor agrees:

Institutionally, physically, we don’t exist. We exist only on paper. Sometimes, we meet at the Centro Global, but aside from the management and visioning of these two projects [irrigation projects for which technical studies have been funded], we haven’t done anything else as a Mancomunidad, like tourism, road improvements, production improvements. We aren’t dealing with other issues because we aren’t familiar with them, we have yet to recognize them. We have a grand limitation [including the lack of engagement of all the mayors].

This will change as the Mancomunidad’s achievements – the Plan for Territorial Economic Development (described below) and the technical studies for the new water infrastructure – mature and it gains autonomy from the CGDD. But it remains to be seen if this governance structure is effective and sustainable; the future depends on its leadership, just as its initial successes have. What is clear already, however, is that this institution is facilitating learning, both between associations and municipalities, and from the river basin to higher levels of government.

**Factors affecting governance processes**

Shaping governance processes in the basin (and ultimately affecting economic development policymaking as well) are several factors: the extent of local civic participation, the ability of local actors to access resources from higher levels of government, and the local context, particularly local culture and geography. Some of these factors support the potential for learning to occur in the area, while others mitigate against it. In support are existing participatory structures, like the comunidades and participatory budgeting; growing connections with higher levels of government; and the proximity of the basin to Lima. Barriers include the low levels of local participation (and even residence!), as well as the resistance to change.

**Civic participation**

Despite the abundant opportunities for locals to participate in decision-making – whether in processes sponsored by the comunidades, local government, or NGOs – civic participation remains low. For instance, just a few local residents from each municipality participated in local CGDD-sponsored
workshops to develop a plan for territorial economic development, and representation from women was particularly low. As one expert pointed out, “You have to differentiate between the community population and the comunidad. The largest part of the community population does not participate in community projects or meetings. Participation is low.”

In some cases there are simple explanations for low participation. Many members of comunidades expect their elected officials to represent them. For some, if they miss work to attend, they will be penalized with a fine or reduction of water supply. Also, there is often limited communication about Mancomunidad activities, so that locals do not understand the importance of attending related workshops. Yet, the spaces for communication exist (as one mayor pointed out): there are meetings of the comunidad campesina, water reservoir committees, loudspeakers to make community announcements, and regular Sunday meetings.

One key opportunity for civic engagement is the participatory budgeting process, which typically occurs in three open municipal workshops each year. Both NGO leaders and mayors argue that the influence of participatory budgeting is minimal, since it only need dictate spending for 10% of the budget (although municipalities can choose to allocate more of their budget to the participatory process). Since it is challenging for municipalities to find the means to exceed the 10% minimum, there is often resentment from the comunidades campesinas, which are typically active in the participatory budgeting process. Moreover, some question whether the process is truly participatory, since the budget itself is often prepared by a consultant. Still, the process helps to inform economic development planning; the needs that arise in the participatory budgeting process must be included in local development plans. Moreover, there is a regional participatory budgeting process which actually includes funding for economic development programs, such as agroindustry development. This process has helped direct some small pools of funds to the basin.

**Role of multi-level governance**

In a rural river basin such as Lurín, it is critical to secure resources for development from higher levels of government. This may occur via competitive processes with other regions, or through personal connections with government officials. Either way, the process results in learning, often two-way, in a vertical dimension, between municipalities and regional and national government agencies.

Compared to other districts, Lurín has relatively few leaders. Power is concentrated in the office of the mayor and the presidents of the comunidades campesinas, and few other local leaders have emerged from the many associations. This dynamic puts a lot of pressure on the Mancomunidad to get
attention and results. One key player in this knowledge transfer is the intermediary, in this case, the mayor of the provincial government, Dr. Rosa Vásquez. Her awareness of opportunities from national programs, particularly in tourism, has helped keep resources flowing to the basin, and at the same time her influence with the national government has increased awareness of the Mancomunidad and Lurín’s potential. Likewise, the regional government has played an important role in funding local projects, though some mayors complain that the projects are mostly symbolic, with minimal impact. According to a regional government official, projects are selected by regional agency experts, but also increasingly via large monthly public meetings. Even if locals are not yet aware of the Mancomunidad, they seem very familiar with the provincial mayor and regional government’s role in mobilizing connections and resources for the basin in the past.

The funding process begins with identifying a project that will clearly have effects on territorial development. Typically, to win project approval and funding, the locals need to commission a technical study to show its viability. The first step might be to ask the provincial government, local NGOs, or the regional government for funding. If they cannot provide enough, the mayors must submit the proposal to the national government (either a specific agency or the president of the cabinet). The process of winning funding is typically slow and arduous, involving many interviews, presentations, and field visits from officials.

Lurín’s culture and resistance to change

Many observers – as well as the NGO leaders and mayors interviewed – note the resistance to change in the basin’s rural communities. This manifests itself in a few different ways: the adherence to tradition, the resistance to new or big projects, and the inclination to wait for external motivation to act. For instance, according to one local, Lurín peasants seem to be more interested in investing in the annual fiestas than new technology to improve agricultural production. The reluctance to break with the traditional manners of doing things creates barriers in bringing local agricultural products to the market: for instance, one local points out that traditionally farmers harvested fruit and packed it in boxes without selecting it carefully. The mayors that have tried to improve infrastructure – not just irrigation but also public hygiene and solid waste management – have sometimes found it difficult to engage residents. In general, these attitudes are not unique to Lurín but present also in other Andean rural cultures; NGO leaders who have worked elsewhere note that locals may be skeptical of committing to big projects and seem to be waiting for outsiders to solve their problems, perhaps in part because of long-term dependence on intergovernmental transfers.
NGO leaders who have interacted with locals in the basin for decades argue that local resistance to change is not an insurmountable barrier but is a matter of trust and confidence. Peasants need to verify that new technologies are effective before adopting them – and the process of verification requires trust, either seeing first-hand how technologies work, or learning from outsiders who have settled in the area. Although the valley contains some of the most important cultural sites in the country, including the beginning of the Inca Trail and the area where the oldest chronicle of the Andean world (from more than 400 years ago) was written, these are not well advertised to tourists. This local identity manifests itself in the annual festivals, which (according to one NGO leader) are much more about the community than those that take place in coastal areas. At the same time, local identity is fragmented, with deep differences in culture, leadership, and interests among the seven different municipal districts.

**Proximity to Lima**

Lurín differs from other rural Andean regions because of its geographical proximity to Lima; the middle part of the basin is just two hours from Lima, while the communities in the upper part are four to five hours away. This proximity facilitates both economic and social connections, giving the region a dual identity as both a rural enclave and part of the country’s largest metropolitan region.

The local economy is closely tied to Lima, with most agricultural products sent to the metropolitan markets. Local livelihoods depend on Lima not just because of exports of products but through migration as well: there is a constant outflow of youth to the city, and only a few return, even though, reportedly, life in Lima is itself challenging. This familiarity with Lima distinguishes Lurín from other rural Andean areas, giving locals both greater awareness of life in a modern global city and greater skepticism about the opportunities available.

Local citizens (ciudadanos) are divided between those who think of themselves either as comuneros (local peasants, legally defined as those that have lived in the area for more than four years) or proprietarios (landowners). Many members of either group are essentially dual citizens of Lurín and Lima, holding jobs in Lima but maintaining land in the valley. Most local leaders, including elected officials such as the mayors and the leaders of the comunidades campesinas, live in Lima most of the time and commute to the basin several times per week. The legitimacy of local leaders seems to depend not on whether they live locally, but how frequently they commute back from Lima (whether it is daily or just a couple times per week). The rootedness of
the mayors in Lima helps facilitate connections to higher levels of government, since they can easily meet with regional and national government officials.

Lurín’s proximity to Lima has also brought it more attention and resources from outsiders. Many NGOs choose to work there because of its convenient location close to Lima; working in the area allows them to maintain offices in both locations. Since the area is much easier to access than comparable impoverished communities, potential funders visit frequently and develop relationships with locals. Many refer to Lurín as the “last green valley” in Lima, highlighting its potential role as a local vacation spot. This visibility has put Lurín on the map, but also places it under more pressure to succeed.

**Planning and visioning in the basin**

Effective territorial governance requires the development of a vision shared across different stakeholder groups. One way to develop such a vision is through planning processes that elicit economic development goals through participatory workshops. Each municipal district already has some form of development plan, but this typically focuses only on infrastructure and short-term needs, building from the participatory budgeting process. The last effort to develop a territorial plan for the basin occurred in 2000, led by the NGOs. Thus, the CGDD, CIED and the Mancomunidad decided to initiate another planning process focused on territorial economic development until 2021. In part, this process was meant to facilitate access to the United Nations Fund for Agricultural Development (FIDA), which will provide grant-based financial support for business development projects from 2012 to 2016, providing that an economic development plan is in place.

In May and June of 2012, six workshops were held in the municipalities, with an interdistrictal workshop held at the end. These workshops help to reveal the capacity for learning in the basin municipalities today. Participation was low except for the elected leadership, for the reasons described above (such as the difficulty of attending and the preference to rely on elected representatives). As one mayor explained, “when we discuss questions of the territorial district and its development, the locals do not see this as something necessary or important. They are used to running their own community and advancing on this basis.” Yet, the mixed format of the workshops – NGO expert presentations coupled with small group discussions – allowed for the articulation of at least two different visions, from the locals and the NGOs. We heard similar visions throughout the research fieldwork.

**The local vision**
If we are not conscious of what we have and what we want to be tomorrow, the association cannot move forward.

--Local comunidad campesina leader

In the planning workshops, the meetings for participatory budgeting, and the interviews conducted for this research, locals from across the basin express two overriding goals for their municipality: improving access to water and stemming the outmigration of youths. Water has always been the starting point for any territorial vision in the region, and this process is no exception. Most spoke of reservoir-building projects as key water infrastructure, but some mentioned irrigation as well. To retain youth, most focused on improving local incomes, but there was little agreement on how; some mentioned agricultural businesses while others spoke of education. At the workshops, there was also some mention of need for better roads and basic services, particularly to reduce malnutrition. But only in a couple instances did locals mention specific economic development tools, such as access to credit or formation of producer associations. Moreover, there was little mention of broadening livelihoods, for instance through tourism development. As many point out, it remains a challenge for locals to develop a long-term outlook, or to become conversant in economic development tools.

In contrast, local leaders are actively promoting a vision for the future. For instance, in the upper basin, the mayors speak of improvements in water, road infrastructure, and even reforestation as a means to transform the health and education of locals, and push the entire area from a subsistence to a market economy. Some offer a vision of tourism development throughout the entire region (as one described it, “a green zone to pass the day”). In the middle basin, one mayor described the emphasis of his efforts on improving the level of education, solving numerous problems in local schools, and developing new capacity for technical education, in order to improve local self-esteem. In turn, this has shaped the visions that outsiders, including NGOs and higher levels of government, are developing for the region.

Visions from outside

The many actors working in Lurín, particularly the CGDD and CIED, continually articulate their visions for the area, both via ongoing meetings of the Mancomunidad and through the planning workshops. The NGO vision reflects and incorporates the local vision, but explicitly emphasizes the need for territorial economic development to generate wealth and stem outmigration, i.e., to eradicate local poverty. This vision of Lurín as a model for territorial economic development was repeated separately by several different regional
actors, who see the potential for Lurín in terms of more territorial, rather than sectoral, economic development, because of its agricultural and touristic assets.

As the CGDD depicted their vision at the interdistrictal workshop:

We are a voluntary consortium of municipalities seeking the holistic, inclusive and sustainable development of the basin of Lurín through participatory planning and cooperation between the public sector, the private sector, and civil society, promoting local economic development, sustainable management of natural resources, the valuation of our natural and cultural heritage, [and] the development of the capacity of municipalities, social organizations and enterprises, [thereby] strengthening democracy. ix

Ultimately, the idea is to convene a public-private council for territorial economic development, comprised of three commissions: water and forestry, tourism, and agroindustry. These would be staffed by representatives of all levels of government, including the comunidades campesinas; NGOs and universities; and all of the different associations governing water and different economic sectors. The council would help conduct planning processes, select investment projects, and build local capacity.

Some working in the valley envision specific approaches that will be effective. For instance, the CGDD is investigating the possibility of building agricultural cooperatives, based on the successful examples of cocoa, coffee, and banana cooperatives in other regions in Peru. These would grow out of today’s producer associations, themselves coming from family networks. The MIF staff continue to focus on production chains, with a push towards agroindustry. It is too early to say whether these specific visions will succeed, but the intent of those working in the area is to educate locals on these possible alternatives. Though many officials cite Lurín as a new model for territorial visioning in Peru, this assessment may be premature. The CGDD, with the support of the IDB/MIF, will need to continue its careful work to integrate the inside and outside visions for the basin, a process that could take several more years to unfold. But meanwhile, it has successfully initiated the visioning process: after holding the six workshops, the Mancomunidad approved the 2021 Plan for Territorial Economic Development.

Management of water and environmental issues

Water management is an area in which locals have successfully used collective action, for the construction and maintenance of reservoirs. Innovative local management stemmed from necessity, since historically inequality was built into the structure of water supply in the basin; although the national government gave the region about $16 million (all figures are in 2012 U.S.
dollars) to invest in water, just 30% went to the middle and upper parts of the basin where the water was collected.

Although the initial reservoir projects in Tupicocha were built and financed by the local community, subsequent projects have obtained support from higher levels of government. The municipalities of Santiago de Tuna and Tupicocha have worked together for 16 years to build a canal, completing 47 kilometers, with funding cobbled together from the regional government, FONCODES (the infrastructure program of the Ministry of Social Inclusion), Pronamachas (a program of AGRORURAL), USAID, and the Agencia Española de Cooperación Internacional para el Desarrollo (AECID). Local irrigation committees maintain the canal system, with coordination between committees in neighboring municipalities.

These successes laid the groundwork for the formation of the Mancomunidad, and in turn the Mancomunidad’s first governance success has turned out to be the expansion of these water projects. These projects will be truly regional in scope, collecting water from the upper districts of the basin to benefit both middle and upper districts.

Contrasting with this bottom-up water management process is a new institutional layer of governance imposed from above. The national Water Resources Law (2009) formed Councils of Water Resources that manage water in Peru’s river basins. In Lima, the Council governs three basins: Lurín, Rimac and Chillón. This has created several new tensions over representation in water decision-making, tensions that a new NGO (AQUAFONDO) is trying to resolve. First, it is challenging to choose one leader to represent all three basins in Lima. Second, within each basin, the low, middle, and upper districts have very different issues, warranting individual representation. Third, there are disagreements over how to select representative water users. Finally, it is unclear how the new Council should interact with existing institutions such as Mesa del Agua, a committee formed to deal with water contamination from the mine in Antioquia. As Ostrom (2002) notes, the governance of large common pool resources (like a river basin) might work via a system of nested governance, with multiple institutional layers that each incorporate the smaller groups managing their own resources. The combination of bottom-up and top-down governance in Lurín fails to achieve that nesting of existing institutions. In any case, there are questions about the effectiveness of this organization since it only has jurisdiction over water (not land or development), and has no power to deny water to mining companies.

Despite these disputes, what is notable is the extent of the local and regional management over water. In contrast, there is very little management of other environmental issues. Reforestation is a priority in much of the region, and there is one small project in Tupicocha, co-financed by the municipality, the regional government, and AGRORURAL. Climate change adaptation is a
growing concern, with Peru among the most vulnerable countries and currently experiencing a drought. However, there is little institutional capacity to deal with these yet. This likely reflects the low priority on environmental protection nationally, where the mining companies continue to yield considerable influence.

**Territorial economic development in Lurín**

**The context for economic development in Lurín**

So far, we have considered the Lurín River Basin as a distinct territorial unit. However, it is important to note that many of our interviews confirm the economic diversity within the villages and communities that take part of the Basin. For instance, Ricardo Claverías from CIED notes that “it’s hard to classify the Lurín River Basin as only one unit, it’s rather 5 districts with different characteristics.” He further argued that “of the five districts, Antioquia is a role model because it has successfully diversified its production and now they have quince, apple, cuy, alfalfa and tourism.” Moreover, each district might have one or more peasant communities. The peasant communities with higher sales and productivity are Langa and Pacota while Lahuaytambo, Pariapongo and Cochahuayco are much less dynamic (Claverías, Lahuaytambo presentation).

Given this economic heterogeneity between municipalities and peasant communities in the area, not to mention cultural or identity differences among them, building a shared regional vision of economic development or regional governance institutions is not an easy task. Moreover, geographical distance as well as transport and telecommunications infrastructure weaknesses fragment the region. For instance, in a meeting with “alcaldes” they pointed out:

But even if the municipalities were granted by law the right to promote local economic development, and if the Mancomunidad were an executive entity of the state, it still would not be able to dedicate itself to business activity, because that would not be its objective. In addition, there are significant distances between the different municipalities (25 kilometers or more), there is no access to internet, and without consistent telecommunications, it is difficult to do business. Moreover, even if water, roads and tourism were coordinated by the different municipalities of the Mancomunidad, the idiosyncrasies of each town and its interests would remain, which complicates interdistrict coordination of other types of activities.

Another constraint is the lack of local funding for economic development. The case of Tupicocha illustrates the dynamics of how
decentralized money is received and spent in Lurín villages. Tupicocha gets about $130,000 from the national government. From that amount, 70% is for administrative expenses and the 30% can be spent in infrastructure. They also receive about $234,000 from canon minero, canon energético, regalías minerías, and other resources from FONCOMÚN. They also have some own resources and in all, they get around $391,000 per year, spent mostly on education, health, and administration. When asked if there is an extra source of income for the municipality if, for example, agriculture production improves in the town, Mayor Rojas says that there are no local taxes or income for the municipality coming from residents: “they are not used to this, they would ask why they have to pay.” There are, however, some small income sources for the municipality when local economic activity increases from renting municipality-owned agriculture machines to farmers or from issuing local administrative forms.

Economic development programs

Different economic development programs have targeted the population and villages of Lurín. Although most of these are targeted at improving agriculture, other economic development programs have aimed at promoting credit or alternative economic activities. One novelty in economic development funding is the introduction of fondos concursables –government competitive grants- for which cities and regions have to compete in order to fund projects. Appendix B describes the different programs and agencies relevant to the Lurín River Basin.

Agriculture as economic development

Residents of the Lurín River Basin have long relied on agriculture as their main economic activity. Therefore, sudden changes in the supply or demand of agricultural products or technological innovations in irrigation or seed quality have had deep impacts on the welfare of Lurín’s population. Given its proximity to Lima, changes in Limeños’ demand for agricultural products have also deeply affected Lurín farmers. Its proximity to the large market of the Peruvian capital is not however a guarantee that Lurín products are sold there, as many factors such as quality standards, demand changes, and access to supermarket chains can act as barriers of entrance for Lurín agricultural products.

History and role of agriculture in economic development
In the 1950s and 1960s, the main production in the Lurín River Basin was alfalfa and the cattle (ganado vacuno). During the 1960s-70s, high-quality apples from Chile became popular in Peru. However, these apples were expensive and, therefore, Lima’s population growth started to demand apples from the Andean valleys, including Lurín. Antioquia and other places in Lurín gradually shifted the production of alfalfa to apple and quince, and the Basin experienced what some have called “el boom de las manzanas” (or the “Apple Boom”) in the 1960s and 1970s. This resulted in growth of income among the Lurín population as well as visible physical improvements in many farmers’ houses.

However, the penetration of a new generation of high quality, competitively priced apple from Chile during the 1980s in the Peruvian market, resulted in a gradual impoverishment of Lurín peasants and increased migration rates to Lima and other Peruvian cities. In addition to the decrease in demand, there was a also decrease in productivity rates due to farmers’ scarce knowledge on how to take care of the apple tree. During the 1980s and 1990s, the rates of poverty and urban migration increased in the Basin. However, this was also the time when new agricultural and irrigation innovations started to emerge in the region from farmers who had left the region during the 1980s but decided to return. As one mayor notes, “the creation of reservoirs have resulted in significant changes in the economy… local expectations are higher and residents are starting to demand other improvements such as sewage, roads, internet access and better educational infrastructure.”

Since the mid 1990s, NGOs, particularly CIED, also became more active and visible in the regional economy. At the time there was not much talk about “economic development” but the CIED found that there were very some highly motivated farmers and that the Basin had a lot of economic potential. NGOs started to train farmers and send agricultural engineers to the area to improve production methods. CIED for instance supported the introduction of quince in the Basin because their engineers determined that it was a more profitable product for peasants than apples. While during the 1990s, NGOs were mostly focused on improving the lives of the Lurín River Basin by “supply” and technical solutions, that is, by sending agricultural engineers to train peasants in improving methods of agricultural production in the area, during the 2000s there was a shift towards diversifying the economic activities of the region and shifting into higher value added activities. Specifically, CIED has supported fruit processing by encouraging the association of farmers and providing financial support in buying food-processing equipment. An example of this effort is the establishment of the Vallelindo association in Cocha Huayuyo to produce apple vinegar and fruit marmalade. Despite this emerging diversification of economic activity in the region, Lurín peasants mostly rely on agriculture and cattle,
enduring significant difficulties and bottlenecks in selling their products in Lima and other markets.

Market access and bottlenecks

Some of the local agricultural production is sold at Lima’s “parada,” Lima’s wholesale market, and some is sold to wholesale intermediaries that buy directly from farmers at lower prices. One key difficulty for Lurín agricultural products to access more specialized markets is the high fragmentation of agricultural producers. Most of them are organized in micro-enterprises often formed by one or a family of farmers. The low level of output they are able to produce hinders them from entering supermarket supply chains in Lima, which requires long-term contracts with a regular and ample supply of products. The problem with selling to supermarkets is that they require better quality and presentation and, according to Juan Sánchez, “farmers do not always understand this.” Relying on wholesalers for cash advances, farmers must accept lower prices in exchange. In the long term, according to Sánchez, “this is the seed of poverty.” This dynamic decreases farmers’ capacity to sell their product at a more competitive rate or in more profitable markets.

Another bottleneck in reaching the market is the lack of knowledge in selling and marketing techniques. Many of the NGOs in the area have focused on training peasants in production methods. However, many current problems seem to emerge from the lack of marketing skills and avenues to sell the products outside Lurín. For instance, our interview with one of the members of the Vallelindo association in Cochahuayco suggests that NGOs have been focused on how to improve production but not necessarily how to sell the product. Most of their product- apple vinegar and marmalade- is sold either locally in Cochahuayco to tourists that visit the town or in the local festivals of Lurín villages. There has been a decrease in the share of agricultural production that is reserved for selling in the market. For instance, in one of the territorial planning workshops in Antioquia, a peasant noted how:

Twenty five years ago, 30% of agricultural production was reserved for apple [to sell it in the market], now the percentage reserved for the market is only 10%. He asks that one of the objectives of the plan would be to increase the percentage of the production that is reserved for selling, to at least 20%. Juan agrees and says that this idea is what Sierra Exportadora [a national government agency that seek to promote exports in Andean rural regions] is also promoting. (Antioquia Workshop)

Finally, there have been institutional efforts from both government agencies and NGOs to position Lurín in the emerging Peruvian market for “organic” and ecological products. According to Carmen, from the Plataforma de ONGs, IDMA is working with government agencies to organize an “ecoferia,” an eco-
farmers market, in Pachacámac. However, in order to participate in this ecoferia, farmers would need to have an ecological farming certificate, another potential bottleneck. According to Juan Sánchez, most NGOs in Peru, including Centro Global, have changed from a “supply logic” to a “demand logic,” i.e., instead of supporting existing production with new technologies, the idea now is to try to shift production to what is being demanded. The new changes in the international markets towards organic agricultural products could benefit Andean regions in Peru where chemicals have never been used, as opposed to the intensive agricultural methods used in Peruvian coastal regions.

Learning in agriculture

Change is slow in Lurín’s agricultural sectors. According to CIED President Ricardo Claverías (at the Interdistrictal Workshop in Lahuaytambo), not all families in Lurín are structured in the same way when it comes to agriculture production. He distinguishes between three types:

1) A family model (accounting for 71% of Lurín River Basin families) in which the farmer works in the fields but he also works on an alternative economic activity that provides him with the main income. This type of agricultural production is monoculture and normally produces either apple or quince.

2) The most successful family model (27% of families) in terms of productivity is where there is a high level of diversification in agriculture and cattle activity, which according to Ricardo represents the “new rurality.”

3) A family model (2% of families) in which farmers work full time in agriculture and have more diversified products.

While for Ricardo, moving from the first and third types of family productive model to the second one would be key to improve poverty and development rates in the region, many of our interviews confirm the high level of risk involved in changing productive models for farmers, given that, for most of them, agriculture is a subsistence activity and losing one season experimenting with a new product might mean not having enough to eat. According to a Tupicocha resident, “Tupicochanos are afraid of investing in new “cultivos” or new ways of doing agricultural work… They do not see the future, they only survive and think in the short term.” Despite this resistance to innovation and collaboration, the recent irrigation innovations illustrate that agriculture innovation and improvements are not only possible in the region but that they can emerge and benefit from the creation of networks of collaboration among different actors as well as their institutionalization over time. Slowly, learning is
taking place within associations of agricultural producers who are for the first time working to resolve bottlenecks such as accessing credit and selling to supermarkets. When change does occur, it happens through three types of learning—technical expertise, storytelling, and capacity-building—as illustrated in the following cases.

**Fruit processing plant**

Before CIED came to the village, local farmers only sold harvested apples. CIED gave a group of women a training workshop on how to make apple vinegar and sent engineers to the village to teach them first production techniques and then how to make marmalade. CIED trainers pushed the women to form an association, in part because it was the only way to ask for funds from the philanthropic agency Fundación Katrina. Thus, they created the ValleLindo association of about twenty farmers, most of them women. Frutsana became the brand name of the marmalade and they received funds from Fundación Katrina to pay for the cookers.

A visit by the Minister of MIMDES, Virginia Borra, to Cochahuayco resulted in a promise to help them with their business but only if the money was managed by the local comunidad. The processing plant was built in 2010. Learning about production took place via engineers sent for training, as well as numerous internships, sponsored by CIED, three-day workshops (“módulos”) in which women with businesses in other regions (Huancayo province and Ecuador) “told them stories” about their business and ways of producing, whether marmalade, trout, or other products.

However, the association had to rent the machines for their business from the comunidad, making very little profit after paying all the costs. This has resulted in many of the founders leaving the association (only seven are left). Some still prepare the products they learned to make -vinegar and marmalade- but on their own, i.e., not using the processing plant and the formal market. The process has left them disillusioned about NGO efforts, as one association leader revealed:

> We don’t want more engineers to come and tell us what to do, all the money that CIED and other NGOs are going to spend in engineers they should give it to us because now we have the capacity to learn by ourselves.”
This case illustrates how economic development governance can present very different challenges from commons governance (Ostrom 1990). The development of the apple processing plant failed to meet many of the design principles so important to common pool resource management. The design and implementation of the project and its regulatory structure lacked broad participation, there has been little monitoring, no sanctioning system is in place, and costs exceed benefits for many participants. This failure hints at the challenges these communities face in developing governance for territorial economic development.

Water reservoirs and irrigation improvements

1983 is an important date for the agriculture history of San Andrés de Tupicocha. That year, Teodoro Rojas, a Tupicocha resident who had spent some years working in Cajamarca as an agricultural technician came back to the village resolved to build an artificial reservoir to improve agriculture irrigation, based on the Gallito Ciego dam. Rojas gathered the comunidad and told them the benefits of the irrigation innovations that he had seen elsewhere. Initially, the comuneros were skeptical, particularly of the valve technology;
traditionally, they had always used a stick to control flow. According to Rojas: “they couldn’t imagine it because they had never seen it before.”

But lack of funding, specifically, the rejection of a funding application to Cooperación Popular, a national agency that promotes the creation of small companies and business initiatives in Peru, hampered implementation of the project. Therefore, Rojas had to seek funds among the interested families in the Cullpe and Tupicocha communities. Over a period of 8 years, each family lent Rojas what they could afford in the form of materials and labor. To coordinate this exchange of materials and work hours, a new “comité de regantes” (an irrigation committee) was created. After the reservoir was eventually built, the economy of the community improved substantially and they decided to build two more: Yanasiri II and Pato Negro. This time some of the families that had been skeptical were now interested in collaborating, so two more irrigation committees were created in order to coordinate the construction of the reservoirs. The whole of Cullpe community was involved in Yanasiri II, which was started in the fourth year of construction of Yanasiri I.

Figure 5. Reservoir in Tupicocha.

![Reservoir in Tupicocha](image)

Photo credit: Karen Chapple.

After the first artificial reservoirs were built in 1991, and the irrigation and agricultural productivity improvements became obvious, a positive
attitude towards change and innovation emerged in the Basin. As peasants in neighboring municipalities saw this success they became interested in improving their own agricultural production. Seeing these improvements in their own region, according to Rojas, “sort of gave hope to farmers.” After the first reservoirs were widely acknowledged as successful, it became easier for peasants to access more sources of funding for this kind of projects. According to Mayor Rojas, about 60 people from different communities have visited Tupicocha’s reservoirs to learn from the experience. NGOs and different government agencies became very interested in promoting these irrigation innovations and have funded numerous “pasantías” to try to replicate them in other rural communities in Peru and beyond. The Cullpe community has not only become an “irrigation observatory” for the country but also about 70% of Cullpe peasants in Tupicocha “have moved from a subsistence economy with food insecurity to a surplus economy with food security” (CIED 2010, 40).

Figure 5. Tupicocha.
The public-private collaboration around the building of water reservoirs represents one of the most interesting and effective cases of governance initiatives in the Lurín River Basin. Under Tupicocha Mayor (and Mancomunidad President) Teodoro Rojas’s leadership, the national government awarded the Mancomunidad funding for two technical studies for reservoirs that will provide 15 million cubic meters of water for the region. Compared to the one million cubic meters of water of the 8 reservoirs built in the region in the last decades, this will represent a significant improvement for peasants in the region. The interesting part of these improvements, from a governance perspective, is that they build from the initial bottom-up collaborative efforts undertaken in the Cullpe community in the 1980s, and result directly from the various types of governance mechanisms and learning, which built local confidence and vision. First, Mayor Rojas leveraged his technical knowledge about reservoirs to have his family build a reservoir, which builds the trust necessary to establish new associations of farmers. Second, higher levels of government in partnership with NGOs have successfully institutionalized these bottom-up initiatives via pasantías and political leadership from the bottom up.

In this case, higher levels of government in partnership with NGOs have successfully institutionalized these bottom-up governance mechanisms using water irrigation improvement as a shared vision on which to build metagovernance. In many ways the story of the reservoirs is reminiscent of the idea of commons governance (Ostrom 1990). The Cullpe farmers adhere to several key design principles for common pool resources: equitable costs and benefits, broad participation, and recognition of management rights by higher authorities. Just as Ostrom (2002) argues, institutional innovation emerges from local cultural endowments and knowledge. However, whether this arrangement, with its relations of trust, can be extended into economic development governance is still an open question. In order to do so a common and shared vision around the need to improve regional economic development has to emerge as it did around the need to improve irrigation in Cullpe.

In this context, storytelling can be an important governance tool to define the joint mission of the network. In our Lurín case study, the story of Mayor Rojas served as an effective storytelling mechanism for the dissemination of water reservoirs in the region as a ‘best practice’ that should be replicated but also as an effective tool to align the goals of network actors in the region and convince them of the urgent need for coordination and joint action around water issues.

As we will see in following section, this has not always happened with other economic activities in Lurín. The successful governance structure that facilitated the emergence of tourism in Antioquia in 2005 has not been
institutionalized in the same way and therefore can be studied as an interesting case of governance failure.

**Tourism as economic development**

**History and role of tourism in economic development**

The success of tourism depends on the smooth functioning of the diverse network of actors involved.

Rosa Vásquez, provincial mayor of Huarochirí, has advocated a conception of tourism in the Lurín River Basin as an alternative to agriculture. Given the challenges of reaching agricultural markets outside the region, tourism should be interpreted as new economic activity but also as a way to increase local agricultural production too: “first we should attract tourism and then develop production to sell to these tourists.” One association member echoed, “if there is no tourism then nobody is going to buy the local products.” This is in contrast to most people involved in economic development in Lurín, who think that first agricultural production should be promoted so that other activities like tourism can emerge or complement income. However, the idea of diversification does support the idea of rural livelihoods.

**The emergence of tourism in Antioquia**

Given the decrease in agricultural production in the Basin in the mid 2000s, CIED started to think of new ways to generate income in the area. Given the presence of rural tourism in the neighboring village of Cieneguilla –where many Limeños go during the weekend looking for better climate and nature-the idea emerged to attract at least part of this tourism to Antioquia. While the close proximity to Lima and Cieneguilla was an advantage in comparision to more isolated villages in the Andes, three main difficulties had to be overcome: 1) the low quality of transportation infrastructure; 2) the lack of tourist services and facilities (such as restaurants, hotels, etc.) to attract and retain urban tourists beyond a visit of a couple of hours; and 3) the poor image of the town, which needed to be reconstructed and communicated as a tourist attraction. In this context, a house painting project emerged as a way to attend this third aspect while also influencing the other two.
As described by association members, the project to paint the houses came from the confluence of two factors: The idea came from CIED, and Cementos Lima, which is headquartered in the Basin and is the biggest concrete manufacturer in Peru, donated the equivalent of USD 2,000 to Antioquia through their social responsibility office to organize an international competition to recruit an artist to design the painting of the buildings. About 25 artists participated in the competition and the winner was Peruvian artist Enrique Bustamante, who proposed to paint different floral and animal designs in bright colors in all the houses of the village. Many complained that the motifs did not represent the local history and identity of the village or were too “feminine.” However, the project was received with enthusiasm by a group of Antioquia residents interested in developing tourism in the village. Under the name “Colores para Antioquia” (Colors for Antioquia), they formed a local committee of 5 village residents. These were people that already had an economic interest in tourism (for instance, one member had a travel tour company while his mother owned two small lodgings or hospedajes) and also people trained in tourism by NGOs. Together, they oversaw the
implementation process, which started in August 2004, and administered the donation of the painting and concrete.

The “Colores para Antioquia” association was also key to building trust among residents and convincing them about the benefits of joining the project. Although accounts differ, the association eventually grew to about 15 members, with even 25 members at some point. Fuller (2011) has also shown how the fact that the priest allowed them to paint the town’s church was a major event that led to the participation of the rest of the residents. By November 2004, about 30 houses had been fixed and painted (Fuller 2011). At this point, the national government became interested and through the program “Mejorando mi pueblo,” funded the second phase of the painting project. The Ministry of Housing also got involved by making improvements to the village’s main square, while the national agency FONCODES donated funds for a tourist office (Fuller 2011). FONCODES also gave them “pasantías” to learn about tourism initiatives in other places. The Ministry of Foreign Commerce and Tourism (MINCETUR) and the provincial mayor have also given them money to train local guides and conduct a tourist inventory.

Figure 7. House painting in Antioquia.

Photo credit: Sergio Montero Muñoz.
This initiative, including the final phase of public-private collaboration, resulted in significant improvements. The number of tourists in Antioquia has increased from 2,303 in 2006 to 5,527 in 2008, which in turn has improved the quality of life of Antioquia residents (Fuller 2011; Alfaro & Claverías 2010, 33, 34). Currently, about 200 tourists visit Antioquia every weekend during Lima’s winter (July-November) (Fuller 2011). However, the lack of tourist infrastructure such as hotels, restaurants and roads to the main tourist attractions limits the length of stay of tourists and therefore the economic potential of this new activity.

Residents also acknowledge the benefits that the painting project has had for the town in terms of improving the residents’ self-esteem and local identity, strengthening women’s participation in local economic activities and political issues, and improving houses and public spaces in the village as well as the quality of life of the population in general (Fuller 2011, Alfaro & Claverías 2010). A distinctive feature of the emergence of tourism in Antioquia is that, in contrast to other rural tourism projects arising from local uniqueness, in Antioquia difference was “produced” through the paintings (Fuller 2011:933). While this process experienced many obstacles, our interviews confirm that currently the project is seen in a positive light by most Antioquia residents and has also facilitated the emergence of a new generation of young people with interest in developing the tourism sector.

The Antioquia project is in many ways paradigmatic in Peru because it involved the collaboration of a large number of actors including local residents, the local government, national government agencies, an NGO and the private sector (Fuller 2011). Antioquia’s painting project has received many national and international prizes and, interestingly, it has become a model of sustainable tourism that has been replicated in neighboring villages such as San Damián and Lahuaytambo and other Peruvian villages far from Lurín such as Sogay (Arequipa) and San Jerónimo de Tunán (Huancayo) (Alfaro & Claverías 2010). Lima’s Regional Government and the municipality of Huaroqhi have also referenced the Antioquia painting project as a successful case of local economic development and public-private collaboration (Alfaro & Claverías 2010).

Market access and bottlenecks

Despite the physical improvements and the new tourist image of Antioquia, difficulties remain. Tourism has benefited a few residents that own hospedajes, one resident that owns a tour company, and the owner of the local restaurant; it has also increased the sales of local agricultural products during the weekends (Fuller 2011). However, the economic benefits derived from this
first set of investments in tourism are not high enough to provide an alternative to the vast majority of the villagers who still depend on agriculture.

The initial rhetoric used by the local government and NGOs of tourism as a communal economic activity that would benefit everybody equally—a goal that has not been realized—has resulted, paradoxically, in a decreased level of trust and collaboration efforts in tourist activities among residents. Another added difficulty for the establishment of tourism in the area is the fragmentation of the governance network that was initially very successful in implementing the house painting project. Finally, four difficulties remain that hinder the further expansion of tourism as an economic alternative in Antioquia: 1) the poor condition of the road that connects Antioquia with Lima; 2) the lack of tourist activities, services and facilities in Antioquia so that tourists remain after viewing the painted houses; 3) failures in the system of local governance that had initially succeeded in designing and implementing the painting project; and 4) distrust resulting from unequal benefits (Fuller 2011).

According to Mayor Rosa Vásquez of the provincial municipality, the community must be more involved and the project should not be appropriated by institutional figures such as the Mancomunidad: “This project should come from bottom-up not top-down. The Mancomunidad could help with certain things but the comuneros are the ones who must be involved together with the mayor in moving forward this project.” She adds that Antioquia’s tourism is not sustainable because there is nothing to do or to see apart from the painted houses in the village: “after tourists have a walk around the town, there’s nothing else to do.” What the NGOs are doing in Lurín is not contributing to the sustainability of tourism in the area “because they’re training a couple of people but only if the comunidad owns this project will it be sustainable.” Sustainability comes from resident involvement, not the leadership of temporarily elected officials.

**Human capital, governance and learning**

A closer analysis of the reasons behind the failure of the initial successful tourism governance structure that emerged in 2005 around the house painting project helps shed light on challenges faced by territorial governance initiatives. According to the interviews undertaken by Fuller (2011), by 2010 the collaboration around tourism issues in Antioquia had decreased substantially. The local government had stopped collaborating with CIED and blamed the NGO for selling the project as its own. On the other hand, members of the “Colores para Antioquia” association blamed CIED for intervening too much in
the association’s “internal issues” and were skeptical of the local government given the mayor’s initial disapproval of the project.

Our field interviews in 2012 confirmed the decrease in members of the “Colores para Antioquía” association. This resulted not just from the withdrawal of the elderly women from the association but also from the lack of commitment of other regional actors to the promotion of tourism. For instance, the newly elected mayor in Antioquia is not interested in promoting tourism and while there is an initiative from some of the members of the association to repaint the houses, neither the local government nor the NGOs operating currently in Lurín – CIED and CGDD- have been very active in engaging in this new initiative. While tourism is now part of most economic development strategies in Lurín by national government agencies such as FONCODES, there is still little coordination between the tourist and agricultural sectors. Further, multiple actors – from local associations, to NGOs, to the various levels of government – continue to battle for leadership of local tourism initiatives.

This has resulted in the fragmentation of the successful governance structure put into place in 2005 around the idea of tourism. Local actors have not succeeded in facilitating successful joint action either vertically, across multiple layers of NGOs and government, or horizontally, between associations or sectors. Another symptom of fragmentation is the lack of agreement around the next steps to expand tourism in the region. For instance, thanks to the connection of the members of the tourism association with artist Enrique Bustamante, a Peruvian professor at the Griffith Business School in Australia who had heard about the project came to Antioquia to help them develop a sustainable tourism strategy. They invited 18 people in Antioquia and neighboring villages to take part in a 2-day workshop. During the workshop they elaborated a sustainable tourist plan that determined that the first step should be to elaborate a ‘tourist inventory’ of the main tourist attractions and facilities of the area. Given the lack of support from the local government or NGOs, one member of the tourist association worked his connections. With the collaboration of MINCETUR and the mayor of Huarochirí, they were able to bring a group of 30 students from Lima to Antioquia to take pictures and elaborate the inventories. Rosa Vásquez, provincial mayor of Huarochirí, paid for the bus while a member of the association let them sleep in their hospedaje for free. The idea, according to one association member, was to initiate a strategic tourist plan that they would give to the mayor so that the local government would own the project. However, the mayor did not go to any of the workshop meetings. They also did not have the full collaboration of the NGOs operating in the area as CGDD was instead supporting an umbrella tourism working group to finalize the inventory and develop a tourist route rather than strengthening this association’s operations. This has resulted in the
the fragmentation and the creation of governance tensions and learning blockages among the many actors that take part in Antioquia’s emerging yet potentially productive tourism network.

From a governance and economic development perspective, it can be very fruitful to compare the relative governance failure of the tourism sector with the water reservoir story. In both cases, there is an innovation (water reservoir and house painting project), associations that are created to support the growth and spread of this innovation, and an interesting local and bottom-up story that rapidly get disseminated across different villages. In the case of the water reservoirs, however, there is a clear local leader (Teodoro Rojas) who is able to not only grow and replicate his innovation by creating multiple -and increasingly bigger- associations but also to introduce it in the political agenda by being the mayor of Tupicocha and later the president of the Mancomunidad. The shared vision that improving agriculture will benefit everyone served as a powerful governance mechanism that enabled both the creation of small associations and later to scale it up to local and regional level institutions, i.e., metagovernance. In the case of tourism, the vision was created and started to become more important as different actors became involved (NGOs, local government, national agencies, etc.). However, the priorities of the new mayor –who didn’t support tourism- and the diffuse effort to promote tourism in Antioquia resulted in governance failure and the duplication of efforts. Context matters as well: Tupicocha has more of a communal tradition than does Antioquia, and providing water for the agricultural sector benefits all local families, as compared to fortifying tourism, which benefits only a few.
Towards territorial governance for economic development in Lurín

The last twenty years have seen catalytic changes in the middle and upper Lurín River Basin. Among the most innovative and transformative have been the reservoir projects in Tupicocha and the painting in Antioquia; the apple vinegar plant and the ongoing efforts to develop tourism have been less successful. Accompanying these developments is the emergence of new governance mechanisms, including the Mancomunidad, the Council of Water Resources, and a network of NGOs. With a supportive national government as well, these new forms of governance offer hope to leverage even more change.

The examples of the reservoir and painting projects illustrate how effective territorial governance for economic development works through different types of learning, the development and mobilization of a shared vision, and efforts that are linked both vertically and horizontally. Both cases drew on three types of learning: technical expertise (Mayor Rojas’ engineering background and Enrique Bustamante’s artistic skills); story-telling (Rojas’ visit to Gallito Ciego dam, the inspiration to do tourism from the Cieneguilla example, and the subsequent pasantías to see other touristic places); and capacity-building (deep technical assistance and leadership development from CIED and now CGDD). The three types of learning work together: the pasantías and storytelling legitimate the technical expertise. As Juan Sánchez explains, “that one farmer sees that which the other is doing is better than having an engineer teach it to him.” All types of learning are facilitated in part through the efforts of the NGOs.

Both cases utilized both horizontal and vertical networks for “know-how” and “know-who,” creating a space for two-way learning and the creation of a community of practice around a common vision. In the reservoir case, local families organized (horizontal) joint action, articulated a clear vision for the future, and gained the attention of higher levels of government. In the tourism case, network contacts from outside (i.e., vertical) initiated the project, but then locals developed ownership, confidence and a shared vision for the paintings, then organizing joint action. In both cases, proximity to Lima has facilitated the transfer of knowledge. And as one mayor pointed out, because the visions and benefits are shared, these strategies are inclusive as well. Thus, the Lurín case is best understood by analyzing the socio-spatial context of the various governance mechanisms organized by social relations and sector as well as the metagovernance that support them, rather than conceptualizing it as a “learning region.”

The Lurín case has some important lessons for other rural regions with economic development needs. It suggests that while governance mechanisms
around a problem or need might emerge relatively easily, the consolidation and institutionalization of that effort is a far more difficult process. The development of a shared vision is key in order to scale up public-private projects to the regional level. However, the Lurín case shows that an effective shared vision and institutionalization of economic development initiatives will come only when actors in territorial governance identify and build on already existing collaborative projects and governance mechanisms from the bottom up. Governance mechanisms and learning may be easier to develop within a sector or within a clearly bounded problem area, particularly in the initial stages. Then, it is by building and supporting the different types of learning that territorial projects can be eventually successfully developed and institutionalized sustainably.

The success of the Mancomunidad, as an institution, cannot be separated from the different governance mechanisms and collaborations that have happened previously in the basin. The Mancomunidad offers the potential for institutionalizing and scaling up successful projects and initiatives; regional economic development strategies do not have to come from the Mancomunidad itself. The successes so far have built upon initiatives based on a shared understanding among farmers and residents in the Lurín River Basin of the need to improve water. To move this shared understanding towards a more comprehensive goal such as ‘territorial economic development’ might be too abstract to promote collaboration. It is worth returning to the idea of what makes the Lurín model unique – its consciousness of its territorial assets, and resultant ability to orient itself simultaneously to environmental sustainability, economic competitiveness, and social inclusion (Sánchez 2011).

How might a collective vision and identity emerge for the basin? We have found that the idea of keeping the youth from emigrating to Lima, as well as the issue of water, came up as key worries among the residents in many of the village meetings about the economic development plan. One approach might be to support governance mechanisms and association initiatives that build on specific and quantifiable problems at the level of individual sectors (e.g. water provision, tourism promotion, etc) while, at the same time, scaling up and institutionalizing these initiatives through the Mancomunidad. But to reflect the local focus on bringing the youth back home, the project might fortify these sectors through, for instance, supporting micro-enterprise for youth who locate businesses within the home community. The shared vision of the need to retain youth in the region may prove to be a successful way of building metagovernance for territorial economic development from the bottom up. The key therefore would be to provide financial support and institutionalize the initiatives that are happening rather than imposing a new agenda of projects and priorities from the top down.
The failures in governance – specifically, the challenges in economic development in agroindustry and tourism – seem to occur when these dynamics of learning and networks – and the leadership that grows out of these dynamics -- are absent. For instance, the apple vinegar plant is arguably a failed exercise in capacity-building, since training stopped short of capacity-building in marketing. The effort did not result in a shared vision, perhaps because it was too much of a top-down approach without local ownership. Similarly, in the case of tourism, there is a collective action failure along both vertical and horizontal dimensions. Despite the significant cultural and historic assets in the region, touristic efforts have not succeeded in gaining the national attention that the reservoirs have. Actors from outside the municipalities (particularly the NGOs) have not succeeded in making vertical connections, perhaps in part because they have not built on existing local associations. Instead of a shared vision, there is local fragmentation. Governance failure is due in part to the change in municipal administration, which has been less supportive of tourism. Still, if locals had succeeded in developing a collective vision for tourism, then they would have likely also elected a supportive mayor.

Thus, the successes in the basin are not yet about economic development, although the new 2021 Plan is a step in that direction. Despite considerable success in water governance, locals experience difficulty in extending this system to the management of economic development; joint governance of common pool resources like irrigation provides clearer costs and benefits than does managing the development of private enterprise. The failed apple processing plant is illustrative: many members of the association withdrew after the governance process failed to meet key design principles.

This creates a challenge for funders like the IDB/MIF, which would like to strengthen local economic sectors, particularly via supply chain strategies. These types of specific interventions may need to wait until they become part of a vision shared by locals. Instead, outside funders might best focus on ways of fostering different types of learning, not just within the basin but also at higher levels of government. Obviously, pasantías can play a catalytic role, but ideally their participants will not just sight-see but also gain some technical expertise and capacity (for instance, in teaching themselves how to market their agricultural products). Given the proximity of Lurín to Lima, there is an opportunity to create a form of pasantías in reverse, bringing officials to the river basin to learn not just about the reservoirs but also the infrastructure needs and tourism potential in the “last green valley.” Within the basin, actors within agroindustry and tourism will need to educate their communities more about the potentially broad benefits of developing these sectors.

Stimulating learning and fostering a vision might first require strengthening associations organized by sector. Neither the agriculture nor the tourism sector has developed a vision or even adapted well to changing
conditions. Both sectors would also benefit from stronger ties to higher levels of government (whether through pasantías or other forms of networks). Once these groups develop their own cohesive visions, then they might learn where there is common ground and begin coordinating. One example is the opportunity for tourism linked to organic food production. In this process of coordinating within sectors (vertically) and across sectors (horizontally), the basin may achieve metagovernance for territorial economic development.

This vision and coordination, then, can help scale up interventions for more impact, by providing both the validation that any program needs in order to be institutionalized, and the visibility that can lead to successful competition in regional and national contests, such as those for business plans or local development. Janet Pacheco suggests some ways this might work:

The most important challenge is to develop a successful model of addressing extreme poverty, validate this model, and replicate it. The challenge is to validate, systematize, and convert the experiences achieved into policy proposals. One set of policy proposals rotates around financial capacity, incorporation of women, and access to microcredit for farmers. This experience has already been validated and it is now necessary to generate the policies through which the regional governments can apply and diffuse them with the goal of generating sustainable work.

Notably, the MIF has worked to implement many of these types of programs successfully in many different venues. The key, then, will be to link the economic development approaches – whether access to credit, new cooperatives, or marketing -- more closely to the local vision and collective identity that grows out of awareness of territorial assets.

In a sense, supporting this process of mutual learning is itself a sustainable development strategy, one that can stabilize the Lurín communities and slow the pull of youth to Lima. Further, as Juan Sánchez argues, the country needs a national program for managing water basins, and Lurín offers a model that might take hold, if only others can learn about it. The challenge, according to Juan, is that

Our colonial state is contrary to an Andean vision. It never understood how to manage the challenge of Andean water, so it concentrated on the coast and the lower basin. But if one looks at Andean history, one sees the management of aquifers and rainwater collection systems.

Ironically, the CGDD and MIF seek to implant a different type of vision, for economic development that will integrate Lurín better with outside economies. By reconciling those visions, and sharing learning more broadly, the governance of the Lurín River Basin can position itself to make a difference.
This demand has been echoed by numerous scholars writing about rural Latin America (Giarraca 2001, Pérez 2001) and Peru (Escobal and Valdivia 2004, Fuller 2011).

The Municipal Mancomunidad was created in 2007 by Law N. 29029. This law defines the Mancomunidad as a voluntary agreement of two or more municipalities, adjacent or not, which join with the aim of providing services as a whole and execute different works in order to promote local development, citizen participation and the improvement on the quality of services to their citizens. Mayors, who serve on the Mancomunidad, are accountable annually to the municipalities they belong to, for the projects and resources used. They are also accountable to the Local Coordination Council. According to the Supreme Decree N. 046-2010-PCM, a Mancomunidad could exercise the competences and functions mentioned in LOM (Law 27972) and which have been delegated by the participating municipalities. The Mancomunidad will have, at least, the following structure: i) Executive Council and ii) General Management unit. A quorum is required for meetings and votes, and voting is by majority. The Mancomunidad receives different financial transfers from the municipalities of which they are comprised, from the goods and services given by the municipalities, from regional governments and provincial municipalities via the participatory budget, donations and other financial transfers.

Comunidades campesinas are autonomous organizations with legal authority, typically consisting of families or groups tied together by place, economic or property interests.

Particularly Juan Sánchez, formerly of CIED and now of CGDD, and Ricardo Claverías of CIED.

For more information, see a paper on special funds for published by the IEP on the topic, available at: http://archivo.iep.pe/textos/DDT/ddt152.pdf

There is a formal mechanism for this learning, specifically, the Council for Intergovernmental Coordination, which includes ministers from the national government, presidents of the regional governments, and mayors. However, these meetings are not well attended by the national government representatives. Instead, information (and funding) tends to flow more informally, or on an ad hoc basis.

“Somos una voluntad de municipalidades concertadas que busca el desarrollo integral, inclusivo y sostenible de la cuenca de Lurín a través de la planificación participativa y la cooperación pública-privada y sociedad civil, promoviendo el desarrollo económico territorial, el manejo sustentable de los recursos naturales, la valoración de nuestro patrimonio natural y cultural, el desarrollo de capacidades de municipios, organizaciones sociales y empresas, fortaleciendo la democracia.”
References


Fuller, Norma. 2011. Reflexiones sobre el Turismo Rural Como Vía de Desarrollo: El caso de la comunidad de Antioquia, Perú. Documentos Especiales


Appendix A

<table>
<thead>
<tr>
<th>ACRONYMS</th>
<th>Name</th>
<th>Definitions and Explanations</th>
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</thead>
<tbody>
<tr>
<td>AA</td>
<td>Agenda Agraria</td>
<td>The “Agrarian Agency” is a decentralized body of the Agriculture Regional Management Office and part of the Regional Government. It is the body that helps, among other things, to solve the problems of the organized farmers.</td>
</tr>
<tr>
<td>AAM</td>
<td>Asociación de Autoridades Municipales</td>
<td>The “Association of Municipal Authorities” refers to groups of local authorities with legal status. In particular, it refers to the Association of Municipal Authorities of Lurin. This association was the first step prior to becoming a “Mancomunidad”.</td>
</tr>
<tr>
<td>ALA</td>
<td>Autoridad Local del Agua</td>
<td>The “Local Water Authority” is the local body of the National Water Authority which is under the Ministry of Agriculture. It is the maximum technical and normative local authority of the National System of Water Resources Management. It is the body in charge of making the necessary decisions for the multi-sectoral and sustainable use of water resources in water basins, within the framework of the integrated management of natural resources, and by setting strategic alliances with local governments for improving the national environment.</td>
</tr>
<tr>
<td>AMPE</td>
<td>Asociación de Municipalidades del Perú</td>
<td>The “Association of Municipalities of Peru” is a group of local governments whose mission is to protect and consolidate the autonomy, functions and local competences, as well as to help in the process of decentralization, provide technical and legal advice and contribute to achieving high level of capacities in the local authorities.</td>
</tr>
<tr>
<td>ANA</td>
<td>Autoridad Nacional del Agua</td>
<td>The “National Water Authority” is under the Ministry of Agriculture and it is the maximum authority of the National System of Water Resources Management. It is in charge of making the necessary decisions for the multi-sectoral and sustainable use of water resources in water basins, within the framework of the integrated management of natural resources, and by strategic alliances with regional governments, to improve the quality of the national environment.</td>
</tr>
<tr>
<td>ANPE</td>
<td>Asociación Nacional de Productores Ecológicos</td>
<td>The “National Association of Ecological Producers” is the initiative of producers organized in groups, from the local level to the regional ones, in order to join initiatives and co-operate around national development proposals based on agro-ecology.</td>
</tr>
<tr>
<td>APRODAC</td>
<td>Asociación de Productores Agroindustriales de Cochahuayco</td>
<td>The “Association of Agroindustrial Producers of Cochahuayco” is an association of local farmers from Cochahuayco.</td>
</tr>
<tr>
<td>BID</td>
<td>Banco Interamericano de Desarrollo</td>
<td>InterAmerican Development Bank</td>
</tr>
<tr>
<td>BM</td>
<td>Banco Mundial</td>
<td>World Bank</td>
</tr>
<tr>
<td>Centros de Salud</td>
<td>Health Centers</td>
<td>Health Centers</td>
</tr>
<tr>
<td>CGDD</td>
<td>Centro Global para el Desarrollo y la Democracia</td>
<td>The Global Center for Development and Democracy is an NGO who works in the Lurin Basin promoting employment and local development.</td>
</tr>
<tr>
<td>CIED</td>
<td>Centro de Investigación, Educación y Desarrollo</td>
<td>Center for Research, Education and Development is an NGO which work in the Lurin Basin, promoting territorial development and a new way of understanding rural areas, in order to promote technological changes procedures that diversify and improve the quality of farmers’ production, in harmony with biodiversity and the environment.</td>
</tr>
<tr>
<td>CITEs</td>
<td>Centros de Innovación Tecnológica</td>
<td>The “Centers for Innovation Technology” are technological partners in enterprises whose mission is to raise the capacity for innovation and to reach more competitiveness and productivity. Each CITE is a meeting point for the State, academia, and the private sector to articulate the elements, within the Innovation System, for each chain of production.</td>
</tr>
<tr>
<td>ACRONYMS</td>
<td>Name</td>
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<tr>
<td>CNC</td>
<td>Consejo Nacional Competitividad</td>
<td>The National Council of Competitiveness is a coordination commission attached to the Ministry of Economy and Finance in charge of promoting (together with public sector entities and in alliance with the private sector) policies and strategies addressed to increase the levels of competitiveness of the country and its enterprises, with the aim of improving the quality of the citizens of Peru.</td>
</tr>
<tr>
<td>COFOPRI</td>
<td>Organismo de la formalización de la Propiedad informal</td>
<td>The &quot;Body for Formalization of Informal Properties&quot; is under the Ministry of Housing, Construction and Sanitation, and its function is executing the legislation on property rights, in order to give permanent legal security; transferring capacities to the Regional and Local Governments, respecting the cultural patrimony, the protection of environment and the improvement of the quality of life of the population.</td>
</tr>
<tr>
<td>Comité de Regantes</td>
<td>Irrigation Committee</td>
<td>The Irrigation Committee is formed when the number of Nucleus of irrigation are relatively high. The most effective Irrigation Committees, which have had the best results, are the ones who give the users an effective and timely technical assistance service and other kind of support.</td>
</tr>
<tr>
<td>CONFIEP</td>
<td>Confederación nacional de Instituciones Empresariales Privadas</td>
<td>The &quot;National Confederation of Private Business Institutions&quot; represents different private organizations, whose aim is to act as the main speaker of the national business platform before the State, public and private forums. It also provides a better way with communication and inter-sectorial coordination, support, and advice to the private sector.</td>
</tr>
<tr>
<td>DIGESA</td>
<td>Dirección General de la Salud</td>
<td>The &quot;General Board of Environmental Health&quot; is an entity under the Ministry of Health. It is the normative technical body related to issues of basic sanitation, occupational health, food hygiene, zoonosis, and environmental protection.</td>
</tr>
<tr>
<td>DRA</td>
<td>Dirección Regional Agraria</td>
<td>The &quot;Agrarian Regional Board&quot; is a dependent body of the Economic Development Management Office of the Regional Governments which is in charge of promoting agricultural productive activities. It is the main coordinating authority, at regional level, in the agricultural sector activities and also carries out the agrarian policies and projects at a regional level.</td>
</tr>
<tr>
<td>EIA</td>
<td>Estudio de Impacto Ambiental</td>
<td>The &quot;Environmental Impact Assessment&quot; is an instrument for incorporating the consideration of environmental issues into projects, during their conception, planification and execution.</td>
</tr>
<tr>
<td>FIDA</td>
<td>Fondo Internacional para el Desarrollo Agrícola</td>
<td>The &quot;International Fund for Agricultural Development&quot; is a specialized agency of the United Nations. It finances development projects, primarily for food production, in the developing countries. IFAD is dedicated to eradicating rural poverty in developing countries.</td>
</tr>
<tr>
<td>FOMIN</td>
<td>Fondo Multilateral de Inversiones</td>
<td>The &quot;Multilateral Investment Fund&quot; is a member of the IDB group. It supports private sector led development benefiting the poor, their businesses, their farms, and their households. The aim is to give low income populations the tools to boost their incomes: access to markets and the skills to compete in those markets; access to finance and to basic services, including green technology.</td>
</tr>
<tr>
<td>FONCODES</td>
<td>Fondo Nacional de Cooperación para el Desarrollo</td>
<td>The &quot;National Fund for Development Cooperation&quot; is a fund under the vice-ministry for social provision which is under the new Ministry of Development and Social Inclusion. Its mission is to promote, channel and assist the management of public and private resources to facilitate the access to basic social services, generate economic opportunities and improve human and institutional capacities that contribute to sustainable and inclusive local development, reducing poverty and integrating territories as well as co-ordinating with local governements and other institutions.</td>
</tr>
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### ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Name</th>
<th>Definitions and Explanations</th>
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<tbody>
<tr>
<td>FONCOMUN</td>
<td>Fondo de Compensación Municipal</td>
<td>The “Fund for Municipal Compensation” is a fund which has the objective of promoting investments in different municipalities of Peru, following a redistributive criteria in favour of remote and poor territories, giving priority to the rural and urban marginal areas of the country.</td>
</tr>
<tr>
<td>FONIPREL</td>
<td>Fondo de Promoción a la Inversión Pública Regional y Local</td>
<td>The “Fund for Regional and Local Public Investment Promotion” is a competitive fund whose aim is to co-finance public investment projects and pre-investment studies aiming to reduce the gap in the provision of services and basic infrastructure, that have a major possible impact in the reduction of poverty and extreme poverty in the country.</td>
</tr>
<tr>
<td>GOM</td>
<td>Grupo de Organización de Mujeres</td>
<td>Group of Organized Women</td>
</tr>
<tr>
<td>GTZ</td>
<td>German Technical Cooperation (ahora llamado GIZ)</td>
<td>German Technical Cooperation</td>
</tr>
<tr>
<td>IDMA</td>
<td>Instituto de Desarrollo y Medio Ambiente</td>
<td>The “Institute of Development and Environment” is an NGO which operates in Lurin Basin and whose main aim is to focus its action on sustainable rural development and poverty eradication, in alliance with the peasant population, small farmers and different sectors of society, taking into account the relation rural-urban and the dynamic between them for the development and the establishment of new forms of comprehension, assessment and contribution between rural and urban communities.</td>
</tr>
<tr>
<td>JAAS</td>
<td>Juntas Administradoras de Agua y Saneamiento</td>
<td>The “Administrative Board for Water and Sanitation” is a communitarian entity regulated by SUNASS (which is the National superintendent’s office for Sanitation services and it is under the Presidency of the Council of Ministries), and under the Ministry of Housing, Construction and Sanitation.</td>
</tr>
<tr>
<td>Junta de Regantes</td>
<td>Irrigation Board</td>
<td>This Board constitutes the high level of the users organization from an irrigation system. This irrigation system is a group of hydraulic structural elements (water capture work, main channel, secondary and tertiary channels, little engineering works like irrigation ditch, etc, harmonic and efficiently interrelated, which allows to guarantee a water supply) to irrigate or “water” crops. An irrigation Board is formed by all associations that share one or more main or secondary channels, in an area of specific irrigation. The Board has as its main objective to reach the auto management, democratic, equitative, participative of the water system transferred by the National Institute of Hydraulic Resources, through a solid administrative management of operation and maintenance of such system.</td>
</tr>
<tr>
<td>LOGR</td>
<td>Ley Orgánica de Gobiernos Regionales</td>
<td>Organic Law of Regional Governments</td>
</tr>
<tr>
<td>LOM</td>
<td>Ley Orgánica de Municipalidades</td>
<td>Organic Law of Local Governments</td>
</tr>
<tr>
<td>Mancomunidad Municipal de Lurín</td>
<td>Lurin Group of Municipalities</td>
<td>The “Lurin Group of Municipalities” is an association with a legal public status of six districts of Lurin Basin (San Andrés de Tucipocha, Santiago de Tuna, Antioquia, Luhuytambo, San Damión and Langa), which are located in the high and medium part of lurin Basin. Its objective is the provision of common services and the joint formulation and execution of public investment projects, prioritized by consensus, and articulating the capacities and resources in order to improve the quality of life of their citizens.</td>
</tr>
<tr>
<td>MEF</td>
<td>Ministerio de Economía y Finanzas</td>
<td>Ministry of Economy and Finance</td>
</tr>
<tr>
<td>MDIS</td>
<td>Ministerio de Desarrollo e Inclusión Social</td>
<td>Ministry for Development and Social Inclusion</td>
</tr>
<tr>
<td>MMDDES</td>
<td>Ministerio de la Mujer y Desarrollo Social (Ahora Ministerio de la Mujer y Poblaciones Vulnerables)</td>
<td>Ministry for Women and Social Development (now called Ministry for Women and Vulnerable Populations)</td>
</tr>
</tbody>
</table>
San Andrés de Tupicocha is a district in the Lurin Basin of Peru. It is a group of shared values (solidarity, transparency, honesty and respect) and it searches to influence in the instances of political, economic and social decision at a local, regional and national levels in order to contribute to the development of a model of integrated basin for sustainable development.

The "Program of Modernization and Decentralization of the State" is under the Presidency of the Ministries' Council. This programme is financed by an IADB loan. The coordination unit of this programme is under the Ministry of Production and it is responsible for the execution of the programme. The aim of this programme was to implement projects in order to promote the modernization and decentralization of the State.

The "National Program of Water Basins Management" was a programme under the Ministry of Agriculture whose aim was to design a social and technical proposal for the promotion and conservation of natural resources based on the cultural heritage. Now, this programme has become part of AGRORURAL, also under the Ministry of Agriculture.

The "Program of Modernization and Descentralization of the State" is under the Secretary of Public Management and it is responsible for the design, establish, execute and supervise national and sectoral policies that apply to the fishing sector and the SMEs industry. It also provides norms and technical guidelines for the correct implementation and supervision of policies, as well as, sector resources management.

The "Ministry of Production" was created in 2002 with the objective to design, establish, and supervise national and sectoral policies that apply to the fishing sector and the SMEs industry. It also provides norms and technical guidelines for the correct implementation and supervision of policies, as well as, sector resources management.

The "National Society of Industry" is a private institution that serves industry's interests while promoting its competitiveness, value generation and the sustainable development of the country.

The "National Society of Industry" is a private institution that serves industry's interests while promoting its competitiveness, value generation and the sustainable development of the country.

The "Network of Rural and Urban Municipalities of Peru" is an association of different municipalities in Peru that joined in order to press for their rights before the national government.

The "Program of Inversion Publica" Public Investment Project
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<tr>
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<th>Name</th>
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<tbody>
<tr>
<td>SEDAPAL</td>
<td>Servicio de agua potable y alcantarillado</td>
<td>The &quot;Service of drinking water and sewerage&quot; is a public enterprise constituted as a public limited company under private law. It operates in Lima, Callao and other provinces, districts and zones of the Lima Department that become a member through Ministerial Resolution given by the Ministry of Housing.</td>
</tr>
<tr>
<td>SENASA</td>
<td>Servicio Nacional de Salud Agraria</td>
<td>The &quot;National Service of Agricultural Health&quot; is a decentralised public body under the Ministry of Agriculture with technical, administrative, economic and financial autonomy. It is the national authority and the official body in terms of agrarian sanitation.</td>
</tr>
<tr>
<td>SNIP</td>
<td>Sistema Nacional de Inversión Pública</td>
<td>The &quot;National System of Public Investment&quot; is an administrative body of the state's system that through a series of principles, methods, procedures and technical norms certifies the quality of investment projects.</td>
</tr>
<tr>
<td>SNMPE</td>
<td>Sociedad Nacional de Minería y petróleo</td>
<td>The &quot;National Society of Mining and Oil&quot; is a business organization set up as an NGO that gathers together legal information related to mining, hydrocarbon and electric activities.</td>
</tr>
<tr>
<td>TICs</td>
<td>Tecnologías de la Información y Comunicación</td>
<td>Information and Telecommunication Technologies</td>
</tr>
<tr>
<td>UGEL</td>
<td>Unidades Gestión de la Educación Local</td>
<td>The &quot;Local Education Management Units&quot; are decentralized executing</td>
</tr>
<tr>
<td>UNICAS</td>
<td>Unidades de intermediación microfinancieras, Uniones de</td>
<td>These units of credit and savings is a starting point for economic</td>
</tr>
<tr>
<td>UNMSTM</td>
<td>Universidad Nacional Mayor de San Marcos</td>
<td>San Marcos University</td>
</tr>
<tr>
<td>ZEE</td>
<td>Zonificación Ecológica Económica</td>
<td>The &quot;Economic Ecologic Zonification&quot; is a process that identifies the best alternatives for the sustainable use of the territory and it is the technical base for land use planning.</td>
</tr>
</tbody>
</table>
Appendix B

Institutional Context: Decentralization in Peru

The push for territorial economic development in Lurín stems from the overall shift to a more decentralized governance system. While political, administrative, and fiscal decentralization processes in many Latin American countries had begun by the 1990s, in Peru the decentralization process was slower to unfold. Regionalization of some functions began under the first government of Alan Garcia (1985-1990), but Fujimori’s election in 1990 brought a new centralization of functions and the deactivation of the regional governments (in a deliberate effort to undercut the power of the political parties by strengthening direct democracy).

However, during the Alejandro Toledo administration (2001-06), and even more during the Alan García government (2006-2011), the country underwent a rapid decentralization process that assigned more decision-making power to municipalities, regional and provincial levels of government. The 2002 Decentralization Law not only reassigned responsibilities, but also explicitly suggested the importance of territorial development. However, fiscal decentralization did not necessarily follow; regional and local governments depend on discretionary transfers for funding, and most do not have clear criteria for distribution across regions (Narváez, 2009). Where competences are shared across levels of government, there continues to be confusion over responsibilities, and the jurisdiction over some areas, like economic development, remains unclear at the subnational level.

Even more problematic is the lack of local technical capacity to manage decentralized responsibilities. In many cases the infrastructure is now in place to administer functions without substantive expertise in policymaking and governance. Although the long tradition of participatory governance at the municipal level has created local capacity, many responsibilities have been given to the regional governments, which lack this tradition. According to one national official interviewed, despite significant investment in capacity-building by the national decentralization program, the new training has been generic, not linked to the specific functions decentralized. As a result, turnover rates remain high.

Peru has struggled to develop viable regional governments, arguably because it has imposed a top-down vision on the country (Lavalle et al. 2011). The lack of a clear and shared definition of a territorial organization for the country has resulted in duplication of regional government functions. There are
significant challenges in overcoming heterogeneity and developing joint management powers in Peru, as is the case in San Martín (Crabtree 2011). Indeed, in a referendum about the regionalization process that took place in 2005, a large majority of Peruvians refused the creation of new regions.

In this context, however, the institution of the “mancomunidad” has been widely celebrated by both citizens, academics and government officials as a successful model (Lavalle et al. 2011). “Mancomunidades” are supramunicipal institutions that emerge from a voluntary cooperation agreement among two or more local governments. Decentralization processes, the high number of municipalities in Peru and the lack of local capacity has resulted in many small villages not being able to provide required public services. In this context, mancomunidades have served to join forces among neighboring municipalities to better provide public services. As in the case of Lurín “mancomunidad,” analyzed in detail below, they also have a great potential to serve as catalysts of economic development projects by scaling up and transmitting knowledge about successful local initiatives to neighboring villages.

Economic Development Policies and Programs

Among the new responsibilities of decentralization in Peru is the promotion of local economic development. Despite this new emphasis in recent years, Peru has struggled to develop a national economic strategy and this is partly because of the weakness of its governance institutions. The new government under Humala has issued a new Agenda for Competitiveness (2012-13), with 60 goals for the private sector to achieve with the support of the central government. However, after devolving responsibilities to the subnational level, the national government has gradually realized that local areas need to develop new capacities to manage economic development.

Many Peruvian regions lack a strong private sector that promotes local or regional investments, and Lurín is no exception. Instead, the private economic structure is dominated by either micro-enterprises of individual farmers or their families or by one big mining conglomerate.

In the area of rural economic development, Peru has embraced critiques of sectoral and unisectoral development strategies (Giarracca 2001, Schejtmann and Berdegüé 2004) and is attempting to explore the possibilities of territorial and multisectoral approaches to rural development that emphasize strategic planning and public-private alliances, rather than relying solely on poverty assistance policies (Schejtmann and Berdegüé 2004, Escobar and Valdivia 2004). Most agricultural output from the Andes is consumed locally, and local producers have not succeeded in developing the export markets that are more
common in Peruvian coastal regions. Further, rural regions have been slow to diversify their economies, as evidenced by the concentration of Peruvian tourism in the Cusco-Macchu Picchu region (Ladkin and Martinez Bertramini, 2002). Compounding the problem is the disproportionate focus of the state on industrial and infrastructure development in its more urban areas.

Another recent novelty that has affected the capacity and investment resources of local governments in Peru, particularly in rural areas, is the “canon minero,” which requires that 50% of the taxes obtained from mineral extraction be devolved to the subnational entities where mines are located. This has brought many resources to some municipalities and, together with decentralization processes, has made more people interested in running for mayor or local office. Funds from “canon minero” can be spent in investment projects such as infrastructure or to increase productivity but not for operating expenses. This, however, has also become a source of local conflict and corruption at the local level (Arellano-Yangüas 2009). It may also make local officials complicit in favoring mine companies to start operations in their municipalities even if this risks agricultural production and/or pollutes water.

The following provides an overview of economic development programs relevant to the Lurín River Basin.

Established under President Alan García, a mechanism (PROCOMPITE) provides support for projects that are done collaboratively within producers’ associations or with other municipalities in the region. This fund supports private firms in making business plans, purchasing capital equipment, and meeting other needs. Projects that have been supported in local participatory budgeting processes get higher priority.

An increasingly active agency in rural economic development in Peru is Sierra Exportadora. Sierra Exportadora is a decentralized public organization established in 2006 that seeks to fight poverty and improve economic development in Peruvian rural areas through the promotion of national and international exports. While Sierra Exportadora does not have a sectoral focus, it emphasizes the following sectors: “agriculture, textile, jewelry, reforestation, agroforestry and tourism” (Peruvian Law 28890 2006, on the creation of Sierra Exportadora). Sierra Exportadora’s approach is to promote alliances in rural areas to improve supply chains in the Andes and their articulation with national and international markets.

FONCODES (Fondo de Cooperación para el Desarrollo Social), is another government agency that has had an impact in the Lurín River Basin. Established in 1991 to fund social, economic and productive infrastructure in poverty-stricken areas, the program has gone through significant changes over
the last 20 years. Since the 2000s, FONCODES has incorporated the element of social training (capacitación social) as well as emphasized more the participation of local governments in the design and management of economic development projects. Currently, FONCODES is attached to the Ministry of Development and Social Inclusion (MIDIS) and is now aligned with the new social policy of Peru and seeks to stand as a rural territorial development program that collaborates with local and regional governments, promotes equality of opportunities, the generation of capacities and the synergies of public-private associations. FONCODES also works together with international agencies to promote rural development initiatives. FONCODES does not have a particular sectoral emphasis and is instead increasingly adopting a territorial approach to development. In Lurín, FONCODES has funded different initiatives including agricultural, cattle and tourism projects. One member of Antioquía’s tourism association, notes how FONCODES sponsored “pasantías” to learn about tourism initiatives in other regions in Peru, but generally provides more support for agroindustry and cattle.

AGORURAL is the Rural Agrarian Productive Development program created in 2008 in Peru attached to the Ministry of Agriculture (MINAG). Agrorural seeks to alleviate rural poverty by promoting strategies that improve the quality of life of rural populations. The origins of AGORURAL are rooted in the river basin conservation program PRONAMACHS, a 27 year old program that had a centralized and sectorial focus and, according to Executive Director Janet Pacheco “had a state management logic rather than a logic that favored resource management by the very own farmers.” While mostly an agrarian development program, the new AGORURAL program recognizes in its vision the necessity to “promote consensus in alliance with local decision-makers in favor of an inclusive territorial economic development.” The goals of AGORURAL include designing and implementing rural development strategies and developing human capital in poverty-stricken areas; improving rural peasants’ access to national and international markets through technical assistance, training and information management; strengthening family and peasant communities organization through communication and training; and promoting strategic alliances at all levels to optimize resources.

Lurín’s economic development planning process is intended to position it to compete for the FIDA funds managed by AGORURAL. A local jury will award food production projects, with a total of USD 25 million available for Peru. A key challenge for AGORURAL is moving closer to the populations they service. They plan to open more than 80 offices at the local level, including one or two offices in the Lurín River Basin (Pacheco interview).